sasfin Holdings Limited

Annual Financial Statements

for the year ended 30 June 2021

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Indicates additional information available online or from the Company Secretary.

OUR REPORTS

Annual Financial Statements 2021
This report presents Sasfin's Annual Financial Statements and includes risk and capital management disclosures.

Integrated Report 2021
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 its subsidiaries

Banking Group: Sasfin Bank Limited and its subsidiaries

Bank: Sasfin Bank Limited

Wealth Group: Sasfin Wealth (Proprietary) Limited and its subsidiaries

Capital: Sasfin Capital (Proprietary) Limited

Company: Sasfin Holdings Limited

Statement of preparation

In terms of section 29(1)(e)(ii) of the Companies Act 71 of 2008 as amended, we confirm that these Annual Financial Statements were prepared under the supervision of Angela Pillay CA(SA), Group Financial Director, and have been audited in compliance with the requirements of sections 29(1)(e)(i) and 30(2)(a) of the Companies Act 71 of 2008 as amended.

Disclaimer

The Group has, in good faith, made a reasonable effort to ensure the fair presentation, 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 the Company, 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, No 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.

The directors of the Company are responsible for the controls over, and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders and to the Companies and Intellectual Property Commission. We remind you that the examination of controls over the maintenance and integrity of the Company's website is beyond the scope of the audit of the financial statements and if your directors' responsibilities statement does not include reference to this we will include it as a note at the end of the electronic version of our auditor's report. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the Website. However, if we do become aware of any subsequent amendments, we will notify the directors that the financial statements no longer correspond with the manually signed financial statements.

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. The Board has a reasonable expectation that the Company will have adequate resources to continue operating as a going concern in the financial year ahead.

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 for the year ended 30 June 2021 were approved by the Board and are signed on its behalf by:

Roy Andersen
Chair

Michael Sassoon
Chief Executive Officer

Angela Pillay
Group Financial Director

31 August 2021

Company Secretary's certification

I hereby certify that, in terms of section 88(2)(e) of the Companies Act, 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 2021, and that all such returns and notices as are required of a public company are true, correct and up to date.

Charissa de Jager
Company Secretary

31 August 2021

Chief Executive Officer and Group Financial Director's responsibility statement

In compliance with JSE Listings Requirement 3.84(k), the Directors, whose names are stated below, are of the view that –

a) the annual financial statements set out on pages 16 to 133, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Report on Corporate Governance for South Africa, 2016. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves Directors, and have taken the necessary remedial action.

Michael Sassoon
Chief Executive Officer

Angela Pillay
Group Financial Director

31 August 2021

Group Audit and Compliance Committee report

Introductory comments

The Group Audit and Compliance Committee (GACC/the Committee) is pleased to present its report in respect of the 2021 Annual Financial Statements of Sasfin Holdings Limited (the Group or Sasfin), in compliance with section 94(7) of the Companies Act. The Committee's functions are further informed by the Companies Act, the Banks Act, the JSE Listings Requirements and King IV Report™ on Corporate Governance for South Africa, 2016 (King IV™)* and are set out in its Charter which is approved by the Board.

Committee composition and assessment of its performance

In terms of the Banks Act, which takes precedence over the Companies Act, members of the Committee are appointed by the Board and hence not by the shareholders. Only Independent Non-Executive Directors are eligible to serve on the Committee.

Members	Appointed	Resigned
Mark Thompson	**21 June 2019**	
Richard Buchholz	**7 March 2018**	
Grant Dunnington	**29 July 2013**	
Thabang Magare	**19 December 2019**	21 June 2021
Deon de Kock	**19 August 2020**	
Tapiwa Njikizana	**3 May 2021**	

The Committee noted with regret the resignation of Thabang Magare and express their gratitude for his service. The Committee heartily welcomed the appointment of Tapiwa Njikizana.

The Committee holds private meetings with the External Auditors, the Head of Internal Audit and the Group Financial Director. The Chair of the Board, Executive Directors, executive management and representatives of the External Auditors are invitees to meetings of the Committee.

The Chair of the Committee has regular contact with the management team to discuss relevant matters directly. The internal and external auditors have direct access to the Chair of the committee on any matter that they regard as relevant to the fulfilment of their responsibilities.

Functions of the committee

The role of the Committee is to assist the Board to fulfil its oversight responsibilities in areas such as financial reporting, internal control practices, compliance, governance, and the Internal and External Audit functions.

The functions of the Committee are outlined in its Charter, which was reviewed and updated during the year and is available on the Sasfin website.

Activities during the year

During the year under review the Committee, among other matters, dealt with the following:

Financial control and financial reporting

- Reviewed the Interim Results, Annual Financial Statements, Integrated Report, dividend declarations and trading updates of the Group, and recommended those to the Board for approval;
- Assessed the appropriateness of the going concern basis for the preparation of the Interim Results and Annual Financial Statements and the solvency and liquidity tests in support of financial assistance and distributions;
- Assessed the accounting policies and key assumptions applied in the preparation of the Annual Financial Statements, as well as technical reporting matters relating to complex accounting issues, exceptional transactions and significant accounting judgements, estimates and restatements;
- Oversaw compliance of the Interim Results and Annual Financial Statements with IFRS and the material JSE Listings Requirements;
- Considered the annual JSE Proactive Monitoring report to enhance the integrity of the financial information in the Annual Financial Statements; and
- Reviewed the adequacy and effectiveness of the internal financial controls and reporting processes. Where weaknesses were identified, specifically on system-related controls and processes, the adequacy and design of compensating controls instituted by management were considered. Supported by the work of Internal Audit and other assurance providers, the Committee satisfied itself as to the overall adequacy and operating effectiveness of the internal financial control environment and noted the improvements made during the year and those planned for the year ahead.

Group Audit and Compliance Committee report continued

The Committee noted the JSE amendments to the listing requirements (paragraph 3.84 (k) thereof; effective 2 December 2019) together with the JSE guidance note dated 17 July 2020, as it pertains specifically to the responsibility of the Chief Executive Officer and Group Financial Director to affirm the fair presentation of the annual financial statements and the adequacy and efficacy of internal financial controls and reporting processes. As required by the new JSE listing requirements, the CEO and CFO have disclosed to the Committee and the Auditors a comprehensive list of the deficiencies in the design and operational effectiveness of the internal financial controls, together with a description of the actions required to remediate these deficiencies and by when this will be done.

External Audit

- Recommended for re-election PricewaterhouseCoopers Inc (PwC) as the audit firm, and Mr. Vincent Tshikhovhokhovho as the engagement partner, for shareholder approval;
- Ensured that the appointment of the auditor complied with all the legislation regarding the appointment of auditors;
- Was satisfied that non-audit related services carried out by the External Auditors were in accordance with the Board-approved non-audit services policy which places limits on non-audit services provided by the External Auditors;
- In consultation with the executive management, approved the engagement letter, audit plan and budgeted fees for the 2021 financial year; and
- Promoted and enabled effective communication between the External and Internal Audit functions.

The Committee is satisfied that PwC is independent of the Group, and the partner who is responsible for signing the Group's Annual Financial Statements, as set out in section 94(8) of the Companies Act, has the requisite skills and expertise. This included consideration of:

- the representations by PwC to the Committee, including the auditor's suitability assessment in terms of the JSE Listing Requirements;
- the independence of PwC not being impaired as set out by IRBA, as well as other regulatory and internal processes within the audit firm; and
- policies and controls regarding non-assurance services provided by PwC.

Internal Audit

- Reviewed and approved the Internal Audit Charter, the annual audit plan and amendments thereto, and the Internal Audit budget for the financial year;
- Reviewed audit reports issued by Internal Audit, including considering any weaknesses in controls that were identified and the corrective actions proposed by management;
- Considered quarterly status update reports on the movements of internal and external audit findings; and
- Evaluated the independence and performance of the Group Internal Audit function and the Head of Internal Audit. The Committee concluded that the Head of Internal Audit and the function were independent and effective for the period under review.

The Head of Internal Audit reported regularly to the Committee and had unrestricted access to the Committee Chair. In her annual statement regarding the effectiveness of the Group's governance, risk management, and control processes the Head of Internal Audit expressed the opinion that material internal controls, including those over financial and other reporting processes, were adequately designed, satisfactorily implemented, and operated effectively to allow reliance to be placed by users on external reports issued by the Group. Specifically in relation to controls over financial reporting, she has attested that Internal Audit did not identify any significant weaknesses in the design, implementation or execution of these controls that had resulted in, or were likely to result in material financial loss, fraud, corruption or error.

The Committee noted the resignation of the erstwhile Chief Audit Executive, Richard Warren-Tangney, in February 2021. Ingrid Ravenscroft joined the Group in April 2021 as the new Head of Internal Audit.

Compliance

- Reviewed and recommended the Compliance Charter and the annual compliance and monitoring plan;
- In terms of a decision taken by the Board during February 2021, compliance oversight was delegated to the Directors Affairs and Nominations Committee. This committee is no longer primarily responsible for compliance oversight. The Head of Group Compliance continued to attend meetings of the Committee to report any significant compliance matters as required in terms of the Regulations relating to Banks.

Combined Assurance

Requested certain enhancements to the Group's Combined Assurance Framework. These are being implemented with the aim of improving co-ordination of activities across the business, and providing reasonable assurance as to the integrity of the financial and regulatory reporting of the Group, that key risks are identified and managed appropriately, and that the Group's main governance systems are suitably designed and operating effectively.

The activities coordinated via the Combined Assurance Framework include line functions that own and manage risk, compliance and control activities at that level; specialist functions that oversee risk and compliance; independent assurance activities such as those performed by Internal Audit, various oversight committees such as this Committee, the CLEC, and the GRCMC; independent external service providers including the External Auditors, property valuators, and other specialists engaged for specific assurance purposes where appropriate; and the Group's regulators.

The Combined Assurance Framework now also incorporates an assurance map whereby key internal financial and reporting controls and processes over key financial statement line items are reported on. The assurance map enhances assurance over the financial and regulatory reporting of the Group and supports the financial reporting attestations required from the CEO and CFO in terms of the new JSE amendments to the listings requirements.

The Committee is of the view that the Group's new Combined Assurance arrangements are suitably designed and bedding down well.

Expertise and experience of the Finance function and the Group Financial Director

- Received regular reports from the Group Financial Director regarding the financial performance of the Group, the tracking and monitoring of key performance indicators and regulatory ratios, and details of budgets, forecasts and long-term plans;
- Considered updates on the enhancement of the financial reporting controls and processes, and the adequacy and reliability of the management information used in the financial reporting process;
- Received feedback from both Internal and External Audit regarding the financial control environment;
- Considered the responsibilities of the Finance function and concluded on the appropriateness thereof;
- Considered the expertise, resources and experience of the Finance function and the senior management responsible for this function; and
- Considered the experience, effectiveness and expertise of the Group Financial Director and concluded that these were appropriate.

Key audit matters as reported by the external auditors

The Committee considered the Key Audit Matters as reported by the External Auditors as part of the PwC audit report.

These matters are also key aspects considered by the Committee as part of the year end reporting process in recommending the Annual Financial Statements, as well as the adequacy and effectiveness of internal controls, to the Board for approval and disclosure.

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

Impact of COVID-19

The areas most impacted by COVID-19 include:

- Expected credit loss (ECL) assessment (IFRS 9 macro-economic scenarios, probabilities, and staging); and
- Fair value measurement on level 3 financial instruments and Property Equity instruments.

Steps taken by the Committee to consider the above are described to below.

Expected credit losses

This is an area that is also reviewed by the CLEC, before consideration by this Committee. The Committee considered the Group's calculation of expected credit losses, with specific review and consideration given to the macro-economic scenarios used to calculate the COVID-19 ECL overlays. In addition, the Committee reviewed the appropriateness of the forward-looking macro-economic scenarios used in the measurement of ECL in South Africa. Finally, the Committee considered the appropriateness of the proposed ECL on the Land Bank Bills and other Government Backed Securities and noted the specific assertions made by management in support of the ECL.

The Committee also paid specific attention to the IFRS 9 disclosure in the Annual Financial Statements and considered its appropriateness. The Committee also had explicit discussions with the External Auditors in order to satisfy itself in this regard.

Group Audit and Compliance Committee report continued

Valuation of Private and Property Equity Investments

The Committee considered the oversight in this regard by the CLEC, which reviews Private and Property Equity valuations on a bi-annual basis. The assumptions, judgements and methodology and recommendations by independent external valuators were reviewed and discussed by the Committee to enable it to satisfy itself as to the reasonableness of the valuations. The Committee also had a specific discussion with the External Auditors in order to satisfy itself in this regard.

Going concern assessment

The Committee assessed, on behalf of the Board, and recommended to the Board that it was appropriate for the financial statements to be prepared on a going concern basis. In this process, it considered reports on the Group's latest five-year budget plan, profitability, capital, liquidity and solvency, and the impact of legal proceedings. Together with the GRCMC, the Committee considered the results of various stress tests based on different COVID-19 economic scenarios and the possible impact of COVID-19 on the ability of the Group to continue as a going concern.

In conclusion

The Committee is satisfied that it has fulfilled its responsibilities and complied with its legal, regulatory and governance responsibilities as set out in its mandate.

Mark Thompson CA(SA)
Chair – Group Audit and Compliance Committee

31 August 2021

Directors' report

Nature of business

Sasfin Holdings Limited (the Group or Sasfin) is a bank-controlling company listed on the JSE Limited (JSE). Sasfin and its subsidiaries provide a comprehensive range of specialist financial products and services focused on the needs of asset suppliers, small and medium businesses and institutional and private clients.

COVID-19

The operating conditions in the second half of 2021 were better than what was originally anticipated at the start of the Covid-19 pandemic. This is evidenced by the upward projections on GDP growth, with early interventions by government to stimulate growth and increased rollout of vaccines across the country. The impact of the more positive conditions in the second half was evidenced by improved collections and consequential improved credit impairments. The Group managed to grow total income across all business segments from increased volumes, improved pricing and uplift in fair value measurements in our Specialised Lending and Property portfolios, which have shown good growth over the year.

Financial results

The Group's headline earnings increased by >100% to a profit of R141.07 million (2020: loss R48.617 million). Headline earnings per share increased by >100% to 438.24 cents (2020: loss 151.00 cents). This is due to a significant decrease in the credit impairment charge and an increase in revenue from improved margins and increased mark to market valuations on our fair value loans. As a result of the improved performance, a final ordinary share dividend of 131.02 cents per share was declared.

Directorate and changes to the board

Ms Nontobeko Ndhlazi was appointed as a Non-executive Director and Mr Deon De Kock, an Independent Non-executive Director with effect from 19 August 2020. Mr De Kock serves on the GACC, GRCMC, REMCO and IT Committee and Ms Ndhlazi on the SEC.

Mr Tapiwa Njikizana was appointed as an Independent Non-executive Director with effect from 3 May 2021, and serves on the GACC and GRCMC.

Mr Thabang Magare resigned on 21 June 2021 due to the increased demands of his external business commitments. He served on the GACC and IT Committee.

Directors and company secretary

Independent Non-executive Directors		Appointed	Resigned
Roy Andersen[1]	Chair	**14 February 2011**	
Grant Dunnington[1]		**25 February 2010**	
Richard Buchholz	Lead	**7 March 2018**	
Mark Thompson		**21 June 2019**	
Eileen Wilton		**6 August 2019**	
Thabang Magare		**19 December 2019**	21 June 2021
Deon de Kock		**19 August 2020**	
Tapiwa Njikizana		**3 May 2021**	
Non-independent, Non-executive Directors			
Gugu Dingaan		**7 March 2018**	
Nontobeko Ndhlazi		**19 August 2020**	
Roland Sassoon		**1 January 2020**	
Shaun Rosenthal	Alternate	**7 March 2018**	
Executive Directors			
Michael Sassoon	Group Chief Executive Officer	**1 January 2018**	
Angela Pillay	Group Financial Director	**1 March 2018**	
Company Secretary			
Charissa de Jager		**13 December 2019**	

[1] *Roy Andersen Director and Chair of the Boards of Sasfin Holdings Limited and Sasfin Bank Limited, and Grant Dunnington Director of the Boards of Sasfin Holdings Limited and Sasfin Bank Limited will retire at the AGM on 25 November 2021.*

Directors' report continued

Share capital

Ordinary share capital

There were no changes to the authorised ordinary share capital.

Preference share capital

Sasfin Holdings Limited entered into a scheme of arrangement whereby the Company would acquire all of the non-redeemable, non-cumulative, non-participating variable rate preference shares in issue by way of a share-buyback, this took place on 5 July 2021.

Refer to notes 25 and 48.

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 2021.

Special resolutions passed

Special resolutions passed during the year are available for inspection.

Events after the reporting date

The Board is not aware of any material events that occurred after the reporting date and up to the date of this report, apart from those mentioned in note 48 to the Annual Financial Statements.

Independent auditor's report

To the Shareholders of Sasfin Holdings Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

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 (the Company) and its subsidiaries (together the Group) as at 30 June 2021, and its consolidated and separate financial performance and its 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.

What we have audited

Sasfin Holdings Limited's consolidated and separate financial statements set out on pages 18 to 135 comprise:

- the consolidated and separate statements of financial position as at 30 June 2021;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies, excluding the section marked as "unaudited" in note 46 to the consolidated financial statements and note 26 to the separate financial statements.

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

Independence

We are independent of the Group 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 corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Our audit approach

Overview

Overall group materiality

R19.5 million, which represents 1% of consolidated income, which comprises interest and similar income, fee and commission income, gains on financial instruments and other income.

Group audit scope

Full scope audits were performed for four components that were considered to be financially significant to the Group. On the remaining financially insignificant components, we performed audit procedures on three components based on the risks associated with these components and analytical procedures over the remaining components.

Key audit matters

- Expected credit losses; and
- Valuation of private and property equity investments.

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

Independent auditor's report continued

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

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

Overall group materiality	R19.5 million
How we determined it	1% of consolidated income, which comprises interest and similar income, fee and commission income, gains on financial instruments and other income.
Rationale for the materiality benchmark applied	We chose consolidated income as the benchmark because, in our view, it is the most suitable benchmark for the Group, due to the fact that the consolidated profit before tax for the Group is volatile year-on-year and the Group has a higher cost to income ratio than other commercial banks in the industry. Furthermore, consolidated income has remained consistent for the past three years. We chose 1% which is consistent with quantitative materiality thresholds used when using income as the benchmark.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements are a consolidation of the Company and 20 subsidiaries (each considered a component for the purposes of our group audit scope). We conducted full scope audits on four components, based on their financial significance to the Group. On the remaining financially insignificant components, we performed audit procedures on three components based on the risks associated with these components and analytical procedures over the remaining components.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team and by component auditors operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Further audit procedures were performed by us as the group engagement team on the consolidation process. The work performed by component auditors, together with these additional procedures performed at the group level, provided us with sufficient evidence to express an opinion on the Group's consolidated financial statements as a whole.

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	How our audit addressed the key audit matter

Expected credit losses ("ECL")

Refer to the following accounting policies and notes to the consolidated financial statements for details:

- Note 1.13 *(Financial instruments – Policy)*;
- Note 2.1 *(Impact of the Covid-19 pandemic)*;
- Note 2.2.1 *(Critical estimates and judgements and restatements – Credit impairment of loans and advances)*;
- Note 2.2.1 (Critical estimates and judgements and restatements – Credit impairment of negotiable securities)
- Note 5 (Negotiable Securities);
- Note 9 *(Loans and advances)*; and
- Note 43 *(Credit risk)*.

At 30 June 2021, gross loans and advances amounted to R6.9 billion, against which an ECL of R535 million was recognised while gross negotiable securities exposures amounted to R2.2 billion, against which an ECL of R124 million was recognised.

In calculating the ECL on loans and advances and negotiable securities, in terms of the International Financial reporting Standards (IFRS) 9 – *Financial Instruments* ('IFRS 9'), the key areas of significant management judgement and assumptions included the following:

- Determining whether evidence exists that there has been a significant increase in credit risk (SICR) since initial recognition in accordance with the Group's SICR definition as disclosed in note 1.2 to the consolidated financial statements and the impact of Covid 19.
- Determining the inputs to be used in the ECL model, i.e. Probability of Default (PD), Loss given default (LGD), Exposure at default (EAD) and Time to default (TDD) that are used to estimate the ECL for each of Stage 1, Stage 2 and Stage 3 exposures.
- Determination of the write-off point. The Group considers that to be the point at which there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that there is no realistic prospect of recovering the monies owed.
- Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement.
- Determining the impact of forward-looking information on the ECL. The forward-looking nature of the ECL model requires estimates about the macro-economic outlook. In light of the changing economic environment brought about by the sovereign downgrade and the Covid-19 pandemic, the macro-economic factors considered as part of the forward-looking information is the Gross Domestic Product (GDP).
- Assessment of ECL raised for credit impaired assets.

Our audit procedures addressed this key audit matter as follows:

Through inspection of underlying supporting documentation, we obtained an understanding of the following management implemented controls over its credit systems and processes:

- Information technology controls supporting credit systems and processes.
- Relevant credit risk assessment controls that facilitate the identification and measurement of credit risk across all lending products.
- Review of the high care clients, annual review of credit files, approval of external collateral valuation vendors and approval of significant individual impairments.

Evaluation of SICR

Making use of our credit expertise, we assessed the reasonableness of the SICR definition and assumptions applied in the ECL model by performing the following procedures:

- We recalculated the ageing for a sample of loans and advances with reference to underlying supporting documentation. No material exceptions were noted.
- We selected a sample of Stage 1 and Stage 2 exposures and assessed whether the stage classification of these exposures was appropriate in terms of the Group's accounting policy for SICR at reporting date since the origination date of these exposures.
- For payment holidays we assessed whether the risk rating assigned to clients was purely due to Covid-19, or due to the fact that the client was experiencing financial difficulties prior to Covid-19 through inspection of approvals for restructures and also evaluating whether or not the client was performing before the restructure.
- We tested the performance of SICR thresholds applied and the resultant transfer rate into Stage 2 for SICR. This included benchmarking of the volume of up to date accounts transferred to Stage 2 based on historical data.
- We evaluated management's processes for identifying Stage 3 exposures by selecting a sample of exposures not classified at Stage 3 to assess whether the stage classification was in line with the Group's accounting policy for the definition of default for Stage 3 exposures.

Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
Expected credit losses ("ECL") continued	
We considered the ECL on loans and advances and negotiable securities to be a matter of most significance to our current year audit due to the following: • The degree of judgement and estimation applied by management in determining the ECL; • the uncertainty related to the unprecedented global and local economic stress due to the COVID-19 pandemic; • the magnitude of the exposures and the ECL recognised in relation to the consolidated financial statements; and the effect that ECL has on loans and advances and negotiable securities, and the Group's credit risk management processes.	We have performed an independent assessment on management's SICR definition whereby we compared the transfer of accounts from performing to arrears over a 12-month period and concluded that there is an insufficient amount of accounts being transferred under the 7 day rule for the rental product. The impact on ECL is not material given that management measures the transferred population conservatively using stage 2 parameters rather than stage 1 lifetime as prescribed by the standard. **Evaluation of write-off point** Making use of our credit expertise, we evaluated the reasonableness of the write-off point applied in the ECL model by performing the following procedures: • We assessed the point at which there was no reasonable expectation of further recovery against the requirements of IFRS 9. • We tested the application of the IFRS 9 write-off principles, including the exclusion of post write-off recoveries from the LGD as determined by management by obtaining the approved write-off schedules to inspect whether the write-offs were appropriately approved. Based on our work performed, we accepted the write-off point applied by management as reasonable. **Calibrating of ECL statistical model components (PD, EAD, LGD)** We assessed the reasonableness of the PD, EAD and LGD used in the ECL model by performing the following procedures: • We assessed the quality of the data used in the credit management, reporting and modelling process for completeness and accuracy through data analytics and substantive procedures, with specific focus on the appropriateness of assumptions made by management in determining the applicable macroeconomic inputs, credit ratings, EAD, PD, LGD and valuation of collateral in the current economic climate. • Through discussions with management and inspection of relevant documentation, we obtained an understanding of the methodologies and assumptions used by management in the various ECL model components and how these were calibrated to use historical information to estimate future cash flows. • We independently recalculated the ECL and derived a range of ECL values. Based on our work performed, we accepted the PD, EAD and LGD used in the ECL model.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses ("ECL") continued	
	Inclusion of forward-looking information and macro-economic variables in the ECL Making use of our credit and economic experts, we assessed the reasonableness of the forward-looking information and macro-economic variables applied in the ECL model by performing the following procedures: • We obtained an understanding of managements' process and key controls including approvals for the FLI methodology and evaluated the appropriateness of forward-looking economic expectations included in the ECL by comparing it to independent industry data. • We assessed the reasonableness of both the base case scenario and alternative scenarios used in the determination of the forward-looking impact by performing an independent view of the macroeconomic scenarios and associated variables, challenged the reasonability of assumptions applied, performed independent modelling, and critically evaluated counterparty-specific estimates. • We assessed the reasonableness of the economic stresses used by management in estimating the impact of Covid-19 on forward-looking information by considering historic LGD and PD sensitivity to the stress, and the historic correlation of PDs to lower income and lower GDP, as evidenced by changes in client behaviour • We also considered the level of ECL estimates, based on other commercial bank's insights and the Group's specific portfolio nuances. • We independently recalculated the ECL taking into consideration our assessment of the expected FLI range and noted that management had sufficiently catered for the FLI. **Assessment of ECL raised for individual exposures** Where ECL has been raised for individual exposures, we performed the following procedures to assess the reasonableness of management's assessment of the recoverability of the exposure, and the reasonableness of the valuation of the collateral held: • For a sample of Stage 3 exposures, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level. Our assessment included evaluation of the assumptions against the industry in which the client operates, as well as the client's financial information. • For collateral held, we inspected legal agreements and other underlying documentation to assess the existence and the Group's legal right to the collateral held, as well as the realisability thereof. We noted no material exceptions in this regard. • The collateral valuation techniques applied by management were evaluated against the Group's valuation guidelines. Based on our work performed, we accepted management's assessment of the recoverability of the exposure and collateral held.

Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
Valuation of private and property equity investments	
Refer to the following accounting policies and notes to the consolidated financial statements for details: • Note 1.13 *(Financial instruments – Policy under IFRS 9)*; • Note 2.1 *(Impact of the Covid-19 pandemic)*; • Note 2.3 *(Critical estimates, judgements and restatements – Private Equity investment valuations)*; • Note 2.4 *(Critical estimates, judgements and restatements – Property Equity investment valuations)*; • Note 2.5 *(Critical estimates, judgements and restatements – Fair value)*; • Note 10 *(Investment Securities)*; and • Note 41 *(Classification of assets and liabilities – Accounting classification and fair values)*. Included in the Group's investments measured at fair value through profit and loss as at 30 June 2021, are private and property equity investments with a fair value of R520m. We considered the valuation of the Group's private and property equity investments to be a matter of most significance in the current year audit of the consolidated financial statements due to: • the significant judgement applied in determining the fair value of these investments, which includes determining the appropriate model and inputs; • the significant judgement applied in determining fair values due to the impact of the Covid-19 pandemic on private and property equity investments; and • the magnitude of the fair value of these investments in relation to the consolidated financial statements. In relation to the valuation of private equity investments, the Group mainly follows a discounted cash flow or earnings methodology, which is corroborated by a market multiples approach, where appropriate. The assumptions and judgements applied in these methodologies and approaches are disclosed in note 2.3 to the consolidated financial statements. In relation to the valuation of property equity investments, the Group obtains third party valuations from registered professional valuers with experience relevant to the types of properties being valued, and applies the net income capitalised methodology. The assumptions and judgements applied in the net income capitalised methodology are disclosed in note 2.4 to the consolidated financial statements.	Our audit procedures addressed this key audit matter as follows: Through discussions with management, we obtained an understanding of the relevant controls over the valuation of private and property equity investments. Through inspection of underlying supporting documentation and attendance of Credit and Large Exposures Committee meetings, we evaluated the design and implementation of the following controls supporting the valuations of private and property equity investments: • the adequacy of detailed analysis performed by management of forecasts and trends and comparing these to actual results; and • the adequacy of the Group's Capital and Investment Committee (combined with Credit and Large Exposures Committee) governance controls over the approval of valuations of private and property equity investments. With the assistance of our valuations expertise, for a sample of private equity investments, we assessed the reasonableness of the fair values by performing the following procedures: • We evaluated the appropriateness of the valuation methodology against industry available information and IFRS requirements and found it to be appropriate. • We considered the consistency of the assumptions and methodologies utilised in the current year to those of the prior year and assessed the reasoning for any significant changes from the prior year to be appropriate. • We evaluated the reasonableness of the discount rates and terminal growth rates as well as valuation adjustments applied to the forecasted cash flows with reference to the best available independent market information, taking into account financial services industry benchmarks and inflationary prospects within the country. • We inspected the cash flow forecasts to consider whether it reflects the most recently approved management budgets and represents management's best estimate of future performance taking into account the significant impact of the restrictions as a result of Covid-19. In addition, the current and previous years' forecasts were compared to actual performance and our assessment did not identify any material differences in this regard. • We independently recalculated the valuations utilising independently sourced inputs and assumptions, in accordance with the discounted cash flow approach or earnings methodology, and compared our results with that of management. While our range is, itself subjective, the result fell outside of our independently determined range for three investments included in our samples. We discussed with management the rationale for the difference which was due to differences in inputs applied and agreed that it was a reasonable explanation.

Key audit matter	How our audit addressed the key audit matter
Valuation of private and property equity investments continued	
Furthermore, the Covid-19 pandemic has also impacted the fair values of the Group's private and property equity investments which has also resulted in an increase in the level of estimation uncertainty applied by management in determining the fair values of these investments. In terms of IFRS 13 – *Fair value measurement*, these investments are classified as level 3, in terms of the fair value hierarchy, which implies that the value is determined with reference to unobservable inputs and includes investments that are valued using quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the investments.	With the assistance of our valuations expertise, for a sample of property equity investments, we assessed the reasonableness of the fair values by performing the following procedures: • We evaluated the appropriateness of the valuation methodology against industry available information and IFRS requirements and found it to be appropriate. • We obtained the cash flows, market rental growth, vacancy factors and exit capitalisation rates from underlying supporting documentation and/or market related data for purposes of our independent recalculation as set out below. • We independently recalculated the valuations utilising independently sourced inputs and assumptions, in accordance with the income capitalisation approach, and compared our results with that of management. Management's results were found to be within acceptable ranges. As part of our assessment of the reasonableness of the fair values of property equity investments, we assessed the competence, objectivity and capabilities of the registered professional valuers appointed by management, by performing the following procedures: • We inspected the registered professional valuers' valuation reports to form an assessment of their objectivity. We also made use of our valuations expertise in assessing the valuations for compliance with valuation standards. • We confirmed the registered professional valuers' affiliation with the South African Council for the Property Valuers Profession. No aspects requiring further consideration were noted.

Separate financial statements

We determined that there are no key audit matters with regard to the audit of the separate financial statements of the Company for the current period to communicate in our audit report.

Independent auditor's report continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Sasfin Holdings Limited Annual Financial Statements for the year ended 30 June 2021"*, which includes the Directors' Report, the Group Audit and Compliance Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled *"Sasfin Holdings Limited Integrated Report for the year ended 30 June 2021"*, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 that we obtained prior to the date of this auditor's 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 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group and/or 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, actions taken to eliminate threats or safeguards applied.

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Sasfin Holdings Limited for four years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: V. Tshikhovhokhovho
Registered Auditor
Johannesburg, South Africa

31 August 2021

Consolidated statement of financial position

at 30 June 2021

	Accounting policy	Note	2021 R'000	2020 R'000
Assets				
Cash and cash equivalents	1.11	4	**1 285 578**	1 731 243
Negotiable securities	1.13	5	**2 085 077**	3 126 595
Trading assets	1.13	6.2	**703 433**	1 060 342
Trade and other receivables	1.13	7	**511 941**	436 644
Non-current assets held for sale		8	**6 700**	6 700
Loans and advances	1.13	9	**6 715 951**	6 609 328
Current taxation asset	1.16		**26 595**	21 035
Investment securities	1.13	10	**540 061**	654 966
Investments at fair value through profit or loss	1.13	10	**519 972**	528 771
Equity accounted associates	1.3	10	**20 089**	126 195
Property, equipment and right-of-use assets	1.6	12	**65 068**	103 550
Investment property	1.4	13	**16 400**	13 123
Intangible assets and goodwill	1.5	14	**160 856**	205 206
Deferred tax asset	1.16	11	**37 584**	36 808
Total assets			**12 155 244**	14 005 540
Liabilities				
Funding under repurchase agreements and interbank	1.13	15	**700 067**	1 882 806
Trading liabilities	1.13	6.3	**658 957**	999 842
Current taxation liability	1.16		**5 093**	3 963
Trade and other payables	1.13	16	**722 531**	783 786
Bank overdraft	1.11	4	**30 392**	151 462
Provisions	1.8	17	**72 714**	41 629
Lease liabilities	1.9	18	**43 205**	70 266
Deposits from customers	1.13	19	**4 732 764**	5 138 778
Debt securities issued	1.13	20	**2 741 583**	2 743 823
Long-term loans	1.13	21	**730 904**	371 649
Deferred tax liability	1.16	11	**110 770**	94 531
Total liabilities			**10 548 980**	12 282 535
Equity				
Ordinary share capital	1.10	22	**321**	321
Ordinary share premium	1.10	23	**166 945**	166 945
Treasury shares[1]			**(40 177)**	(177)
Reserves			**1 435 844**	1 367 830
Preference share capital	1.10	24	**18**	18
Preference share premium	1.10	25	**43 313**	188 068
Total equity			**1 606 264**	1 723 005
Total liabilities and equity			**12 155 244**	14 005 540

[1] *Refer to the Statement of Changes in Equity for more information.*

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2021

	Accounting policy	Note	2021 R'000	2020 R'000
Interest income	1.14	27	**995 061**	1 285 549
Interest income calculated using the effective interest rate method			**947 447**	1 250 375
Other interest income			**47 614**	35 174
Interest expense		28	**(457 081)**	(779 234)
Interest expense calculated using the effective interest method	1.14		**(440 234)**	(733 312)
Other interest expense	1.14		**(16 847)**	(45 922)
Net interest income			**537 980**	506 315
Non-interest income			**745 800**	640 180
Net fee and commission income	1.14	29	**416 112**	429 445
Fee and commission income			**628 388**	638 402
Fee and commission expense	1.14		**(212 276)**	(208 957)
Gains and losses on financial instruments			**168 845**	85 674
Net gains or losses on the derecognition of financial instruments at amortised cost	1.14	30	**37 072**	28 297
Other gains or losses on financial instruments		30	**131 773**	57 377
Other income		31	**160 843**	125 061
Total income			**1 283 780**	1 146 495
Credit impairment charges	1.13 & 2.2	43.3.5	**(150 696)**	(252 618)
Net income after impairments			**1 133 084**	893 877
Total operating costs			**(1 015 455)**	(959 040)
Staff costs	1.15	32	**(530 484)**	(517 605)
Other operating expenses		33	**(444 387)**	(424 784)
Impairments on non-financial assets	1.12	34	**(40 584)**	(16 651)
Profit/(loss) for the year from operations			**117 629**	(65 163)
Share of associate income	1.3.6		**18 962**	20 161
Profit/(loss) for the year before income tax			**136 591**	(45 002)
Total income tax	1.16	35	**(58 947)**	1 848
Profit/(loss) for the year			**77 644**	(43 154)
Other comprehensive income for the year net of tax effects				
Items that may subsequently be reclassified to profit or loss				
Foreign exchange differences on translation of foreign operations			**(40 843)**	41 313
Reclassification of foreign currency differences on loss of control			**(75 886)**	–
Reclassification of hedge reserves on loss of control			**107 099**	–
Total comprehensive income/(loss) for the year			**68 014**	(1 841)
Profit/(loss) attributable to:			**77 644**	(43 154)
Non-controlling interest			**–**	1 993
Preference shareholders			**–**	15 029
Equity holders of the Group			**77 644**	(60 176)
Total comprehensive income/(loss) attributable to:			**68 014**	(1 841)
Non-controlling interest			**–**	1 993
Preference shareholders			**–**	15 029
Equity holders of the Group			**68 014**	(18 863)
Earnings per share:				
Basic and diluted earnings per share (cents)		38.2	**241.20**	(186.90)

Consolidated statement of changes in equity

for the year ended 30 June 2021

	Ordinary share capital R'000	Ordinary share premium R'000	Treasury shares[2] R'000	Distributable reserves R'000
2021				
Opening balance at the beginning of the year	**321**	**166 945**	**(177)**	**1 358 200**
Total comprehensive income for the year	**–**	**–**	**–**	**77 644**
Profit for the year	–	–	–	**77 644**
Other comprehensive income net of income tax for the year	–	–	–	–
Foreign exchange differences on translation of foreign operations	–	–	–	–
Reclassification of foreign currency differences on loss of control[3]	–	–	–	–
Reclassification of hedge reserves on loss of control[3]	–	–	–	–
Changes in ownership interests				
Preference share buy-back	–	–	–	–
Transactions with owners recorded directly in equity				
Net (increase)/decrease in treasury shares[4]	–	–	**(40 000)**	–
Balance at the end of the year	**321**	**166 945**	**(40 177)**	**1 435 844**
2020				
Opening balance at the beginning of the year	321	166 945	(177)	1 442 195
Transfers	–	–	–	8 025
Total comprehensive income for the year	–	–	–	(60 176)
Loss for the year	–	–	–	(60 176)
Other comprehensive income net of income tax for the year	–	–	–	–
Foreign exchange differences on translation of foreign operations	–	–	–	–
Changes in ownership interests				
Business disposals	–	–	–	–
Transactions with owners recorded directly in equity				
Dividends to preference shareholders	–	–	–	–
Dividends to ordinary shareholders	–	–	–	(31 844)
Balance at the end of the year	321	166 945	(177)	1 358 200

1 *Refer to Share Premium note 25.*

2 *During the current year ordinary share capital, ordinary share premium, distributable reserves and treasury shares were separately disclosed in order to provide more useful information to the users of the financial statements. For comparative purposes prior year numbers have also been reclassified.*

3 *During the current year Sasfin Asia Limited was placed in liquidation upon which it met the criteria for deconsolidation. The hedge reserve that arose in prior years when hedge accounting was applied released through profit and loss upon deconsolidation. Similarly, the FCTR which related to the foreign operations in Asia was recycled through profit and loss on deconsolidation.*

4 *Refer to ordinary share capital note 22.*

Foreign currency translation reserve R'000	Hedging reserve R'000	Total ordinary shareholders' equity R'000	Preference share capital R'000	Preference share premium R'000	Non-controlling interest R'000	Total shareholders' equity R'000
116 729	**(107 099)**	**1 534 919**	**18**	**188 068**	**–**	**1 723 005**
(116 729)	**107 099**	**68 014**	**–**	**–**	**–**	**68 014**
–	**–**	**77 644**	**–**	**–**	**–**	**77 644**
(116 729)	**107 099**	**(9 630)**	**–**	**–**	**–**	**(9 630)**
(40 843)	**–**	**(40 843)**	**–**	**–**	**–**	**(40 843)**
(75 886)	**–**	**(75 886)**	**–**	**–**	**–**	**(75 886)**
–	**107 099**	**107 099**	**–**	**–**	**–**	**107 099**
–	**–**	**–**	**–**	**(144 755)[1]**	**–**	**(144 755)**
–	**–**	**(40 000)**	**–**	**–**	**–**	**(40 000)**
–	**–**	**1 562 933**	**18**	**43 313**	**–**	**1 606 264**
83 441	(107 099)	1 585 626	18	188 068	3 672	1 777 384
(8 025)	–	–	–	–	–	–
41 313	–	(18 863)	15 029	–	1 993	(1 841)
–	–	(60 176)	15 029	–	1 993	(43 154)
41 313	–	41 313	–	–	–	41 313
41 313	–	41 313	–	–	–	41 313
–	–	–	–	–	(5 665)	(5 665)
–	–	–	(15 029)	–	–	(15 029)
–	–	(31 844)	–	–	–	(31 844)
116 729	(107 099)	1 534 919	18	188 068	–	1 723 005

Consolidated statement of changes in equity continued

for the year ended 30 June 2021

	2021 Cents per share	2020 Cents per share
Ordinary shares		
Interim dividend	–	48.89
Preference shares		
Dividend no 31	–	416.91

Consolidated statement of cash flows

for the year ended 30 June 2021

	Note	2021 R'000	2020 R'000
Cash flows from operating activities			
Interest received		**995 061**	1 285 549
Interest paid		**(457 079)**	(779 234)
Fee and commission income received		**628 388**	638 402
Fee and commission expense paid		**(212 276)**	(208 957)
Net trading and other income		**138 880**	157 407
Cash payments to employees and suppliers		**(844 725)**	(885 923)
Cash inflow from operating activities	39.1	**248 249**	207 244
Dividends received		**32 157**	23 845
Taxation paid	39.2	**(47 915)**	(43 140)
Dividends paid	39.3	**–**	(46 872)
Cash flows from operating activities before changes in operating assets and liabilities		**232 490**	141 077
Changes in operating assets and liabilities		**(591 927)**	154 604
(Increase)/Decrease in loans and advances		**(81 939)**	717 316
Decrease in trading assets		**423 572**	165 804
Decrease/(Increase) in negotiable securities		**945 410**	(77 060)
Increase in trade and other receivables		**(83 821)**	(26 048)
(Decrease)/Increase in deposits from customers		**(406 013)**	157 711
Decrease in trade and other payables		**(206 011)**	(52 455)
Decrease in provisions		**(16 517)**	(32 110)
Increase/(Decrease) in long-term loans		**359 255**	(124 066)
(Decrease) in funding under repurchase agreements and interbank		**(1 182 739)**	(388 804)
(Decrease) in trading liabilities		**(340 884)**	(175 986)
(Decrease) in debt securities issued		**(2 240)**	(9 698)
Net cash from operating activities		**(359 437)**	295 681
Cash flows from investing activities			
Proceeds from the disposal of property and equipment		**1 630**	–
Proceeds from the disposal of investment securities		**27 438**	270
Proceeds from the disposal of an associate		**146 261**	–
Acquisition of property and equipment		**(10 928)**	(12 712)
Acquisition of intangible assets		**(27 935)**	(29 595)
Acquisition of investment securities		**–**	(11 176)
(Repayments)/advances of investment securities		**(18 637)**	101 587
Net cash flows from investing activities		**117 827**	48 374
Cash flows from financing activities		**–**	–
Acquisition of treasury shares		**(40 000)**	–
Repayment of lease liabilities		**(33 354)**	(31 052)
Net cash flows from financing activities		**(73 354)**	–
Net (decrease)/increase in cash and cash equivalents		**(314 964)**	313 003
Cash and cash equivalents at beginning of the year	4	**1 579 781**	1 266 778
Effect of exchange rate movements on cash and cash equivalents		**(9 631)**	–
Cash and cash equivalents at the end of the year	4	**1 255 186**	1 579 781

Notes to the consolidated financial statements

For the year ended 30 June 2021

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 Reporting entity

Sasfin Holdings Limited is a company domiciled in South Africa. The Company's registered office is at 29 Scott Street, Waverley, Johannesburg, 2090. These consolidated financial statements comprise Sasfin Holdings Limited and its subsidiaries (collectively, the Group). Sasfin and its subsidiaries provide a comprehensive range of specialist financial products and services focused on the needs of asset suppliers, small and medium businesses and institutional and private clients.

1.2 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 Interpretations 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, No 71 of 2008, as amended, and the JSE Listings Requirements.

The Consolidated and Separate Annual Financial Statements were authorised for issue by the Board of Directors on 31 August 2021.

The Directors assess the Group's and Company's future performance and financial position on a continuous basis and have no reason to believe that the Group and Company will not be a going concern in the reporting period ahead. Consequently, the Consolidated and Separate Annual Financial Statements have been prepared on the going concern basis.

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.

The Consolidated and Separate Annual Financial Statements are prepared on the historical cost basis, except as set out in the accounting policies which follow.

Assets and liabilities and income and expenses are not offset in the income statement or balance sheet unless specifically permitted by IFRS.

1.2.1 Adoption of new and amended standards for the first time in the current financial year

The following standards, interpretations and amendments have been adopted without affecting the Group's previously reported financial results, disclosures or accounting policies. Items below are confirmed not to have an impact on the Group or the Company for the 2021 financial year-end.

Amendments to References to Conceptual Framework in IFRS Standards effective 1 January 2020

The IASB revised the Conceptual Framework because certain important issues were not covered, and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- a new chapter on measurement;
- guidance on reporting financial performance;
- improved definitions of an asset and a liability, and guidance supporting these definitions;
- updated recognition criteria for assets and liabilities; and
- clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which outlines the consequential amendments made to affected IFRS standards. This was done to support transition to the revised Conceptual Framework for companies that develop and apply accounting policies using the Conceptual Framework when no IFRS standard or interpretation applies to a particular transaction.

The revised Conceptual Framework will form the basis of new IFRS standards set by the IASB as well as future amendments to existing IFRS standards.

1. Accounting policies continued

1.2 Basis of preparation continued

1.2.1 Adoption of new and amended standards for the first time in the current financial year *continued*

Definition of a Business (Amendments to IFRS 3)

The financial reporting requirements for the acquisition of a business are different to the requirements for the purchase of a group of assets that does not constitute a business. The amendments to the definition of a business are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

Amendments to the definition of Material (Amendments to IAS 1 and IAS 8)

The IASB issued amendments to the definition of material in IAS 1 and IAS 8. The amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:

i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;

ii) clarify the explanation of the definition of material; and

iii) incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole.

The amendment also clarifies the meaning of ‘primary users of general-purpose financial statements’ to whom those financial statements are directed by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Amendments to interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Revenue Bank ("SARB") has indicated its intention to move away from JIBAR and to create an alternative reference rate for South Africa. This reform is at various stages globally; a suitable alternative for South Africa is only expected to be announced in a few years’ time. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the Group.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

1. Accounting policies continued

1.2 Basis of preparation continued

1.2.1 Adoption of new and amended standards for the first time in the current financial year *continued*

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. In addition, the amendments require companies to provide additional information to investors about their hedging relationships, which are directly affected by these uncertainties.

The amendments are effective from 1 January 2020.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The practical expedient in the May 2020 amendment applied only to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all the following conditions were met:

- the change in lease payments resulted in revised consideration for the lease that was substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms and conditions of the lease.

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

The relief was originally limited to a reduction in lease payments that were due on or before 30 June 2021. However, in March 2021, the IASB subsequently extended this date to 30 June 2022 in another amendment to IFRS 16 (the 2021 amendment). If a lessee already applied the original practical expedient in the May 2020 amendment, it is required to continue to apply the practical expedient consistently, to all lease contracts with similar characteristics and in similar circumstances, using the March 2021 amendment. If a lessee did not apply the practical expedient in the May 2020 amendment to eligible lease concessions, it is prohibited from applying the expedient in the March 2021 amendment. The March 2021 amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted – including financial statements not yet authorised for issue as at 31 March 2021. In practical terms, this means that a lessee that previously applied the practical expedient in the May 2020 amendment is permitted, but not required, to apply the March 2021 amendment immediately when it is issued, subject to any endorsement process.

1. Accounting policies continued

1.2 Basis of preparation continued

1.2.2 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 and equipment, including right-of-use assets	Cost/revaluation model	*Group* • Buildings are stated at cost less accumulated depreciation • Computer equipment, furniture and fittings and vehicles are carried at cost less accumulated depreciation • Depreciation rates applied: – Buildings: 20 years – Computer equipment: 2 to 5 years – Furniture and fittings: 6 to 10 years – Motor vehicles: 5 years – Buildings and leasehold improvements: 5 to 10 years – Right-of-use assets: shorter of the lease term and the asset's useful life (as per the above)	1.5
Investment properties	Cost/fair value model	*Group* Investment properties are carried at fair value with changes in fair value recognised in profit or loss	1.3
Investments in subsidiaries	Cost/financial instrument/equity accounted	*Company* • Cost less accumulated impairments *Group* • Subsidiaries are consolidated	1.2
Investments in associate companies	Cost/financial instrument/equity accounted	Strategic investments *Company* • Cost less accumulated impairments *Group* • Equity accounted Private and property equity investments *Company and Group* • Financial asset at fair value through profit or loss	1.2

1.3 Basis of consolidation

1.3.1 Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control transfers to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input, a substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

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

The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

1. Accounting policies continued

1.3 Basis of consolidation continued

1.3.1 Business combinations *continued*

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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 at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability.

Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss. IFRS 3.42 If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Goodwill is tested annually for impairment (refer to note 14), and any gain on bargain purchase is recognised in profit or loss immediately. Contingent considerations payable are measured at fair value at the acquisition date.

1.3.2 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.

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.

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

1.3.3 Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

1.3.4 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

1. Accounting policies continued

1.3 Basis of consolidation continued

1.3.5 Structured entities

Structured entities are formed to accomplish a narrow and well-defined objective such as the securitisation of 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 entities consolidated are:

- South African Securitisation Programme (RF) Limited (SASP), controlled by Sasfin Bank Limited;
- Fintech Receivables 2 (RF) Limited (FR2), controlled by Fintech (Proprietary) Limited (Fintech), a subsidiary of Sasfin Bank Limited; and
- Sunlyn (Proprietary) Limited, controlled by Sasfin Bank Limited.

1.3.6 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.

Strategic investments

Subsequent to initial recognition, investments in associates held as strategic investments 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. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. Should the dividend income exceed the carrying amount of the investment in the associate, the excess is recognised in profit or loss.

When the Group's share of losses in an associate exceeds its carrying amount, the investment in that 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 accumulated impairment losses in the statement of financial position in the separate financial statements.

Associate companies held by Private Equity and Property Equity business units

Investments in associates held by the Private Equity and Property Equity businesses of the Group are classified at fair value through profit or loss as these investments are managed on a fair value basis in accordance with a business model to realise these investments through sale.

Changes in the fair value of these investments are recognised in non-interest income in the statement of profit or loss and other comprehensive income in the period in which they occur.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

1. Accounting policies continued

1.4 Investment property

Investment properties are held to earn rental income or for capital appreciation, or both. Investment properties are initially recognised at cost.

Subsequent to initial recognition, investment properties are accounted for at fair value.

Fair value is determined annually either by independent professional valuators or by the Directors of the Group with the relevant experience. 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 properties 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 re-classified to or from investment property, its fair value at the date of re-classification becomes its new cost. A change in use only occurs when a property meets or ceases to meet the definition of investment property, and there is evidence of such a change in use.

1.5 Intangible assets

1.5.1 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 2.6 for further information.

1.5.2 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.

Purchased and 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 2.6 for further information.

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

Capitalised computer software and distributor relationships are amortised on the straight-line basis over their useful lives at rates that 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 software (including internally developed software) are 2 to 5 years, and for distributor relationships are 5 to 10 years for the current and comparative years.

1.6 Property and Equipment and right-of-use assets

1.6.1 Owned assets

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

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

Repairs and maintenance on property and equipment are recognised directly in profit or loss. Subsequent expenditure is only capitalised if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

1.6.2 Right-of-use assets

Refer to note 1.9.1.

1. Accounting policies continued

1.6 Property and Equipment and right-of-use assets continued

1.6.3 Depreciation

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

Depreciation methods, residual values and useful lives are reviewed and adjusted annually where appropriate. The estimated useful lives of property and equipment for the current and comparative years are 2 to 10 years; refer to note 1.2.2.

1.6.4 Profit or loss on disposal

A profit or loss on the sale/disposal of an item of property 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 statement of profit or loss and other comprehensive income.

1.7 Currencies

1.7.1 Functional and presentation currency

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

All entities in the Group, except for 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 USD. On consolidation, exchange differences arising from the translation of the Group's net investment in Sasfin Asia Limited are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

1.7.2 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 other comprehensive income.

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

- exchange rate at the transaction date if measured at historical cost; or
- exchange rate at the date the 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.

1.8 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.

1.9 Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Contracts may contain lease and non-lease components. The Group allocates the consideration in the contract to each lease component based on its relative stand-alone prices. For a contract that is, or contains a lease, the Group accounts for each lease component within the contract as a lease separately from the non-lease components.

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 statement of financial position. Finance income is recognised over the term of the lease using the effective interest method.

1. Accounting policies continued

1.9 Leases continued

1.9.1 Group as the lessee

The Group as lessee mainly leases office space throughout South Africa. The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term (refer to note 1.1.1). The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is reduced by impairment losses (refer to note 1.12), if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The Group mostly uses the lessee's incremental borrowing rate as the discount rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

In determining the incremental borrowing rate, the Group considers six factors, being the tenor of lease, currency of the lease, lessee entity in the Group, asset type, level of indebtedness and the economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

Extension and termination options are included in several property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In most instances the extension and termination options held are exercisable only by the Group and not by the respective lessor. The Group assesses whether these options are reasonably certain to be exercised in determining the lease term and lease payments.

The Group presents right-of-use assets in property and equipment and lease liabilities as such in the statement of financial position.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group regards items such as tablets, personal computers, mobile phones and small items of office furniture to be low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1. Accounting policies continued

1.10 Share capital

1.10.1 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 consideration paid, including directly attributable costs, net of tax.

1.10.2 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.

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.

1.11 Cash and cash equivalents

Cash and cash equivalents, as reflected on the statement of cash flows comprise:

- cash and cash equivalents on hand;
- balances with the SARB; and
- bank overdrafts that are repayable on demand.

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

1.12 Impairment of non-financial assets

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 the 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 pre-tax 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 impairment losses is not recognised for goodwill that has been impaired.

1. Accounting policies continued

1.13 Financial instruments

Financial instruments, as reflected on the statement of financial position, include all financial assets, financial liabilities, derivative instruments and financial guarantee contracts issued. These exclude investments in subsidiaries and associated companies (refer to note 1.2).

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, based on the business model in terms of which the financial instruments are acquired and managed, as well as the contractual cash flow characteristics thereof.

Classification and measurement of financial assets

Financial assets are classified and measured based on the Group's business model for managing them and the contractual cash flow characteristics of the financial assets.

Financial assets held by the Group in a business model that has the objective of holding the financial assets to collect contractual cash flows, and the contractual terms of the financial assets lead to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are classified and measured as 'measured at amortised cost'.

Financial assets held by the Group in a business model that has the objective of realising cash flows through the sale of the assets and/or that is managed on a fair value basis, including those held for trading, are classified and measured as 'fair value through profit or loss (FVTPL)'.

Business model assessment

Sasfin assesses the objective of a business model in which an asset is held at a portfolio level since this best reflects the way the business is managed and information is provided to management. The following information is considered:

- The stated policies and objectives for the portfolio and the practical implementation of those policies. Specifically, whether management's strategy focuses on earning contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising profits and cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to Sasfin's management;
- The risks that affect the performance of each portfolio and the strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. Information about sales activity is considered as part of the overall assessment of how Sasfin's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

1. Accounting policies continued

1.13 Financial instruments continued

Assessment of whether contractual cash flows are solely payments of principal and interest *continued*

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets that are held for trading (i.e. acquired for the purpose of selling in the short-term) and those that the Group has elected to designate as at FVTPL are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing those financial assets.

Impairments

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

The Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, which are measured as 12-month ECL (see note 43).

For lease receivables, the Group has elected, in accordance with the allowed accounting policy choice in IFRS 9, to apply the general model for measuring loss allowance, as explained above.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments for which a lifetime ECL is recognised and which are credit-impaired, are referred to as 'Stage 3 financial instruments'.

Measurement of ECL (Refer to note 43)

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The key inputs for the measurement of ECL are the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD);
- Time to Default (TTD);
- Expert judgement referred to below; or
- Forward-looking parameters.

1. Accounting policies continued

1.13 Financial instruments continued

Measurement of ECL *continued*

Both qualitative and quantitative measurements should be used in the process of calculating the ECL on the Performing, Under-performing and Non-Performing exposures.

ECL is a "three-stage" model for calculating impairment losses, based on changes in credit quality since initial recognition, namely:

- Stage 1 includes exposures that have not had a Significant Increase in Credit Risk (SICR) (defined below) since initial recognition. For these financial instruments, ECL is calculated based on the relevant 12-month PD, TTD, LGD and EAD;
- Stage 2 includes exposures that had a SICR since initial recognition but do not have objective evidence of impairment. For these financial instruments, ECL is calculated based on the relevant lifetime PD, TTD, LGD and EAD; and
- Stage 3 includes exposures for which there is objective evidence of impairment at the reporting date. For these financial instruments, ECL is calculated based on a lifetime PD, TTD, LGD and EAD. The financial instrument must be classified as in "Stage 3" when it is credit-impaired.

Objective evidence of impairment is defined as the occurrence of one or more events since date of original recognition of the asset, which will have an impact on the expected future cash flow of the borrower e.g. insolvency and business rescue.

An expert judgement approach is used to determine the LGD for the Capital Equipment Finance, Trade and Debtor Finance and Other Term Loan portfolios. This approach determines the expected loss for Stage 3 exposures based on an anticipated salvage calculation. The value of the anticipated salvage used in the determination of the ECL of credit impaired financial instruments is calculated taking the following factors into account:

- Realisable market value of security (e.g. stock, equipment, property) after taking account of costs associated with such sale;
- Stage and nature of legal process;
- Wherewithal of debtor to pay based on available credit data (e.g. financial statements, cash flows, third party credit bureau reports);
- Any supporting suretyships or guarantees;
- Financial standing/reputation of the client group and or related parties;
- Any recourse/warranty claim against a supplier or any other third party;
- Any applicable insurance claim;
- Any negotiated settlement agreements;
- Expected dividend in the case of a liquidation/sequestration; and
- Timing of expected recoveries.

Significant Increase in Credit Risk (SICR)

Credit risk needs to be re-assessed at each reporting period for each financial instrument, to determine whether there is a SICR. To make that assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of SICR since initial recognition.

The Group defines a SICR as follows:

- Rental and Capital Equipment
  - when a debtor is flagged as High Care; or
  - once an account becomes past due/arrears for more than seven days and up to and including 90 days. This is based on statistical analysis of the historical behaviour of the portfolio, which indicated that past due up to seven days did not provide an indication of financial stress, rather it could be due to administration issues or post month end payment cycles.
- Trade Finance
  - when a debtor is flagged as High Care;
  - when no extensions have been granted in excess of the maximum tenor contractually agreed with the debtor and the debtor then becomes past due/arrears up to and including 90 days; or
  - when extensions have been granted in excess of the maximum tenor contractually agreed with the debtor and the account has been extended more than 30 days. Any one or more extensions will be counted from the first invoice's original payment date.

1. Accounting policies continued

1.13 Financial instruments continued

Significant Increase in Credit Risk (SICR) *continued*

- Debtor Finance
  - when a debtor is flagged as High Care; or
  - margin excess – once an account is in margin excess for longer than seven days and up to and including 90 days.
- Other Term Loans
  - when a debtor is flagged as High Care; or
  - once an account becomes past due/arrears for more than seven days and up to and including 90 days.

Clients defined as High Care are those that have shown signs of financial and cash flow pressure because of changes in operating environment, industry sector, and adverse financial health. These have, however, not defaulted.

Such signs referred to above could include any one or more of the following factors:

- Material deterioration, particularly over a period of time, in the cash flow generation of a business;
- Material and consistent financial losses;
- Material and/or consistent reduction in revenue and/or gross profit margins;
- Significant increases in interest-bearing debt and related finance costs, such that there is a concern about the company's ability to service and repay its financial obligations;
- Material increases in trade creditors out of line with the sales and business growth, indicating an inability to pay creditors on time and in line with credit terms;
- Material increases in trade debtors and/or stock which could place pressure on cash flow generation;
- Regular breaches in the terms and conditions of its financing arrangements, requests for extension of payment dates, excesses, extensions on repayment deadlines, etc.;
- Material negative changes in the business, competitors or economic environment within which the business operates. This will include material negative changes in the business's supply chain;
- Difficulty in producing regular financial information; or
- Significant changes within key leadership with no meaningful succession planning.;

Negotiable Securities and Intercompany Loans

- Government and intercompany exposures are evaluated for SICR by comparing the credit risk rating at the reporting date to the origination credit risk grade. Where the relative change in the credit risk rating exceeds certain pre-defined criteria or when a contractual payment becomes more than 30 days overdue, the exposure is classified within Stage 2. These pre-defined criteria thresholds have been determined based on historic default experience, which indicates that higher-rated risk exposures are more sensitive to SICR than lower-risk exposures. For the purpose of this calculation, a SICR is defined as a three notch downgrade.

Impact of COVID-19 on SICR

The assessment on whether a SICR had occurred specifically included an assessment of the impact of the global COVID-19 pandemic and subsequent lockdown on PD's and LGD's of businesses. This assessment was done in both the consideration of client risk profiles during the granting of payment holidays, as well as in the final calculation of expected credit losses.

Client requests for payment relief due to COVID-19 related factors were considered on a case-by-case basis taking into account (inter alia) the industry within which it operates and its own financial strength. Once payment relief had been granted, these loans and advances were then classified as COVID-19 Restructured Exposures in accordance with Directive 3 of 2020 issued by the Prudential Authority of the South African Reserve Bank.

Each client was classified as either Stage 1, where our assessment indicated that the relief was expected to be of a temporary nature and the client should be able to meet its obligations once the relief period had expired (thereby indicating no SICR had occurred), or Stage 2 where we believed that the distress would likely be of a longer or more permanent nature, indicating a SICR had occurred. Clients indicating a more permanent financial distress would be classified as Distressed Restructures in line with SARB Directive 7 of 2015.

Determining whether the relief is temporary or a distressed restructure, is based on the product-specific definitions incorporating various factors, including economic conditions, industry-specific factors as well as the borrower's own financial strength.

1. Accounting policies continued

1.13 Financial instruments continued

Restructured financial assets (Trade and Debtor Finance)

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and an ECL is measured as follows:

- Where the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- Where the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date, using the original effective interest rate of the existing financial asset.

Default and curing

A Financial Instrument is classified as being in default, which is aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due or in excess on its original contractual payments/margin/limits, excluding Immaterial Arrears as well as any extensions of more than 90 days from the original contractual payment date.

Qualitative criteria

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- the client has been flagged as legal;
- significant financial difficulty of a borrower;
- default or delinquency by a borrower;
- distressed restructuring of credit obligations (refer section 14.3). Per IFRS 9, distressed restructures will be credit-impaired, but per PA Directive 7/2015 this should as a minimum be classified as a special mention;
- indications that a borrower would enter provisional or final liquidation or business rescue;
- repayment of the principal amount and/or accrued interest has been overdue for more than 90 days, and the net realisable value of security is insufficient to cover the payment of the principal amount and accrued interest;
- The principal amount and accrued interest are fully secured, but the repayment of the principal amount and/or accrued interest has been overdue for more than 12 months; and
- Significant deficiencies exist that threaten the obligor's business, cash flow or payment capability, which deficiencies may include the items specified below:
  - The credit history or performance record of the obligor is not satisfactory;
  - Labour disputes or unresolved management problems may affect the business, production or profitability of the obligor;
  - Increased borrowings are not in proportion with the obligor's business;
  - The obligor is experiencing difficulty with the repayment of obligations to other creditors; or
  - Construction delays or other unplanned adverse events resulting in cost overruns are likely to require loan restructuring.

When a debtor has been classified as credit-impaired (Stage 3), it can be cured to Stage 1 subject to the debt being:

- up to date; and
- six consecutive payments paid on or before due date; and
- No SICR exists.

Should the debtor be defined as a "High Care" account, it will cure to Stage 2 and not Stage 1. Also, should the client still represent a SICR, curing may only take place to Stage 2. For distressed restructured loans that were in default, there must be at least six consecutive monthly payments under the revised terms to cure.

1. Accounting policies continued

1.13 Financial instruments continued

Write-offs

Loans and advances as well as debt securities, are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that there is no realistic prospect of recovering the monies owed.

Write-offs will be considered once all sources of recovery have been exhausted or no further reasonable expectation of further material recoveries exists. The assessment of when an exposure has no reasonable prospect of being recovered will be based on the financial standing of the borrower and the sureties/guarantors vs the outstanding exposure, the value of the security in a forced sale scenario vs the outstanding exposure, as well as the nature and tenor of the legal processes required to pursue recovery, the costs associated with recovery as well as the prospect of success of the legal case.

Recoveries of amounts previously written off are included in 'credit impairment charges' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- financial guarantee contracts: as a deduction from loans and advances; and
- where a financial instrument includes both a drawn and an undrawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component.

Classification and measurement of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Refer to note 34 for more details.

Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

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 adjusted for any ECL allowance.

Financial instruments at fair value through profit or loss (FVTPL)

The Group has designated financial assets and financial liabilities at fair value through profit or loss, where it eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Group further classifies financial assets and financial liabilities at fair value through profit or loss when the business model is such that these financial assets and financial liabilities are managed and measured on a fair value basis, since realisation of these is anticipated to be through sale.

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, with fair value gains and losses reported in non-interest income, apart from those related to interest rate swaps.

The fair value gains and losses on interest rate swaps are included in net interest income. Interest income and interest expense on debt instruments classified as at fair value through profit or loss are reported as such in profit or loss.

1. Accounting policies continued

1.13 Financial instruments continued

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 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 method and recognised as interest expense in profit or loss.

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 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 method and recognised as interest income in profit or loss.

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.

Hedge accounting – net investment hedge

The Group previously hedged a net investment in a foreign operation, which was discontinued on 1 July 2016. Upon transition to IFRS 9 Financial Instruments (IFRS 9) in 2018, the Group elected to continue to apply the hedge accounting requirements of IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) with regards to this specific hedge (for which Sasfin still owns the underlying foreign subsidiary), as permitted by IFRS 9.

Derivatives designated in a hedging relationship comprise 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; and
- 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%.

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 statement of profit or loss and other 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. Accounting policies continued

1.14 Revenue

1.14.1 Net interest income

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

Interest income and interest expense on financial instruments and finance lease receivables are recognised using the effective interest method.

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

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

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. The reversal of interest income relating to credit-impaired financial assets that have been cured is recognised as a reduction of the impairment charges on loans and advances.

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

1.14.2 Non-interest income

Non-interest income comprises fees and commissions, agency revenue, net brokerage commission, asset management fees, fair value gains and losses (apart from those fair value gains and losses on interest rate swaps that are recognised as part of net interest income), dividend income, foreign exchange gains and losses, and other income.

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Fee and commission income includes administration fees, advisory fees and forex service fees as well as fees for providing banking and financial services activities. Fee and commission income is recognised net of any trade discounts, volume rebates and amounts received on behalf of third parties such as Value Added Tax. Furthermore, when the Group is acting as an agent, amounts collected on behalf of the principal are not recognised as revenue.

The Group provides banking services to retail and corporate customers. Fees for ongoing account management are charged to the customer's account on a monthly basis. Transaction-based fees for interchange and foreign currency transactions are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group. Revenue from account service and servicing fees is recognised over time as the services are provided.

Asset management fees include management fees on assets under management and administration fees. These are recognised over the period for which the services are rendered.

Dividend income is received from equity investments in entities that the Group does not control and those investments in associates that are recognised at FVTPL (refer to note 1.3.6). Dividend income is recognised when the Group's right to receive payment is established; it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

1.15 Employee benefits

1.15.1 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.

1.15.2 Defined contribution plan

The Group pays fixed contributions to a third party as part of a defined contribution provident fund plan for the benefit of its employees. 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.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

1. Accounting policies continued

1.16 Taxation

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

1.16.1 Current tax

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

1.16.2 Deferred tax

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

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

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

Deferred tax resulting on items accounted for directly in the statement of changes in equity or statement of profit or loss and other comprehensive income is recognised in the statement of changes in equity and statement of profit or loss and other comprehensive income, respectively.

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 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.

1.17 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, taking into account the dilutive effects of potential ordinary shares.

1.18 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.

1.19 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.

1.20 Segment reporting

Previously management reported on three operating segments: Banking, Capital and Wealth. At the beginning of the 2021 financial year, internal restructuring occurred between existing segments. In order to better represent the revised operating model, management now reports on four segments (excluding the Group and inter-segment eliminations segment). These segments are Asset Finance, B\\Yond Business Banking, Capital (including Trade and Debtor Finance), Wealth and Group and Treasury eliminations.

1. Accounting policies continued

1.20 Segment reporting continued

Accordingly, the segment information for prior periods has been restated (refer to note 47).

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

The operating segments represent the Group's four pillars, i.e. Asset Finance, B\\Yond Business Banking, Capital (including Trade and Debtor Finance) and Wealth, according to which its business is aligned. The B\\Yond Business Banking, includes Business Banking as well as Transactional Banking. The Wealth Pillar incorporates all divisions related to wealth management, including Asset Management, Portfolio Management and Stockbroking as well as Wealth Advisory and Asset Consulting. The Capital Pillar comprises Trade and Debtor Finance, Private Equity and Property Equity investments, as well as Specialised Lending.

The operating results of the four pillars are regularly reviewed by the Group's Board of Directors, Chief Executive Officer, 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.

Corporate Services includes treasury and represents the Group's central functions, and these costs are allocated to the operating segments using an internal model of cost allocation.

Geographical

The Group operates in two geographic regions being:

- Southern Africa (South Africa); and
- Asia-Pacific (Hong Kong) (liquidated with effect from 30 May 2021).

2. Critical estimates, judgements and assumptions

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 Impact of the COVID-19 pandemic

The economic impact of the outbreak of the COVID-19 pandemic significantly increased the overall level of estimation uncertainty and judgement applied by management. The unprecedented nature of this global pandemic renders it challenging to accurately predict the full extent and duration of its economic effect.

Although the areas of judgement and estimation applied remained largely the same as in the prior years, greater judgment had to be applied in the following areas:

- Credit impairment of loans and advances, and credit impairment recognised on negotiable securities (refer to notes 1.13, 2.2, 5, 9 and 43);
- Determining the fair value of the private equity and property equity portfolios (refer notes 2.3, 2.4, 2.5, 10 and 41.1 to 41.5); and
- Determining the expected cash flows from cash generating units in determining the impairment of non-financial assets such as goodwill and software (refer to notes 1.5,13 and 34).

Impact on the use of estimates, judgements, and assumptions

The operating conditions in the second half of 2021 were better than what was originally anticipated at the start of the Covid-19 pandemic. This is evidenced by the upward projections on GDP growth, with early interventions by government to stimulate growth and increased rollout of vaccines across the country. The onset of the third wave of Covid-19 in the latter part of the financial year led to the government imposing stricter level 4 lockdown restrictions and, most recently, the civil unrest in parts of the country is expected to negatively impact growth. The impact of the better operating conditions in the second half was evidenced by the improved collections and consequential improved credit impairment charges. The Group managed to grow total income across all segments from increased volumes, improved pricing and uplift in fair value measurements in our Specialised Lending and Property portfolios which have shown good growth over the period.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

2. Critical estimates, judgements and assumptions continued

2.1 Impact of the COVID-19 pandemic continued

SARB guaranteed loan scheme

National Treasury, the South African Reserve Bank (SARB) and commercial banks created a R100 billion guaranteed loan scheme to assist businesses. The scheme specifies client eligibility requirements, restrictions on the use of loan proceeds and standardised loan terms. A loan facility of up to R150 million was granted to Sasfin, which loans have a repayment holiday of up to six months, and thereafter interest and capital are required to be paid over 60 months. The SARB provides Sasfin with a special-purpose funding facility and partial credit guarantee. A portion of the interest levied on client loans is paid to the SARB. This interest accumulates in reserve accounts and will be used to offset losses on client loans. Once the reserve accounts are exhausted, Sasfin will incur losses of up to 6% of the total notional amount lent under the scheme. The SARB guarantees all losses in excess of the 6% threshold. When the scheme ends, the SARB will be entitled to withdraw the balances, if any, then remaining in the reserve accounts. As at 30 June 2021, Sasfin had approved R122.56 million of loans under the scheme.

2.2 Credit impairment

2.2.1 Credit impairment of loans and advances (refer to notes 9 and 43)

The Group assesses its loans and advances portfolio for impairment on a monthly basis using the expected credit loss model.

The Group applies judgement in the manner in which it defines and applies SICR, which is the driver in dividing the loans and advances portfolios between Stage 1, Stage 2 and Stage 3, with:

- Stage 1: 12-month ECL for those financial assets where there has not been a significant increase in credit risk since initial recognition;
- Stage 2: Lifetime ECL for those financial assets where there has been a significant increase in credit risk on a collective basis; and
- Stage 3: Lifetime ECL for all credit-impaired financial assets.

Refer to accounting policy note 1.13 for more information on SICR.

The Group further applies judgement in determining the inputs used in the ECL model, i.e. the PD, LGD, EAD and TTD that are used to determine the ECL for each of Stage 1, Stage 2 and Stage 3.

Given the forward-looking nature of the ECL model, estimates are also made and included in the ECL model for the Group's macro-economic outlook. In response to the deteriorating economic environment in 2019 and as a result of the COVID pandemic, the Group adopted a multi-variate economic forward-looking model. This included the use of Gross Domestic Product (GDP), Consumer Price Index (CPI), Gross Fixed Investment and Unemployment as proxies of economic output.

The macro-economic factors were statistically tested for the current financial year, and the only statistically significant factor given the volatile modelling environment was GDP. The Group therefore used only GDP for the regression modelling. For each of the scenarios listed below for 2021, GDP over the next 12 months has been disclosed. The average GDP over the remaining forecast period, from 2022 to 2026, was used in the statistical modeling.

A weighted probability scenario approach for GDP was applied to determine the final scalar. Given the internal view on the economic outlook, it was assessed that a higher weighting will be allocated to the worst case scenario to take into account the uncertainties in the economic environment.

	Best		Expected		Worst		Blended[2]	
	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %
2021								
Factors								
Gross Domestic Product	2.3	3.4	(1.2)	2.0	(7.4)	0.6	(4.9)	1.1
Scenario probability	–		40		60		Combination	
		R'000		R'000		R'000		R'000
Impact on ECL[1]		(39 652)		(34 101)		16 654		–

[1] *The impact of forward looking information on the IFRS 9 provision is R61 million as per the forward looking models. The percentage change of the total IFRS 9 provision is a 7% downward adjustment in a 100% best case scenario, a 6% downward adjustment in a 100% expected scenario and a 3% upward adjustment in a 100% worst case scenario.*

[2] *The blended scenario is the actual/base case scenario against which the best, expected and worst case scenarios are benchmarked.*

2. Critical estimates, judgements and assumptions continued

2.2 Credit impairment continued

2.2.1 Credit impairment of loans and advances (refer to notes 9 and 43) continued

	Best		Expected		Worst		Blended	
	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %
2020								
Factors								
Gross Domestic Product	(1.92)	1.65	(6.24)	0.2	12.12	(1.53)	(7.71)	(0.18)
Consumer Price Index	3.07	–	3.47	7	4.30	–	3.68	–
Gross Fixed Investment	(2.86)	–	(9.66)	–	(22.29)	–	(12.81)	–
Unemployment	8.79	–	15.57	–	25.18	–	17.97	–
Scenario probability	–	–	75	–	25	–	Combination[1]	
	R'000		R'000		R'000		R'000	
Impact on ECL[2]	(46 365)		(13 242)		19 350		–	

[1] *Combination of the expected scenario (75% weighting) and the worst-case scenario (25% weighting).*
[2] *The impact of forward-looking information on the IFRS 9 provision is R76 million. The percentage change of the total IFRS 9 provision is an 8% downward adjustment in a 100% best-case scenario, a 2% downward adjustment in a 100% expected scenario and a 4% upward adjustment in a 100% worst-case scenario.*

The Group further applies judgement when determining whether a specific loan and/or advance should be written off due to it not being recoverable. During the prior year one of the SICR triggers was disclosed as being up to and including 30 days for Rental and Capital equipment, Trade finance, Debtor finance and Other term loans. However, the group policy states that the period is up to 90 days. This has been corrected in the current accounting policy for SICR, however, there is no impact on the financial information that was disclosed in prior years or current years as the application thereof was always based on the 90 days criteria.

2.2.2 Credit impairment of negotiable securities (refer to notes 5 and 43)

Following the sovereign downgrade in March 2020, the Group has re-considered its assessment regarding expected credit losses from investments in local government bonds and government-backed bonds. Consequently, in line with the requirements of IFRS 9, ECL is also recognised in respect of negotiable securities.

Similar to the credit impairment on loans and advances, the Group applies judgement in the manner in which it defines and applies SICR, which is the driver in dividing the negotiable security portfolio between Stage 1, Stage 2 and Stage 3, with:

- Stage 1: 12-month ECL for those financial assets where there has not been a significant increase in credit risk since initial recognition;
- Stage 2: Lifetime ECL for those financial assets where there has been a significant increase in credit risk on a collective basis; and
- Stage 3: Lifetime ECL for all credit-impaired financial assets.

Refer to accounting policy note 1.13 for more information on SICR.

The Group further applies judgement in determining the inputs used in the ECL model, i.e. the PD, LGD, EAD and TTD that are used to determine the ECL for each of Stage 1, Stage 2 and Stage 3. The S&P International Rating Scale is applied to the PD's based on the legal entity's current credit risk rating, as rated by an accredited rating agency. Similar to the credit impairment on loans and advances, the Group applies expert judgement in the manner in which it defines and applies SICR, which is the driver in segmenting the negotiable security portfolio between stages 1, 2 and 3. The move from 12-month expected credit loss to lifetime expected credit loss can result in a substantial increase in ECL.

The sensitivity analysis performed indicates an additional ECL charge of circa R5.6 million to the income statement if 40% of the gross carrying amount of negotiable securities held at amortised cost suffered a SICR and moved from stage 1 to stage 2 as at 30 June 2021. A 40% increase in financial instruments held at amortised cost categorised as stage 2 can be viewed as a severe possible alternative based on the nature of the instrument and current economic conditions. The calculation of the ECL for the financial year ended 30 June 2021 was done on an NPV basis, using the expected cash inflows from the 5-year term loan as set out in the proposed Liability Solution. To calculate an NPV and ECL of the Land bank, being a stage 3 exposure, expert judgement was applied. Various cash flow scenarios were built ranging from an expected case to mild stress to severe stress, each then discounted using an expected, best case and worst-case credit risk premium. The final NPV was then calculated as a blended NPV by attaching probabilities to each of the potential outcomes to derive a final proposed ECL. This range between best case and worse case was R22 million to R172 million.

2. Critical estimates, judgements and assumptions continued

2.3 Private Equity investment valuations (refer to note 10)

The Group aims to adopt best practice valuation techniques as incorporated in the South African Venture Capital and Private Equity Association guidelines. It mainly follows a discounted cash flow or earnings methodology, corroborated by a market multiples approach, where appropriate.

These valuations are subject to various assumptions and professional judgement including, but not limited to:

- marketability and minority discounts;
- weighted average cost of capital;
- estimates of local and global macro-economic performance, including factors such as expected interest and exchange rates;
- estimates of future operating cash flows of investees' businesses, among others revenue growth;
- estimates of long-term underlying operational performance of investees' businesses;
- expected capital expenditure and working capital needs of investees' businesses;
- assessment of long-term viability of investees' business models; and
- the inherent risks specific to the investees' businesses and the industries and countries in which these entities operate.

The valuations are reviewed and approved by the CLEC and are recommended to the Board for approval.

2.4 Property Equity investment valuations (refer to note 10)

In relation to investments held by the Group where the primary underlying assets are property, the Group obtains third-party valuations from registered professional valuers with experience relevant to the types of properties being valued, using the net income capitalised methodology.

These valuation experts use best practice market norms in arriving at the value of the underlying property assets. Once the Group has received these valuations, relevant adjustments are made to take into account financial assets and/or obligations associated with these investments.

These valuations are subject to various assumptions and professional judgement including, but not limited to:

- selection of capitalisation rates appropriate for the property considering its location, condition, nature of tenant(s), lease term etc;
- estimated operating factors such as operating costs, expected occupancy and tenant turnover; and
- comparisons to market-related rental yields and/or sold prices property achieved for similar properties.

The valuations are reviewed and approved by the CLEC and recommend to the Board for approval.

2.5 Fair value (refer to note 41)

The valuation techniques for fair value measurement of the investment securities have been assessed by the respective valuation committees to determine the impact that the market volatility introduced by COVID-19 has had on the fair value measurements of these instruments. When assessing the fair value measurement of financial instruments for this period, the valuation models have been built to take into consideration inputs that are reflective of market participants.

The assessment specifically included an assessment of the impact of the global COVID-19 pandemic and subsequent lockdown on forecasted cash flows and other critical assumptions of businesses i.e. capitalisation rates, weighted average cost of capital (WACC) and vacancy rates of properties, specific and other risk premiums added to the discount rates. This assessment was considered on a company-by-company basis taking into account (inter alia) the industry within which it operates, and its own financial strength.

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

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

2. Critical estimates, judgements and assumptions continued

2.5 Fair value (refer to note 41) continued

Financial asset portfolios that are exposed to market risk and credit risk are measured based on a price that would be received when selling a net long position for a particular risk exposure. Financial liability portfolios that are exposed to market risk and credit risk are measured based on a price that would be paid to transfer a short position for a particular risk exposure. Market risk and credit risk portfolio level adjustments are allocated to the individual assets and liabilities based on 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; and
- Black Scholes Option Pricing.

Assumptions and inputs used in the valuation methodologies comprise:

- risk-free interest rates;
- benchmark interest rates;
- credit spreads; and
- liquidity and other premiums 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.

2.6 Intangible assets and goodwill (refer to note 14)

2.6.1 Intangible assets

Intangible assets comprise internally generated and purchased information technology software as well as distributor relationships acquired as part of business combinations.

The costs associated with internally developed software are only capitalised once the research phase has been concluded and the requirements for the development phase have been met, namely:

- it is technically feasible to complete the software for use;
- the Group is committed to complete the software for use;
- it will be possible to use the software, and the Group intends to use the software to increase efficiencies and/or support the business;
- there are sufficient resources available to complete the software; and
- the costs can be reliably measured.

2. Critical estimates, judgements and assumptions continued

2.6 Intangible assets and goodwill (refer to note 14) continued

2.6.1 Intangible assets continued

It requires judgement from management to determine when the above requirements have been met for capitalisation.

On an annual basis, the Group assesses impairment indicators relating to purchased information technology software such as technology advancement and the ability of the asset to continue to generate future economic benefits. Should an impairment indicator be triggered, the related software is assessed for impairment.

Internally developed software that is still in the development phase is assessed annually for impairment.

Changes in estimates of related cash flow benefits from customers would give rise to impairment indicators relating to distributor relationships.

The individual carrying amounts of the respective intangible assets are compared to their estimated recoverable amounts in order to compute the impairment. Determining the estimated recoverable amount (being the greater of the asset's discounted cash flows to determine its value in use and fair value less costs to sell) and future cash flows of the relevant Cash-Generating Units (where applicable), as well as the impairment assessment requires management judgement.

2.6.2 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 5-year period. The related pre-tax 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. Critical estimates, judgements and assumptions continued

2.7 Current and deferred taxation (refer to notes 11 and 35)

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 what was initially calculated, the impact will be accounted for in the period in which the outcome is known.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. 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 related tax benefit will be realised. Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and ongoing developments will determine the recognition of deferred tax. The most significant management assumption in determining the deferred tax asset to be recognised is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group to utilise the deferred tax assets in the medium term.

2.8 Assessment of significant influence and control of entities (refer to note 40.1)

The Group controls and consolidates an entity after having 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.

2.9 Statement of cash flows – allocation of funding between operating and financing activities

Management applies significant judgement to determine which proportion, if any, of changes in long-term funding relates to the operating activities of the Group, i.e. granting funding to clients, and which to funding the investment activities of the Group.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

3. 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 2021, 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 have been issued, with an indication of the estimated impact on the future financial statements of the Group:

Pronouncement	Title and details	Effective date
IFRS 17	*Insurance Contracts* IFRS 17 replaces the current standard on insurance contracts, IFRS 4. It creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. Among others, IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows, taking into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are further required to be measured based only on the obligations created by the contracts. An entity will also be required to recognise profits as an insurance service is delivered rather than on receipt of premiums. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2023.
IFRS 10 and IAS 28	*Sale or contribution of assets between an investor and its associate or joint venture* The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of business is key to determining the extent of the gain to be recognised. These amendments are not expected to have an impact on the Group.	The effective date is deferred by the IASB pending the outcome of its research project on the equity method of accounting.
IFRS 3 amendments	*Updating a reference to the Conceptual Framework* An outdated reference in IFRS 3 to the Conceptual Framework has been updated without any significant changes to its requirements. This amendment are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2022.
IAS 37 amendments	*Onerous Contracts – Cost of Fulfilling a Contract* This amendment indicates which costs an entity should include as the costs of fulfilling a contract when assessing whether a contract is onerous. This amendment are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2022.

3. Standards/interpretations issued but not yet effective continued

Pronouncement	Title and details	Effective date
2018 – 2020 annual improvements cycle	*Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41* Changes were made to IFRS 1 First-time adoption of International Financial Reporting Standards and IAS 41, Agriculture, which will have no impact on the Group. An illustrative example has been removed from IFRS 16 to prevent potential confusion regarding the treatment of lease incentives. This amendment is not expected to have an impact on the Group. IFRS 9 has been amended to clarify the fees that an entity includes when determining whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2022.
IAS 16 amendments	*Proceeds before intended use* This amendment prohibits an entity from reducing the cost of an item of property, plant and equipment through deducting the proceeds from the sale of items produced whilst bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling such items and the costs of producing them are to be recognised in profit or loss. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2022.
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amendments	*Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments* The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2021.
IAS 1 amendments	*Classification of liabilities as current or non-current (Amendments to IAS 1* Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and, instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance, and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. These amendments is not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2023.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

3. Standards/interpretations issued but not yet effective continued

Pronouncement	Title and details	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	*Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8* The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2023.
IAS 12 amendments	*Deferred tax related to assets and liabilities arising from a single transaction* These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2023.
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 April 2021

3. **Standards/interpretations issued but not yet effective** continued

Pronouncement	Title and details	Effective date
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2022
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. These amendments are not expected to have a significant impact on the Group.	Annual periods beginning on or after 1 January 2023
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. These amendments are not expected to have a significant impact on the Group.	Annual periods beginning on or after 1 January 2023

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

		2021 R'000	2020 R'000
4.	**Cash and cash equivalents**		
	Funds on call	**1 028 111**	1 304 330
	Notice deposits	**1 542**	34 114
	Balance with the SARB[1]	**137 955**	140 065
	Fixed deposits[2]	**117 957**	252 713
	Cash on hand	**13**	21
		1 285 578	1 731 243
	Less: Bank overdraft	**(30 392)**	(151 462)
		1 255 186	1 579 781

[1] The balance with the SARB is for minimum reserve requirements and is available for use subject to certain restrictions and limitations imposed by the central bank.

[2] The funds are easily accessible if required by the Group.

		2021 R'000	2020 R'000
5.	**Negotiable securities**		
	Treasury bills[1]	**1 793 190**	2 681 579
	Land Bank bills	**415 980**	473 000
	Negotiable securities before impairments	**2 209 170**	3 154 579
	Credit loss allowance[2]	**(124 093)**	(27 984)
	Net negotiable securities	**2 085 077**	3 126 595

[1] Treasury bills to the value of R0.709 billion (2020: R1 617 billion) have been pledged for the SARB refinancing auction.

[2] Key management inputs and assumptions around ECL. Refer to note 43.1 and 43.3.3.

		Financial assets		Financial liabilities	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
6.	**Trading assets and liabilities**				
	Financial assets held for trade facilitation comprise the following categories of rated bond positions all of which are traded through the JSE:				
	Government bonds	**22 179**	19 040	**330 727**	447 731
	Government-owned entities	**242 317**	251 582	**–**	–
	Corporate bonds	**63 361**	262 780	**–**	–
	Derivatives	**43 307**	85 174	**47 987**	101 438
		371 164	618 576	**378 714**	549 169

** Financial assets and liabilities held for trade facilitation relate to the Fixed Income trading business in Sasfin Securities (Proprietary Limited. Financial assets held for trade facilitation are economically hedged by financial liabilities held for trade facilitation, minimising the Group's exposure to interest rate risk.*

6. Trading assets and liabilities continued

6.1 Reverse repurchase and repurchase agreements

The Group holds proprietary bond positions for trade facilitation related to the Fixed Income business in Sasfin Securities (Proprietary) Limited. 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.

	2021 R'000	2020 R'000
Reverse repurchase agreements (assets)	**332 269**	441 767
Repurchase agreements (liabilities)	**280 242**	450 673
6.2 Total trading assets	**703 433**	1 060 342
Financial assets	**371 164**	618 575
Reverse repurchase agreements (assets)	**332 269**	441 767
6.3 Total trading liabilities	**658 957**	999 842
Financial liabilities	**378 714**	549 169
Repurchase agreements (liabilities)	**280 243**	450 673

	2021 R'000	2020 R'000
7. Trade and other receivables		
Stockbroking receivable[1]	**39 694**	71 907
Insurance coverage asset	**50 776**	49 495
Value added taxation	**26 760**	13 410
Prepaid expenses	**30 070**	31 497
Dividend receivable	**–**	8 400
Trade receivables[2]	**231 305**	87 351
Sundry receivables	**133 829**	174 955
Other receivables before impairments	**512 434**	437 015
Credit loss allowance	**(493)**	(371)
Net trade and other receivables	**511 941**	436 644

1 *The Stockbroking receivable represents unsettled transactions in terms of the trading rules applicable to the specific exchange where the deal was booked.*

2 *Trade receivables have increased from prior year as a result of the timing of the settlement of a balance with a significant debtor and an increase in margin accounts at year end.*

	2021 R'000	2020 R'000
8. Non-current assets held for sale		
Investment property	**6 700**	6 700
Fair value at the beginning of the year	**6 700**	–
Fair value prior to classification as held for sale	**–**	8 900
Fair value adjustments	**–**	(2 200)
Total non-current assets held for sale	**6 700**	6 700

The asset continues to be classified as a non-current asset held for sale. As at 30 June 2021, a signed agreement with a third party to acquire the asset existed; therefore, the sale was considered to be highly probable at year-end.

However, during the unrest in the Country in July 2021, the building was razed to the ground; refer to note 48.

	Total R'000	Year 1 R'000	Year 2 R'000	Year 3 R'000	Year 4 R'000	Year 5 R'000	More than 5 years R'000
9. Loans and advances							
2021							
Loans and advances at amortised cost							
Gross investment in leases	**7 051 720**	**2 973 185**	**1 954 547**	**1 257 095**	**642 709**	**218 224**	**5 960**
Equipment Finance	5 553 612	2 336 585	1 533 628	994 277	504 826	182 316	1 980
Capital Equipment Finance	1 498 108	636 600	420 919	262 818	137 883	35 908	3 980
Less: Unearned finance income	**(1 122 187)**	**(558 784)**	**(332 098)**	**(160 467)**	**(59 606)**	**(10 958)**	**(274)**
Equipment Finance	(901 794)	(448 910)	(266 461)	(129 228)	(48 466)	(8 665)	(64)
Capital Equipment Finance	(220 393)	(109 874)	(65 637)	(31 239)	(11 140)	(2 293)	(210)
Net investment in leases[1]	**5 929 533**	**2 414 401**	**1 622 449**	**1 096 628**	**583 103**	**207 266**	**5 686**
Equipment Finance	4 651 818	1 887 675	1 267 167	865 049	456 360	173 651	1 916
Capital Equipment Finance	1 277 715	526 726	355 282	231 579	126 743	33 615	3 770
Trade and Debtor Finance	633 499						
Term Loans	376 554						
Secured Loans	351 631						
Unsecured Loans	24 923						
Loans and advances before expected credit losses	**6 939 586**						
Credit loss allowance (refer to note 43)	(535 353)						
Total loans and advances at amortised cost	**6 404 233**						
Loans and advances at FVTPL	311 718						
Specialised lending	311 718						
Total loans and advances	**6 715 951**						

	Total R'000	Year 1 R'000	Year 2 R'000	Year 3 R'000	Year 4 R'000	Year 5 R'000	More than 5 years R'000
2020							
Loans and advances at amortised cost							
Gross investment in leases	7 199 485	3 211 396	1 964 542	1 196 330	635 043	185 105	7 069
Equipment Finance	5 646 631	2 381 258	1 594 012	991 469	527 250	147 819	4 823
Capital Equipment Finance	1 552 854	830 138	370 530	204 861	107 793	37 286	2 246
Less: Unearned finance income	(1 185 948)	(626 019)	(338 824)	(161 445)	(55 047)	(4 164)	(449)
Equipment Finance	(958 396)	(499 384)	(276 778)	(134 164)	(45 332)	(2 529)	(209)
Capital Equipment Finance	(227 552)	(126 635)	(62 046)	(27 281)	(9 715)	(1 635)	(240)
Net investment in leases[1]	6 013 537	2 585 377	1 625 718	1 034 885	579 996	180 941	6 620
Equipment Finance	4 688 235	1 881 874	1 317 234	857 305	481 918	145 290	4 614
Capital Equipment Finance	1 325 302	703 503	308 484	177 580	98 078	35 651	2 006
Trade and Debtor Finance	718 014						
Term Loans	207 171						
Secured Loans	191 568						
Unsecured Loans	15 603						
Loans and advances before expected credit losses	6 938 722						
Credit loss allowance (refer to note 43)	(552 405)						
Total loans and advances at amortised cost	6 386 317						
Loans and advances at FVTPL	223 011						
Specialised lending	223 011						
Total loans and advances	6 609 328						

[1] *Loans and advances with a carrying amount of R2.995 billion (2020: R3.366 billion) have been ceded as security for the debt securities issued. Refer to note 20.*

	2021 R'000	2020 R'000
10. Investment securities		
Investments at fair value through profit or loss	**519 972**	528 771
Listed equity investments	**216**	150
Private and Property Equity investments	**519 756**	528 621
Equity-accounted associates[1]	**20 089**	126 195
	540 061	654 966

[1] *Sasfin's wholly-owned subsidiary, Sasfin Wealth Proprietary Limited (Sasfin Wealth), entered into a sale of shares agreement in terms of which, inter alia, Sasfin Wealth disposed of its 21.10% interest in its associate, Efficient Group Limited, for a disposal consideration of R146.261 million. The disposal was concluded on 3 December 2020. After the disposal, the remaining balance is made up of individually immaterial associates.*

The associates of the Group that are classified and measured at fair value through profit or loss, are involved in a variety of businesses. The shareholdings in these investments range between 20% and 50%.

All associates are incorporated in South Africa. A full list of associates is available, on request, at the registered office of the Group.

	2021 R'000	2020 R'000
Summarised financial information for associates that have been equity accounted:		
Post-tax profit	**18 962**	66 607
Total comprehensive income	**18 962**	66 607
Total assets	**57 230**	6 338 451
Total liabilities	**11 273**	6 054 497

	2021 R'000	2020 R'000
11. Deferred tax assets and liabilities		
Deferred tax assets	**37 584**	36 808
Deferred tax liability	**(110 770)**	(94 531)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2021 Assets R'000	2021 Liabilities R'000	2021 Net R'000	2020 Assets R'000	2020 Liabilities R'000	2020 Net R'000
Equipment finance	**–**	**(252 784)**	**(252 784)**	–	(238 613)	(238 613)
Tax losses[1]	**40 054**	**41 113**	**81 167**	45 903	36 729	82 632
Fair value adjustment	**(7 241)**	**(36 879)**	**(44 120)**	(9 317)	(29 310)	(38 627)
Prepayments	**(322)**	**(1 697)**	**(2 019)**	(337)	(1 367)	(1 704)
Provisions	**16 764**	**146 267**	**163 031**	13 846	142 027	155 873
Investment property	**(202)**	**(895)**	**(1 097)**	(202)	(1 539)	(1 741)
Intangible assets	**–**	**(4 597)**	**(4 597)**	–	(6 080)	(6 080)
Property, equipment and right-of-use assets	**(2 061)**	**(6 414)**	**(8 475)**	(1 225)	(12 957)	(14 182)
Lease liabilities	**2 167**	**9 275**	**11 442**	1 395	17 557	18 952
Other temporary differences[2]	**(11 575)**	**(4 159)**	**(15 734)**	(13 255)	(978)	(14 233)
Net tax assets/(liabilities)	**37 584**	**(110 770)**	**(73 186)**	36 808	(94 531)	(57 723)

[1] *These tax losses have arisen from the group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections for a period of 5 years indicate these entities are likely to produce sufficient taxable income in the near future. The Group has actual losses of R12.8 million that has not been recognised.*

[2] *Other relates primarily to a portion of the deferred tax asset on assessed losses derecognised in Sasfin Capital (Proprietary) Limited.*

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

11. Deferred tax assets and liabilities continued

Movements in temporary differences during the year

	Balance at 1 July R'000	IFRS 16 transition – day 1 R'000	Recognised in profit or loss R'000	Recognised in OCI R'000	Balance at 30 June R'000
2021					
Equipment finance	**(238 613)**	**–**	**(14 171)**	**–**	**(252 784)**
Tax losses	**82 633**	**–**	**(1 466)**	**–**	**81 167**
Fair value adjustment	**(38 627)**	**–**	**(5 240)**	**(253)**	**(44 120)**
Prepayments	**(1 704)**	**–**	**(315)**	**–**	**(2 019)**
Provisions	**155 873**	**–**	**7 158**	**–**	**163 031**
Investment property	**(1 741)**	**–**	**644**		**(1 097)**
Intangible assets	**(6 080)**	**–**	**1 483**	**–**	**(4 597)**
Property, equipment and right-of-use assets	**(14 181)**	**–**	**5 706**	**–**	**(8 475)**
Lease liabilities	**18 952**	**–**	**(7 510)**	**–**	**11 442**
Other temporary differences	**(14 235)**	**–**	**(1 499)**	**–**	**(15 734)**
	(57 723)	**–**	**(15 210)**	**(253)**	**(73 186)**
2020					
Equipment finance	(271 527)	–	32 914	–	(238 613)
Tax losses	88 415	–	(5 783)	–	82 633
Fair value adjustment	(28 869)	–	(9 758)	–	(38 627)
Prepayments	(2 231)	–	527	–	(1 704)
Provisions	116 150	–	39 723	–	155 873
Investment property	(2 035)	–	294	–	(1 741)
Intangible assets	(7 415)	–	1 335	–	(6 080)
Property and equipment	(253)	(22 379)	8 450	–	(14 181)
Lease liabilities	–	27 359	(8 407)	–	18 952
Other temporary differences	3 743	(4 980)	(12 996)	–	(14 235)
	(104 022)	–	46 299	–	(57 723)

12. Property, equipment and right-of-use assets

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Right-of-use assets R'000	Total R'000
2021						
Cost at the beginning of the year	146 402	40 818	3 309	35 941	83 007	309 477
Additions	10 525	251	–	–	5 643	16 419
Disposals	(57 064)[2]	(15 096)[2]	(380)	–	–	(72 540)
Transfers	–	–	–	(7 003)	–	(7 003)
Impairments	–	–	–	–	–	–
Cost at the end of the year	99 863	25 973	2 929	28 938	88 650	246 353
Accumulated depreciation and impairment at the beginning of the year	(123 672)	(32 549)	(2 709)	(17 249)	(29 747)	(205 926)
Depreciation charge for the year	(9 296)	(3 883)	(218)	(5 636)	(27 282)	(46 315)
Disposals	56 513[2]	14 061[2]	380	–	–	70 954
Transfers	–	(6)	–	6	–	–
Accumulated depreciation and impairment at the end of the year	(76 455)	(22 377)	(2 547)	(22 879)	(57 029)	(181 287)
Carrying amount at the beginning of the year	22 729	8 269	600	18 692	53 260	103 550
Carrying amount at the end of the year	23 408	3 596	382	6 059	31 621	65 068

1 *Land and buildings (56 Mangold Street, Newton Park, Port Elizabeth) was transferred from owner occupied property to an investment property at a value of R7 million on the Sale of SCS Global Trade.*

2 *In the current year Assets of 56.5 million and 14.2 million were retired for Computer equipment and Furniture and fittings respectively.*

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

12. Property, equipment and right-of-use assets continued

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Right-of-use assets – buildings[1] R'000	Total R'000
2020						
Cost at the beginning of the year	136 023	40 613	3 085	54 791	–	234 512
IFRS 16 transition – day 1[1]	–	–	–	–	83 007	83 007
Cost at the beginning of the year – inclusive of IFRS 16	136 023	40 613	3 085	54 791	83 007	317 519
Loss of control of a subsidiary	(334)	(451)	(49)	–	–	(834)
Additions	11 156	976	274	271	–	12 677
Disposals	(192)	(62)	(339)	(174)	–	(767)
Transfers	(251)	(258)	338	(18 947)	–	(19 118)
Cost at the end of the year	146 402	40 818	3 309	35 941	83 007	309 477
Accumulated depreciation and impairment at the beginning of the year	(107 660)	(29 786)	(2 585)	(19 236)	–	(159 267)
Depreciation charge for the year	(14 194)	(3 821)	(291)	(5 655)	(30 190)	(54 151)
Loss of control of a subsidiary	111	86	15	–	443	655
Disposals	364	104	340	42	–	850
Transfers	(2 294)	868	(188)	7 600	–	5 986
Accumulated depreciation and impairment at the end of the year	(123 673)	(32 549)	(2 709)	(17 249)	(29 747)	(205 927)
Carrying amount at the beginning of the year	28 363	10 827	500	35 555	83 007	158 252
Carrying amount at the end of the year	22 729	8 269	600	18 692	53 260	103 550

13. Investment property

	2021 R'000	2020 R'000
Fair value at the beginning of the year	**13 123**	8 900
Transfers to non-current assets held for sale	**–**	(8 900)
Transfers from land and buildings[1]	**7 003**	13 123
Fair value movements during the year	**(3 726)**	–
Fair value at the end of the year	**16 400**	13 123

[1] *During the current year property that was classified as owner-occupied property, at the Group level was reclassified as investment property on the sale of SCS Global Trade. This is reflected as a transfer in from land and buildings; refer to note 12.*

The fair value of the investment property has been determined by an independent valuator with the necessary experience and knowledge of the area in which the investment property is located, as at 30 June 2021, with reference to the International Valuation Standards 2017.

14. Intangible assets and goodwill

	Distributor relationships R'000	Purchased software R'000	Internally generated intangible assets[1] R'000	Goodwill[2] R'000	Total R'000
As at 1 July 2020					
Cost	**58 429**	**24 363**	**187 244**	**33 087**	**303 123**
Accumulated amortisation and impairment	**(33 176)**	**(17 015)**	**(46 891)**	**(835)**	**(97 917)**
Carrying amount at the beginning of the year	**25 253**	**7 348**	**140 353**	**32 252**	**205 206**
Additions	**–**	**244**	**27 690**	**–**	**27 934**
Disposals	**–**	**–**	**–**	**–**	**–**
Amortisation	**(6 092)**	**(2 947)**	**(22 662)**	**–**	**(31 701)**
Impairment	**–**	**–**	**(40 583)**	**–**	**(40 583)**
Carrying amount at the end of the year	**19 161**	**4 645**	**104 798**	**32 252**	**160 856**
As at 1 July 2019					
Cost	56 994	25 601	183 791	36 047	302 433
Accumulated amortisation and impairment	(27 613)	(11 842)	(27 949)	–	(67 404)
Carrying amount at the end of the year	29 381	13 759	155 842	36 047	235 029
Transfers	1 434	(1 434)	–	–	–
Additions	–	518	29 077	–	29 595
Disposals	–	(306)	–	–	(306)
Disposal of subsidiary	–	(11)	–	(2 960)	(2 971)
Amortisation	(5 562)	(5 178)	(28 750)	–	(39 490)
Impairment	–	–	(15 816)	(835)	(16 651)
Carrying amount at the end of the year	25 253	7 348	140 353	32 252	205 206

[1] *All software-related intangible assets are internally generated and bespoke and therefore cannot be reliably valued at fair value. The recoverable amount was therefore based on value in use, where applicable. Treasury's weighted average cost of capital of 10.88%, a terminal growth rate of 1% (South African GDP-based growth rate) and a five-year budgeted cash flow forecast[3] was used to discount expected future cash flows.[4]*

[2] *The Group assesses the recoverable amount of the CGU to which the goodwill relates, taking into account the current and estimated future profitability of the CGU, to determine whether it is at least equal to the carrying amount of the related goodwill. Should the carrying amount exceed the recoverable amount, an impairment is recognised. The CGU is in most cases the subsidiary to which the goodwill relates. The Group's weighted average cost of capital of 14% (2020: 19%), a terminal growth rate of 1% (South African GDP-based growth rate) and a five-year budgeted cash flow forecast[3] is used to discount expected future cash flows.[4]*

[3] *Budgeted inputs were adjusted for macro-economic drivers including GDP, inflation, credit risk, exchange rates, COVID-19 considerations and other cost drivers for a five-year period from 2022 to 2026.*

[4] *If the growth and cash flow inputs are flexed there is still not a material difference to the outcome of the calculations.*

	2021 R'000	2020 R'000
Allocation of goodwill		
Fintech (Pty) Ltd	**30 518**	30 518
Sasfin Property Holdings (Pty) Ltd	**(2 021)**	(2 021)
Sasfin Wealth Investment Platform (Pty) Ltd	**3 755**	3 755
	32 252	32 252

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

	2021 R'000	2020 R'000
15. Funding under repurchase agreements and interbank		
Short-term interbank loans	–	79 094
Funding under repurchase agreements	**700 067**	1 803 712
	700 067	1 882 806

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.

	2021 R'000	2020 R'000
16. Trade and other payables		
Value-Added Taxation	**8 912**	13 119
Stockbroking payables	**67 871**	21 184
Audit fees and other services	**15 175**	17 196
Accounts payable[2]	**519 222**	479 728
Other payables	**74 413**	81 426
Accruals	**36 116**	38 689
Income received in advance	**822**	2 327
Borrowings from related parties to the Group[1]	–	130 117
	722 531	783 786

[1] *These borrowings are unsecured, interest-bearing and are repayable on demand subject to 30 days' written notice. The borrowings are not subject to a fixed repayment date. Interest is payable at three-month Libor plus 1.5%. Refer to note 40.2. These have been settled in the current year.*

[2] *Included in Accounts payable as at 30 June 2021 is an unconditional obligation on Sasfin Holdings Limited to buy back the preference shares, and therefore, a liability exists at year-end. Refer to note 25 for more detail.*

	2021 R'000	2020 R'000
17. Provisions		
Leave pay provision	**24 317**	31 326
Bonus provision	**48 397**	10 303
	72 714	41 629

Movements in each class of provision:	Bonus provision R'000	Leave pay provision R'000	Total R'000
2021			
Carrying amount at the beginning of the year	**10 303**	**31 326**	**41 629**
Movement recognised in profit or loss:	**49 208**	**(1 606)**	**47 602**
Additional provisions recognised	**51 080**	**5 196**	**56 276**
Unused amounts reversed	**(1 872)**	**(6 106)**	**(7 978)**
Unwinding of discount	–	**(696)**	**(696)**
Amounts used during the year	**(10 553)**	**(6 733)**	**(17 286)**
Other movement	**(561)**	**1 330**	**769**
Carrying amount at the end of the year	**48 397**	**24 317**	**72 714**

The Leave pay provision is the amount payable to employees in respect of the annual leave days accumulated by them. Employees are allowed to accumulate leave for a maximum period of 12 months, whereafter any untaken leave days are forfeited.

The Bonus provision is the amount payable to employees based on the achievement of their agreed Key Performance Indicators, subject to satisfactory performance of the Group and continued employment by the Group.

	2021 R'000	2020 R'000
18. Lease liabilities		
Reconciliation of lease liabilities		
Opening finance lease liabilities	**70 266**	–
Adjustment on initial application of IFRS 16	**–**	101 318
Additions	**6 294**	–
Finance costs (note 28)	**4 893**	7 338
Capital repayments	**(33 355)**	(31 052)
Interest repayments	**(4 893)**	(7 338)
Total capitalised lease liability	**43 205**	70 266

The total cash outflow for leases included in the lease liability in 2021 was R38.2 million (2020: R38.4 million). Refer to note 44.1 for the maturity analysis of the undiscounted contractual cash flows.

The Group leases various office buildings in which to conduct its operations. These rental contracts are typically entered into for a fixed period of 5 years, with some having renewal options. The lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

	2021 R'000	2020 R'000
19. Deposits from customers		
Current deposits[1]	**627 206**	581 499
Call deposits[1]	**1 438 146**	1 902 763
Notice deposits	**853 956**	803 473
Fixed deposits	**1 804 157**	1 815 525
Negotiable certificates of deposits	**9 299**	35 518
	4 732 764	5 138 778

[1] *Call deposits have been split into current deposits and call deposits for enhanced disclosure in this note.*

	2021 R'000	2020 R'000
20. Debt securities issued		
Category analysis		
Rated	**2 741 583**	2 743 823

These floating rate notes are secured by a cession of rentals and equipment, underlying instalment finance assets and bank accounts in the name of SASP (Refer to note 9). All notes are placed with South African investors. The debt securities in issuance are rated by Global Credit Ratings Co. These ratings are available, on request, at the registered office of the Group. Refer to note 36. These notes are Unsubordinated, secured, compulsory redeemable, asset backed notes of R1m each. These notes bear interest at between three-month JIBAR+ 1.3000% and three-month JIBAR+ 3.1500%, with various maturity dates. Refer to note 44.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

		2021 R'000	2020 R'000
21. Long-term loans			
Represented by:	**Repayment date:**		
European DFI loan facility	January 2022 – October 2022[2]	**390 000**	116 360
Absa Bank Limited – Redeemable preference shares[1]	30 August 2022	**220 000**	250 000
Other[3]	30 July 2021 – 31 December 2026	**120 904**	5 289
Total		**730 904**	371 649

Long-term loans are interest-bearing, and the interest rates are individually negotiated. The Group has not had any defaults of principal or interest or other breaches with respect to its long term loans during the year ended 30 June 2021.

[1] *The Group's shareholding in its wholly-owned subsidiary Sasfin Private Equity Investment Holdings (Proprietary) Limited is pledged as security for these redeemable preference shares.*

[2] *The initial European DFI loan facility was settled in May 2021 with a new facility being entered into during the current year.*

[3] *Other relates to SARB Guaranteed loans as described in note 2.1.*

	2021 R'000	2020 R'000
22. Ordinary share capital		
Authorised		
100 000 000 (2020: 100 000 000) ordinary shares with a par value of 0.01 each	**1 000**	1 000
Issued		
30 772 847 (2020: 32 196 882) ordinary shares with a par value of 0.01 each		
Balance at the beginning of the year	**321**	321
Balance at the end of the year	**321**	321
Reconciliation of the number of shares issued	**–**	
Total shares in issue (number)	**32 301 441**	32 301 441
Less: Treasury shares held by the Sasfin Share Incentive Trust (number)	**(1 436 052)**	(12 017)
Less: Treasury shares held by SasSec (number)	**(92 542)**	(92 542)
	30 772 847	32 196 882
23. Ordinary share premium		
Balance at the beginning of the year	**166 945**	166 945
Balance at the end of the year	**166 945**	166 945
24. Preference share capital		
Authorised		
5 000 000 (2020: 5 000 000) non-redeemable, non-cumulative, non-participating, variable rate preference shares with a par value of 1 cent each	**50**	50
Issued		
1 797 226 (2020: 1 797 226) non-redeemable, non-cumulative, non-participating, variable rate preference shares with a par value of 1 cent each	**18**	18

Preference shares are listed under the 'Specialist Securities – Preference Shares' sector of the JSE. At Sasfin's discretion dividends are paid semi-annually at a rate of 82.5% of the ruling prime rate when declared.

	2021 R'000	2020 R'000
25. Preference share premium		
Balance at the beginning of the year	**188 068**	188 068
Repurchase of shares[1]	**(144 755)**	–
Balance at the end of the year	**43 313**	188 068

[1] *Before year-end, Sasfin entered into a scheme of arrangement, whereby the entire preference share capital class of shares will be repurchased. The scheme of arrangement was finalised before year-end; however, settlement only occurred on 5 July 2021 (refer to subsequent events note 48 in the preceding Sasfin Holdings Consolidated Financial Statements). Therefore at 30 June 2021 there is an unconditional obligation on Sasfin Holdings Limited to buy-back the preference shares, and accordingly a liability exists at year-end. The preference share premium was reduced at year-end and a liability recognised in other payables (refer to note 16).*

	2021 R'000	2020 R'000
26. Commitments and contingent liabilities		
Letters of credit	**117 461**	39 960
Financial guarantees[1]	**43 810**	53 939
Loan Commitments	**51 906**	–
Capital expenditure	**5 189**	–
Non-cancellable short-term/operating lease rentals for premises[2]	**–**	547
– One year	**–**	547
	218 366	94 446

[1] *Refer to note 43.1 for the expected credit loss raised.*
[2] *In the current year there are no more Non-cancellable operating lease rentals for premises as the Group now applies IFRS 16.*

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.

Short-term leases – IFRS 16

The Group leases a number of premises with a remaining lease term of 12 months or less, as at the date of the first-time adoption of IFRS 16.

Legal proceedings

In the ordinary course of business, the Group and Company are involved as both plaintiff and defendant in litigation, lawsuits and other proceedings. Management recognises the inherent difficulty of predicting the outcome of defended legal proceedings. Nevertheless, based on management's knowledge from investigation, analysis and after consulting with legal counsel, management believes that there are no individual legal proceedings that are currently assessed as being "likely to succeed and material". There are two matters in which the Group is involved which are considered to be "unlikely to succeed but material should they succeed", these matters are not expected to be enrolled for trial in the forthcoming year.

The Group and Company are also the defendant in some legal cases for which the Group and Company are fully indemnified by external third parties, none of which are individually material. Management is accordingly satisfied that the legal proceedings currently pending against the Group and Company should not have a material adverse effect on the Group's and Company's consolidated financial position and the Directors are satisfied that the Group and Company have adequate insurance programmes and, where required in terms of IFRS for claims that are probable, provisions are in place to meet claims that may succeed.

The Group is exposed to certain actual and potential claims in the ordinary course of its business, none of which are individually material.

Based on information presently available and an assessment of the probability of these claims, the Directors are satisfied that the Group has adequate provisions and/or insurance cover to meet such claims. As such, management it is not expecting any of these to have a material adverse effect on the Group.

Notes to the consolidated financial statements continued

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		2021 R'000	2020 R'000
27.	**Interest income**		
	Interest income calculated using the effective interest method	**947 447**	1 250 375
	Interest income	**3 640**	1 354
	Deposits with banks	**38 633**	55 993
	Negotiable securities	**131 603**	214 556
	Equipment finance	**559 306**	676 308
	Capital Equipment finance	**142 955**	164 874
	Trade and Debtor finance	**43 593**	95 020
	Other secured loans	**26 149**	41 325
	Unsecured loans	**1 568**	945
	Other interest income	**47 614**	35 174
	Specialised lending	**32 025**	15 104
	Trading assets and other	**(428)**	(12 760)
	Fixed income	**16 017**	32 830
		995 061	1 285 549
	Total interest income	**995 061**	1 285 549
	Interest income on items measured at amortised cost	**947 447**	1 250 375
	– Performing financial assets	**863 775**	1 226 728
	– Credit impaired financial assets	**83 672**	23 647
	Interest income on items measured at fair value through profit or loss	**47 614**	35 174
28.	**Interest expense**		
	Interest expense calculated using the effective interest method	**440 234**	733 312
	Funding under repurchase agreements and interbank	**33 988**	104 162
	Call deposits	**58 801**	107 111
	Notice deposits	**34 440**	53 819
	Fixed deposits	**115 949**	167 085
	Lease liabilities	**4 893**	7 338
	Bank overdraft	**4 640**	5 672
	Debt securities	**145 875**	223 885
	Long-term borrowings	**32 100**	49 015
	Current accounts[1]	**8 247**	11 254
	Other deposits and loan accounts	**1 301**	3 971
	Other interest expense	**16 847**	45 922
	Trading liabilities and other	**262**	1 344
	Fixed income	**16 585**	44 578
		457 081	779 234

[1] *Call deposits have been split into current deposits and call deposits for enhanced disclosure in this note.*

		2021 R'000	2020 R'000
29.	**Net fee and commission income**		
	Fee and commission income	**628 388**	638 402
	Brokerage income and asset management fees	**277 596**	283 059
	Confirming fees	**31 698**	45 407
	Binder fees	**–**	2 706
	Total commission income	**22 421**	38 853
	Administration fees	**48 569**	33 114
	Other fee and commission income[1]	**248 104**	235 263

[1] *Primarily consists of claim fees, application fees, advisory fees and fixed income.*

		2021 R'000	2020 R'000
29.	**Net fee and commission income** continued		
	Fee and commission expense	**212 276**	208 957
	Brokerage and Asset Management fee – expense	**45 231**	47 315
	Other fee and commission expense	**7 219**	1 379
	Total commission expense	**150 504**	154 265
	Administration fee expense	**9 322**	5 998
	Net fee and commission income	**416 112**	429 445
30.	**Gains and losses on financial instruments**		
	Net gains or losses on the derecognition of financial instruments at amortised cost	**37 072**	28 297
	Net gains on the derecognition of financial assets measured at amortised cost	**37 072**	28 297
	Settlement profits	**34 167**	28 631
	Realised foreign exchange gains or (losses)	**2 905**	(334)
	Other gains or losses on financial instruments	**131 773**	57 377
	Dividend income	**23 757**	24 181
	Fair value adjustments on financial instruments held at fair value through profit or loss	**47 564**	(3 979)
	Net gains on derivative instruments	**63 368**	38 623
	Unrealised foreign exchange losses	**(2 916)**	(1 448)
	Total gains and losses on financial instruments	**168 845**	85 674
31.	**Other income**		
	Income received from rent for use assets	**103 679**	95 098
	Rental income from investment property	**80**	748
	Profit on disposal of property and equipment	**44**	48
	Profit on loss of control of subsidiary	**–**	4 674
	Gain on dilution of interest in associate	**–**	2 307
	Profit on loss of disposal of associates[1]	**21 195**	–
	Sundry income[2]	**35 845**	22 186
		160 843	125 061

[1] *During the year under review, the Group disposed of Efficient Group Limited, refer to note 10 for additional information.*
[2] *Comprises various individually insignificant line items, including SWIFT charges received and rental recoveries.*

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

		2021 R'000	2020 R'000
32.	**Staff costs**		
	Salaries and wages	**471 934**	458 332
	Executive Directors', Alternate Directors' and Prescribed Officers' remuneration (refer to note 40.3)	**25 378**	26 524
	Non-Executive Directors' remuneration (refer to note 40.3)	**5 604**	4 993
	Contributions to defined contribution plans and other	**27 568**	27 756
		530 484	517 605

For 2020 the allocation of amounts between Non-executive directors, Executive directors and Salaries and wages was incorrectly allocated between the categories and, therefore, had to be aligned to the Directors emoluments note. Refer to note 40.3.

		2021 R'000	2020 R'000
33.	**Other operating expenses**		
	The following items are included in operating expenses		
	Fees paid to auditors	**17 828**	20 796
	Audit fees – Current year	**12 961**	16 309
	– Underprovision prior year	**3 829**	3 198
	Regulatory	**968**	1 275
	Other	**70**	14
	Administration and management fee	**18 580**	3 689
	Amortisation of intangible assets	**31 701**	39 490
	Buildings, equipment and consumables	**19 508**	24 165
	Computer costs	**104 388**	112 411
	Consulting fees	**33 353**	25 015
	Depreciation	**46 314**	54 151
	Fair value loss on investment property	**3 726**	–
	Loss on disposal of non-financial assets	**31 082**	182
	Loss on disposal of property and equipment	**66**	–
	Loss on loss of control of subsidiary	**31 016**	–
	Loss on dilution of interest in associate	**–**	182
	Marketing costs	**20 933**	25 586
	Market and data provider costs	**13 165**	16 588
	Occupation and accommodation	**10 631**	12 202
	Direct operating expenses arising from investment property that generated rental income	**2 279**	2 167
	Lease expense – Short term leases (IFRS 16)	**516**	–
	Other occupation and accommodation	**7 836**	10 035

During the year under review, it was decided to add additional expense categories to provide more meaningful information. For consistency, additional prior year comparatives have been included. These new expense items are Administration and management fee, Building, equipment and consumables, Loss on disposal of non-financial assets, Market and data provider costs and Occupation and accommodation.

		2021 R'000	2020 R'000
34.	**Impairments on non-financial assets**		
	Software	**40 584**	15 816
	Internally developed software	**40 584**	15 816
	Goodwill	**–**	835
		40 584	16 651
35.	**Income tax expense**		
	Current tax expense	**43 737**	44 903
	Current year	**43 545**	43 725
	Under provision in prior years	**192**	1 178
	Deferred tax expense	**15 210**	(46 751)
	Current year	**13 041**	(46 738)
	Under/(over) provision in prior years	**2 169**	(13)
		58 947	(1 848)
	Reconciliation of taxation rate	**%**	%
	South African normal tax rate	**28.00**	28.00
	Adjusted for:	**14.96**	(23.92)
	Exempt income[2]	**(11.37)**	27.67
	Non-deductible expenses	**13.96**	(27.45)
	Additional deductible tax allowances	**(0.71)**	1.66
	Effect of tax rates in foreign entity	**0.53**	5.56
	Underprovision in prior years	**1.72**	1.03
	Fair value adjustments	**(0.44)**	(2.55)
	Other comprehensive income adjustments	**–**	(0.56)
	Corporate transactions[1]	**9.25**	–
	Other	**2.02**	(29.28)
	Effective rate	**42.96**	4.08
	Losses, balances of allowances and credits for which a deferred tax asset has been raised:		
	Estimated tax losses available to offset future taxable income	**288 827**	295 118

[1] *The corporate transactions related to the disposal of Sasfin Holdings Limited to Sasfin Private Equity Investment Holdings (Proprietary) Limited, the donation made to the Sasfin Share Incentive trust, the disposal of Sasfin Asia Limited, the disposal of the investment in the Efficient Group, and the disposal of SCS Global Trade (Proprietary) Limited.*

[2] *Exempt income comprises exempt dividends.*

36. Securitisation

In the ordinary course of business, the Group sells financial assets to structured entities. The information below sets out the extent of such transfers and the Group's retained interest in transferred assets.

	2021 R'000	2020 R'000
Carrying and fair value of transferred assets	**3 079 587**	2 970 301
Carrying and fair value of associated liabilities	**(2 741 583)**	(2 743 823)
Net carrying amount and fair value	**338 004**	226 478

The Group refinanced a further R1.619 billion (2020: R1.038 billion) worth of rental agreements during the year (refer to note 20).

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

	2021 R'000	2020 R'000
37. Funds under advisement and management		
The Group administers client funds in a fiduciary capacity which comprise:		
Assets under management	**43 760 528**	39 329 123
Assets under advisement	**10 138 306**	9 275 902
Assets under administration	**56 795 801**	49 345 219
	110 694 635	97 950 244

38. Earnings per share

38.1 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
2021				
Basic earnings	**136 591**	**(58 947)**	**–**	**77 644**
Headline adjustable items:	**54 130**	**9 297**	**–**	**63 427**
Loss on loss of control of subsidiary	**31 016**	**–**	**–**	**31 016**
Investment property – fair value loss on continuing operations	**3 726**	**–**	**–**	**3 726**
Intangible impairments	**40 583**	**–**	**–**	**40 583**
Profit on disposal of interest in associate	**(21 195)**	**9 297**	**–**	**(11 898)**
	190 721	**49 650**	**–**	**141 071**
2020				
Basic earnings	(45 002)	1 848	(17 022)	(60 176)
Headline adjustable items:	12 052	(493)	–	(11 559)
Profit on loss of control of subsidiary	(4 674)	–	–	(4 674)
Investment property – fair value loss on non-current assets held for sale	2 200	(493)	–	1 707
Goodwill and intangible impairments	16 651	–	–	16 651
(Gain)/Loss on dilution of interest in associate	(2 125)	–	–	(2 125)
	(32 950)	1 355	(17 022)	(48 617)

38. Earnings per share continued

38.2 Summary of earnings and headline earnings per share

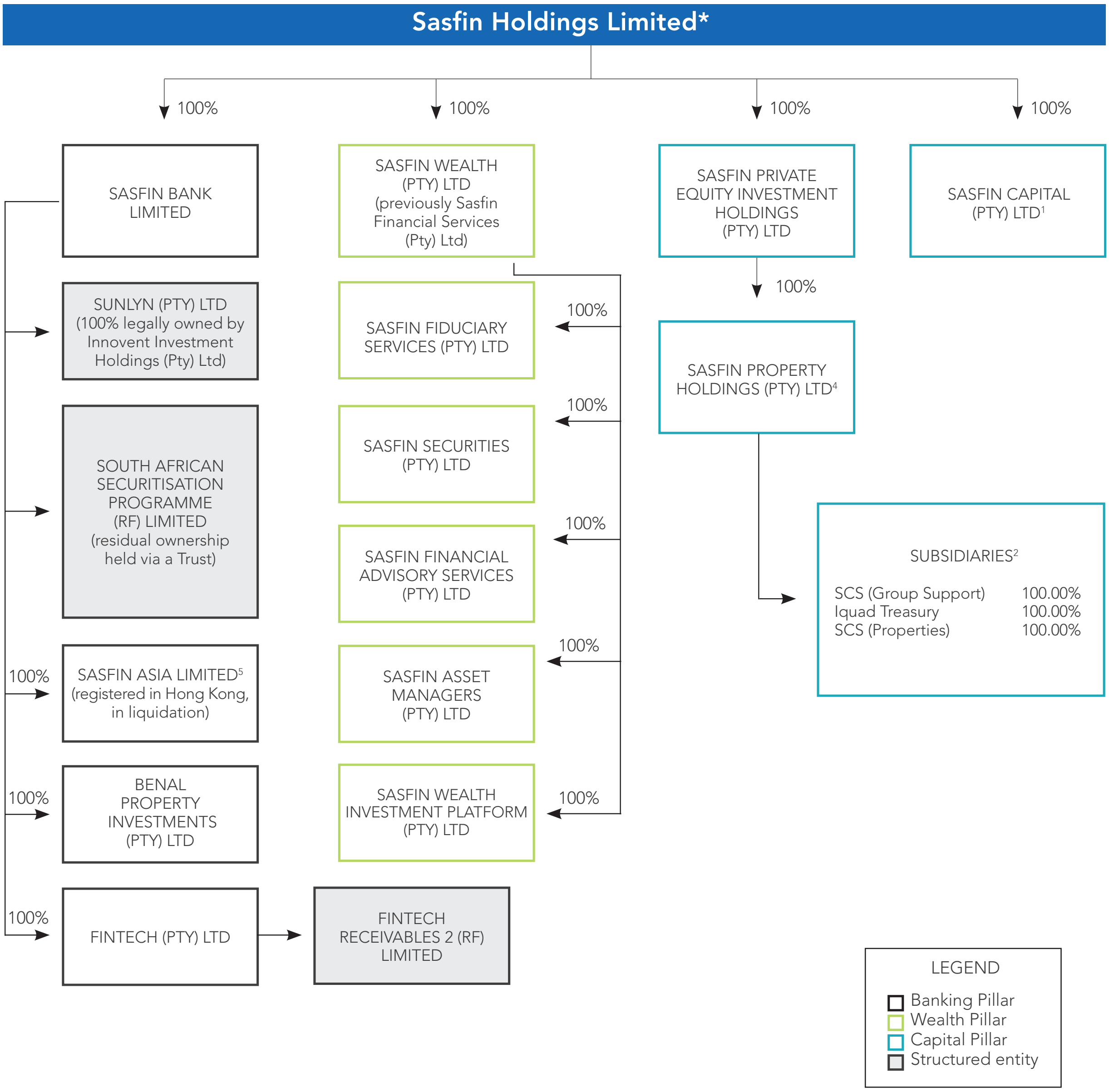
	Earnings attributable		Weighted average number of shares		Cents per share	
	2021 R'000	2020 R'000	**2021**	2020	**2021**	2020
Earnings per ordinary share	**77 644**	(60 177)	**32 190 579**	32 196 882	**241.20**	(186.90)
Diluted earnings per ordinary share	**77 644**	(60 177)	**32 190 579**	32 196 882	**241.20**	(186.90)
Headline earnings per ordinary share	**141 071**	(48 617)	**32 190 579**	32 196 882	**438.24**	(151.00)
Diluted headline earnings per ordinary share	**141 071**	(48 617)	**32 190 579**	32 196 882	**438.24**	(151.00)

39. Notes to the statement of cash flows

	2021 R'000	2020 R'000
39.1 Cash inflow from operating activities		
Reconciliation of operating profit to cash flows from operating activities		
Profit or (loss) before income tax	**136 592**	(45 002)
Adjusted for:	**111 657**	252 246
Profit on disposal of property and equipment	**(44)**	(48)
Loss/(Profit) on disposal of subsidiary	**804**	(4 674)
Profit on disposal of associate	**(21 195)**	–
Dividend received	**(23 757)**	(24 181)
Credit impairment charges	**150 697**	252 618
Movement in provisions	**47 601**	–
Gains on disposal of financial instruments held at fair value through profit and loss	**(37 072)**	(37 175)
Settlement profits	**(34 167)**	(38 623)
Unrealised foreign exchange gains and losses	**(2 905)**	1 448
Fair value adjustments on financial instruments	**(108 741)**	(28 297)
Share of profit of associate	**(18 961)**	(20 161)
Gain on dilution of interest in associate	**–**	(2 307)
Fair value adjustments on financial instruments	**–**	3 979
Fair value loss on investment property	**3 726**	2 200
Impairment of goodwill/intangible assets/property, equipment and right-of-use assets	**40 584**	16 651
Depreciation	**46 314**	54 151
Amortisation of intangible assets	**31 701**	39 490
	248 249	207 244
39.2 Taxation paid		
Unpaid at the beginning of the year	**17 072**	(19 273)
Loss of control of subsidiary	**–**	438
Charge to the income statement	**(43 484)**	44 903
Unpaid at the end of the year	**(21 503)**	17 072
	(47 915)	43 140
39.3 Dividends paid		
Charge to distributable reserves	**–**	46 873
Total dividends paid	**–**	46 873

40. Related-party transactions

40.1 Subsidiaries and controlled structured entities (Refer to note 4 of the separate financial statements)



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

[2] *SCS Global Trade (Pty) Ltd was disposed of on 30 June 2021.*

[3] *Sasfin Mauritius Limited was deregistered on 02 March 2021.*

[4] *Sasfin Holdings Limited sold its share in Sasfin Property Holdings to Sasfin Private Equity Investment Holdings in exchange for additional shares in Sasfin Private Equity Investment Holdings.*

[5] *During the current year, Sasfin Asia Limited was placed into voluntary liquidation. Prior to this, a capital reduction was made in the form of a dividend distribution with the balance of cash remaining in Sasfin Asia Limited until the liquidation is complete. The capital distribution was for an amount of R160.183 million with the balance of R28.371 million being receivable from the liquidators on completion of liquidation. The net asset value on deconsolidation was R28.371 million. Refer to note 33 for loss of control of subsidiary. Refer to Statement of Changes in Equity for the release of the hedge reserve and reclassification of the FCTR through profit and loss on deconsolidation of Sasfin Asia Limited.*

All entities are incorporated in South Africa unless otherwise indicated.

* *Shareholders of Sasfin Holdings Limited*

- *Unitas Enterprises Limited (2021: 46.62%; 2020: 43.05%), a wholly owned company of The Erwin Discretionary Settlement Trust, of which Roland Sassoon and Michael Sassoon are beneficiaries.*
- *Wipfin Investments (Proprietary) Limited (2021: 25.1%; 2020: 25.1%), a wholly owned subsidiary of Women Investment Portfolio Holdings Limited (WIPHOLD).*
- *Public (2021: 23.83%; 2020: 31.85%).*
- *Sasfin Share Incentive Trust (2021: 4.44%; 2020: 0.25%).*

40. Related-party transactions continued

40.2 Balances and transactions with related parties

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 Sasfin Holdings Limited (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:

	2021 R'000	2020 R'000
Balances		
Deposits	**466 841**	7 007
Short-term borrowings included in Trade and other payables (refer note 15)[1]	**–**	130 117
Direct shareholders in Sasfin Holdings Limited	**–**	38 193
Indirect beneficial shareholders in Sasfin Holdings Limited	**–**	25 697
Director of a subsidiary in the Group	**–**	66 227
Funds under management	**18 791**	–
Funds under administration	**454 519**	248 907
Transactions		
Management fees paid to WIPHOLD	**6 048**	5 859
Consultancy fees paid to Roland Sassoon[2]	**–**	1 000

[1] *These borrowings are unsecured, interest-bearing and are repayable on demand subject to 30 days written notice. These were settled during the current year. The borrowings are not subject to a fixed repayment date. Interest is payable at three-month Libor plus 1.5%. These have been settled in the current year.*

[2] *Roland Sassoon was a consultant to Sasfin Holdings from 1 January 2019 to 31 December 2019.*

40.3 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 2021 R	Incentive bonus[4] payable in Sept 2021 R
2021						
Executive Directors						
AC Pillay	**–**	**2 919 930**	**865 739**	**48 750**	**3 834 419**	**1 122 500**
MEE Sassoon	**–**	**3 701 472**	**967 090**	**71 250**	**4 739 812**	**1 567 500**
Independent non-executive Directors						
RC Andersen	**1 100 000**	**–**	**–**	**–**	**1 100 000**	**–**
RWR Buchholz	**748 003**	**–**	**–**	**–**	**748 003**	**–**
GP de Kock[a]	**663 782**	**–**	**–**	**–**	**663 782**	**–**
GC Dunnington	**796 152**	**–**	**–**	**–**	**796 152**	**–**
TE Magare[b]	**441 398**	**–**	**–**	**–**	**441 398**	**–**
TH Njikizana[c]	**89 103**	**–**	**–**	**–**	**89 103**	**–**
MR Thompson	**682 694**	**–**	**–**	**–**	**682 694**	**–**
EA Wilton	**635 181**	**–**	**–**	**–**	**635 181**	**–**
Non-independent, Non-executive Directors						
RDEB Sassoon	**448 206**	**–**	**–**	**–**	**448 206**	**–**
Prescribed officers						
LR Fröhlich	**–**	**2 838 678**	**579 829**	**41 250**	**3 459 757**	**1 382 500**
MG Lane	**–**	**2 670 425**	**884 140**	**41 250**	**3 595 815**	**1 207 500**
FvD Otto	**–**	**2 353 091**	**540 399**	**26 250**	**2 919 740**	**–**
S Tomlinson	**–**	**1 776 520**	**650 234**	**14 250**	**2 441 004**	**610 500**
E Zeki	**–**	**2 588 642**	**681 234**	**1 118 129**	**4 388 005**	**1 870 940**
	5 604 519	**18 848 758**	**5 168 665**	**1 361 129**	**30 983 071**	**7 761 440**

[a] *Appointed on 19 August 2020*

[b] *Resigned on 21 June 2021*

[c] *Appointed on 03 May 2021*

[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, cash-settled share options and sign-on bonuses.*

[3] *Relate to the Group's and individual's performance in the 2019 financial year.*

[4] *Relate to the Group's and individual's performance in the 2021 financial year, including a deferred portion from 2020 bonus payable, deferred to 2021.*

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

40. Related-party transactions continued

40.3 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[3] R	Total 2020 R	Incentive bonus[4] payable in future R
2020						
Executive Directors						
AC Pillay	–	2 780 927	563 915	705 500	4 050 342	48 750
MEE Sassoon	–	3 641 471	630 865	915 000	5 187 336	71 250
Independent Non-Executive Directors						
RC Andersen	1 100 000	–	–	–	1 100 000	–
RWR Buchholz	711 490	–	–	–	711 490	–
L de Beer[d]	141 211	–	–	–	141 211	–
GC Dunnington	876 766	–	–	–	876 766	–
TE Magare[b]	222 420	–	–	–	222 420	–
G Mtetwa[d]	131 674	–	–	–	131 674	–
S Rylands[c]	405 568	–	–	–	405 568	–
MR Thompson	660 187	–	–	–	660 187	–
EA Wilton[a]	502 622	–	–	–	502 622	–
Non-independent, Non-Executive Directors						
RDEB Sassoon[e]	241 848	–	–	–	241 848	–
Prescribed officers						
LR Fröhlich	–	2 805 933	377 693	637 500	3 821 126	41 250
MG Lane	–	2 644 855	668 556	635 000	3 948 411	41 250
FvD Otto	–	2 296 319	343 632	495 000	3 134 951	26 250
S Tomlinson	–	1 719 970	587 258	383 000	2 690 228	14 250
E Zeki	–	2 828 793	228 349	635 000	3 692 142	1 945 008
	4 993 786	18 718 268	3 400 268	4 406 000	31 518 322	2 188 008

[a] *Appointed on 6 August 2019.*
[b] *Appointed on 19 December 2019.*
[c] *Retired on 26 November 2019.*
[d] *Retired on 30 September 2019.*
[e] *Appointed on 1 January 2020.*
[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, cash-settled share options and sign-on bonuses.*
[3] *Relate to the Group's and individual's performance in the 2019 financial year.*
[4] *Relate to the Group's and individual's performance in the 2020 financial year.*

40. Related-party transactions continued

40.4 Directors' interest in shares

Directors' interest in the Company's issued ordinary share capital at 30 June 2021 were:

Director	2021 Indirect beneficial	2020 Indirect beneficial
Michael Sassoon and Roland Sassoon (Number of shares)	**15 064 577**	13 904 923

No Director dealt in the shares of Sasfin Holdings Limited in the period after the financial year end until the results were issued to the public.

40.5 Associates

40.5.1 List of significant associates

Name	Nature of business	% ownership 2021	% ownership 2020
Equity-accounted associates			
Efficient Group Ltd	Integrated financial services	**–**	21.10
Axo Holdings (Pty) Ltd (acquired on 1 June 2018)	Developer of trading and investment platforms	**49.00**	49.00
Associates recognised at fair value through profit or loss			
Innovent Investment Holdings (Pty) Ltd	Financial services holding company	**33.60**	33.60
MCG Industries	Rigid and flexible plastic supplier	**45.63**	45.63
Refractory and Metallurgical Solution (Pty) Ltd	Refractory and metallurgical solutions supplier	**49.52**	49.52
Elroflo (Pty) Ltd	Holding company of a corporate clothing manufacturer	**49.10**	49.16
The Smart Idea Company (Pty) Ltd	Office equipment supplier	**25.00**	25.00
Strutfast (Pty) Ltd	Mining industry	**49.51**	49.51
Payabill (Pty) Ltd	Electronic payment management	**35.00**	35.00
Goldmead (Pty) Ltd	Investment property holding	**49.90**	49.90
Joytone Trading (Pty) Ltd	Investment property holding	**50.00**	50.00
Kerisys (Pty) Ltd	Investment property holding	**49.90**	49.90
Kygotrix (Pty) Ltd	Investment property holding	**46.25**	46.25
Alvinet (Pty) Ltd	Investment property holding	**45.00**	45.00
HRS Administrators (Pty) Ltd	Short-term insurance broker	**49.90**	49.90

40.5.2 Transactions and balances with associates

The Group provides shareholder loans to some of its associates. The Group further provides Equipment Finance, Capital Equipment Finance as well as Trade and Debtor Finance to some of its associates. These transactions are conducted on the same terms as third-party transactions.

Associates in this context include both those that are equity accounted and those that are designated as at fair value through profit or loss. The collective amounts included in the Group's consolidated financial statements relating to these transactions, are as follows:

	2021 R'000	2020 R'000
Statement of financial position		
Loans and advances	**171 831**	277 091
Gross carrying amount	**171 831**	301 856
Expected credit losses	**–**	(24 765)
Statement of profit or loss and other comprehensive income		
Interest income	**391**	25 229
Non-interest income	**105 875**	(13 380)
Credit losses	**–**	11 923
Other operating expenses	**77 526**	–

41. Classification of assets and liabilities

Accounting classification and fair values

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

Assets	Fair value through Profit or loss R'000	Profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2021					
Cash and cash equivalents	–	–	1 285 578	–	1 285 578
Trading assets	42 666	660 767	–	–	703 433
Negotiable securities	–	–	2 085 077	–	2 085 077
Trade and other receivables	–	–	455 111	56 830	511 941
Non-current assets held for sale	–	–	–	6 700	6 700
Loans and advances	311 717	–	6 404 234	–	6 715 951
Current taxation asset	–	–	–	26 595	26 595
Investment securities	519 756	216	–	20 089	540 061
– Investments at fair value through profit or loss	519 756	216	–	–	519 972
– Equity accounted associates	–	–	–	20 089	20 089
Deferred tax asset	–	–	–	37 584	37 584
Property and equipment and right-of-use assets	–	–	–	65 068	65 068
Investment property	–	–	–	16 400	16 400
Intangible assets and goodwill	–	–	–	160 856	160 856
Total assets	874 139	660 983	10 230 000	390 122	12 155 244

Liabilities	Fair value through Profit or loss R'000	Profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2021					
Funding under repurchase agreements and interbank	–	–	700 067	–	700 067
Trading liabilities	47 083	611 874	–	–	658 957
Current taxation liability	–	–	–	5 093	5 093
Trade and other payables	–	–	713 619	8 912	722 531
Bank overdraft	–	–	30 392	–	30 392
Provisions	–	–	–	72 714	72 714
Deposits from customers	–	–	4 732 764	–	4 732 764
Lease liabilities	–	–	43 205	–	43 205
Debt securities issued	–	–	2 741 583	–	2 741 583
Long-term loans	–	–	730 904	–	730 904
Deferred tax liability	–	–	–	110 770	110 770
Total liabilities	47 083	611 874	9 692 534	197 489	10 548 980

41. Classification of assets and liabilities continued

Accounting classification and fair values continued

Assets	Fair value through Profit or loss R'000	Fair value through Profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2020					
Cash and cash equivalents	–	–	1 731 243	–	1 731 243
Trading assets	85 173	975 169	–	–	1 060 342
Negotiable securities	–	–	3 126 595	–	3 126 595
Trade and other receivables	–	–	391 737	44 907	436 644
Non-current assets held for sale	–	–	–	6 700	6 700
Loans and advances	223 011	–	6 386 317	–	6 609 328
Current taxation asset	–	–	–	21 035	21 035
Investment securities	528 771	–	–	126 195	654 966
– Investments at fair value through profit or loss	528 771	–	–	–	528 771
– Equity accounted associates	–	–	–	126 195	126 195
Deferred tax asset	–	–	–	36 808	36 808
Property, equipment and right-of-use assets	–	–	–	103 550	103 550
Investment property	–	–	–	13 123	13 123
Intangible assets and goodwill	–	–	–	205 206	205 206
Total assets	836 955	975 169	11 635 892	557 524	14 005 540

Liabilities	Fair value through Profit or loss R'000	Fair value through Profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2020					
Funding under repurchase agreements and interbank	–	–	1 882 806	–	1 882 806
Trading liabilities	101 438	898 404	–	–	999 842
Current taxation liability	–	–	–	3 963	3 963
Trade and other payables	–	–	729 651	54 135	783 786
Bank overdraft	–	–	151 462	–	151 462
Provisions	–	–	–	41 629	41 629
Deposits from customers	–	–	5 138 778	–	5 138 778
Lease liabilities	–	–	70 266	–	70 266
Debt securities issued	–	–	2 743 823	–	2 743 823
Long-term loans	–	–	371 649	–	371 649
Deferred tax liability	–	–	–	94 531	94 531
Total liabilities	101 438	898 404	11 088 435	194 258	12 282 535

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

41. Classification of assets and liabilities continued

41.1 Financial assets and liabilities measured at fair value

	2021 Level 1 R'000	2021 Level 2 R'000	2021 Level 3 R'000	2020 Level 1 R'000	2020 Level 2 R'000	2020 Level 3 R'000
Recurring fair value measurements						
Financial assets	**660 938**	**42 666**	**831 474**	975 320	85 174	751 632
Investment securities – excluding equity accounted associates	**216**	**–**	**519 756**	150	–	528 621
Loans and advances at fair value through profit or loss	**–**	**–**	**311 718**	–	–	223 011
Trading assets	**660 767**	**42 666**	**–**	975 170	85 174	–
Trading liabilities	**611 874**	**47 083**	**–**	898 404	101 438	–
Trading liabilities	**611 874**	**47 083**	**–**	898 404	101 438	–
Non-financial assets	**–**	**–**	**23 100**	–	–	19 823
Investment property – continuing operations	**–**	**–**	**16 400**	–	–	13 123
Investment property – non-current assets held for sale	**–**	**–**	**6 700**	–	–	6 700

41.2 Movement in Level 3 instruments

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

	2021 Investment securities – excluding equity accounted associates R'000	2021 Loans and advances at fair value through profit or loss R'000	2021 Investment property – non-current assets held for sale R'000	2021 Investment property R'000	2020 Investment securities – excluding equity accounted associates R'000	2020 Loans and advances at fair value through profit or loss[1] R'000	2020 Investment property – non-current assets held for sale R'000	2020 Investment property R'000
Balance at the beginning of the year	**528 621**	**223 011**	**6 700**	**13 123**	622 774	29 470	–	8 900
Total gains or losses in profit and loss	**11 425**	**19 638**	**–**	**(3 726)**	(12 431)	8 462	(2 200)	–
Disposal of investments	**(27 437)**	**–**	**–**	**–**	(92 898)	–	–	–
Advances	**35 401**	**105 832**	**–**	**–**	11 176	185 079	–	–
Repayments	**(28 254)**	**(36 763)**	**–**	**–**	–	–	–	
Transfers from land and buildings	**–**	**–**	**–**	**7 003**	–	–	–	13 123
Transfers	**–**	**–**	**–**	**–**	–	–	8 900	(8 900)
Balance at the end of the year	**519 756**	**311 718**	**6 700**	**16 400**	528 621	223 011	6 700	13 123

41.3 Gains and losses from fair value measurements

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

	2021 R'000	2020 R'000
Gains/(losses) on level 3 instruments held at the reporting date[1]	**(8 698)**	(6 169)

[1] *Refer to note 2.5.*

41. Classification of assets and liabilities continued

41.4 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.

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

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

	Unobservable inputs	Range inputs 2021	Range inputs 2020	Relationship of unobservable inputs to fair value
Investment securities: Investment in Property Equity	Vacancy rate	**5% – 15%**	–	The higher the capitalisation rate and expected vacancy rate, the lower the fair value.
	Capitalisation rate	**10% – 13%**	10% – 13%	
Investment securities: Investment in Private Equity	Weighted average cost of capital (WACC)	**19% – 23%**	17% – 23%	The higher the WACC, the lower the fair value.
	Marketability and minority discounts	**15% – 23%**	10% – 16%	The higher the discounts, the lower the fair value.
	Revenue growth	**3% – 23%**	(4%) – 29%	The higher the revenue growth, the higher the fair value.

Financial instrument	Parameter	Positive/ (negative) variance applied to parameters	Equity type	2021 Potential effect recorded in profit or loss favourable R'm	2020 Potential effect recorded in profit or loss favourable R'm	2021 Potential effect recorded in profit or loss (unfavourable) R'm	2020 Potential effect recorded in profit or loss (unfavourable) R'm
Investment securities	Weighted Average Cost of Capital (WACC)	100/(100) bps	Private equity	**22.6880**	25.1150	**(19.8670)**	(21.4850)
Investment securities	Marketability and minority discounts	100/(100) bps	Private equity	**5.6140**	4.1740	**(5.5540)**	(4.1290)
Investment securities	Revenue growth	100/(100) bps	Private equity	**24.5000**	26.3820	**(32.2380)**	(26.2490)
Investment securities	Capitalisation rate	50/(50) bps	Property equity	**15.6670**	11.6691	**(11.3060)**	(12.6126)
Investment securities	Vacancy rate	100/(100) bps	Property equity	**5.0187**	–	**(0.7869)**	–

41. Classification of assets and liabilities continued

41.5 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.

	2021			2020		
	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	**194**	**216**	**237**	135	150	165
Impact on gains and losses recognised in other comprehensive income for the year	**3 413**	**–**	**4 171**	–	–	–
Impact on gains and losses recognised in profit or loss for the year	**172**	**191**	**210**	(64)	(71)	(78)
Unlisted						
Equity securities at fair value	**467 780**	**519 756**	**571 732**	475 895	528 772	581 649
Impact on gains and losses recognised in profit or loss for the year	**10 283**	**11 425**	**12 568**	21 392	23 769	26 146

41.6 Financial assets and financial liabilities not measured at fair value

	2021				
	Fair value				
	Level 1 R'000	**Level 2 R'000**	**Level 3 R'000**	**Total fair value R'000**	**Amortised cost R'000**
Financial assets	**–**	**3 370 655**	**6 918 909**	**10 289 564**	**10 289 564**
Cash and cash equivalents	**–**	**1 285 578**	**–**	**1 285 578**	**1 285 578**
Negotiable securities	**–**	**2 085 077**	**–**	**2 085 077**	**2 085 077**
Trade and other receivables	**–**	**–**	**514 675**	**514 675**	**514 675**
Loans and advances[1]	**–**	**–**	**6 404 234**	**6 404 234**	**6 404 234**
Financial liabilities	**2 741 583**	**5 463 223**	**1 569 354**	**9 774 160**	**9 774 160**
Funding under repurchase agreements and interbank	**–**	**700 067**	**–**	**700 067**	**700 067**
Trade and other payables	**–**	**–**	**722 531**	**722 531**	**722 531**
Bank overdraft	**–**	**30 392**	**–**	**30 392**	**30 392**
Provisions	**–**	**–**	**72 714**	**72 714**	**72 714**
Deposits from customers	**–**	**4 732 764**	**–**	**4 732 764**	**4 732 764**
Lease liabilities	**–**	**–**	**43 205**	**43 205**	**43 205**
Debt securities issued	**2 741 583**	**–**	**–**	**2 741 583**	**2 741 583**
Long-term loans	**–**	**–**	**730 904**	**730 904**	**730 904**

[1] *Only includes Loans and advances measured at amortised cost.*

41. Classification of assets and liabilities continued

41.6 Financial assets and financial liabilities not measured at fair value continued

	2020				
	Fair value				
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000	Amortised cost R'000
Financial assets	–	4 857 838	6 822 961	11 680 799	11 680 799
Cash and cash equivalents	–	1 731 242	–	1 731 243	1 731 242
Negotiable securities	–	3 126 595	–	3 126 595	3 126 595
Trade and other receivables	–	–	436 644	436 644	436 644
Loans and advances[1]	–	–	6 386 317	6 386 317	6 386 317
Financial liabilities	2 743 823	7 173 045	1 267 329	11 184 198	11 184 198
Funding under repurchase agreements and interbank	–	1 882 806	–	1 882 806	1 882 806
Trade and other payables	–	–	783 786	783 786	783 786
Bank overdraft	–	151 462	–	151 462	151 462
Provisions	–	–	41 628	41 628	41 628
Deposits from customers	–	5 138 778	–	5 138 778	5 138 778
Lease liabilities	–	–	70 266	70 266	70 266
Debt securities issued	2 743 823	–	–	2 743 823	2 743 823
Long-term loans	–	–	371 649	371 649	371 649

[1] *Only includes Loans and advances measured at amortised cost.*

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

42. Financial risk management

Risk management is an essential component of value creation and the protection of that value. Implemented effectively, it improves performance, encourages innovation and supports the achievement of the Group's strategic objectives. The Group's well-established integrated risk management philosophy aims to ensure that the diverse risks and opportunities across the Group are identified and proactively addressed within acceptable parameters through appropriate governance structures, processes, policies and frameworks, while supporting business growth. The Group's risk management procedures include, but are not limited to, credit risk, liquidity risk, interest rate risk and market risk. The Group's approach to managing risk and capital is set out in the Group's enterprise risk governance framework approved by the GRCMC.

The areas most impacted by COVID-19 include:

- Expected credit loss (ECL) assessment (IFRS 9 macroeconomic scenarios, probabilities and staging);
- Fair value assessments; and
- Going concern and the viability statement, including liquidity.

This is disclosed elsewhere in the financials.

42.1 Capital management

The Group's capital management function is designed to ensure that regulatory requirements are met at all times and that the Group entities are capitalised in line with the Group's risk appetite and target ranges, both of which are approved by the board. Capital adequacy is actively managed and forms a key component of the budget and forecasting process. The capital plan is tested under a range of stress scenarios and takes into consideration the Group's Internal Capital Adequacy Assessment Process (ICAAP) model. The capital management function is governed primarily by management level subcommittees that oversee the risks associated with capital management, as well as the GRCMC, which is a Board subcommittee.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

43. Credit risk

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

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

Management of credit risk

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

- Formulating credit policies in consultation with business units, and the legal department, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, impairments, and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits, as approved and reviewed regularly by the Board, are allocated to business unit credit officers and credit committees. Larger facilities may require approval by the Executive Credit Committee, and CLEC;
- Reviewing and assessing credit risk. Group Credit assesses all credit exposures, prior to facilities being committed to customers by the business unit concerned;
- Managing post-implementation credit risk in line with the Group's credit policies and Board Risk Appetite;
- Limiting concentrations of exposure to counterparties, geographies and industries for loans and advances, deposits with banks and investment securities (refer note 43.1);
- Developing and maintaining the Group's risk indicators in order to categorise exposures according to the degree of risk of financial loss faced, and to focus management on the attendant risks. The risk system is used in determining where impairment provisions (i.e. provisions for credit losses) 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;
- Managing, together with the relevant business unit and legal department (where appropriate) the underperforming and non-performing exposures;
- Ensuring that appropriate expected credit losses are raised in line with accounting standards.

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

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

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's 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 and 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 investment-grade 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.

At the reporting date, the Group does not expect any losses from non-performance by the counterparties for these deposits and money market funds.

43. Credit risk continued

Management of credit risk continued

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.

Credit impairment

The Group determines an allowance for credit losses that represents its estimate of expected credit losses in line with IFRS 9. Refer to accounting policy note 1.12 and note 2.2 for more information.

Write-off policy

Loans and security balances (and any related allowances for impairment losses) are written off when (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. 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:

SARB risk bucket/Credit risk grade	Categorisation of counterparty (IFRS 9)
A Good Book	Stage 1[1] and Stage 2[2]
B Special Mention	Stage 2[3]
C Sub Standard	Stage 3
D Doubtful	Stage 3
E Loss	Stage 3

[1] *Up to date till 7 days overdue.*
[2] *More than 7 days overdue up to 30 days overdue.*
[3] *More than 30 days overdue up to 90 days overdue.*

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 grant loans and advances on the basis that they 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 assessed for impairment. Collateral includes general and special notarial bonds over the client's stock, cash, cession of debtor books as well as continuous covering mortgage bonds over property. Insurance taken out by the lender on loans and advances is also viewed as collateral.

Concentration risk

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

43. Credit risk continued

43.1 Credit risk exposure analysis

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets by credit quality.

	Credit risk grading ECL staging	Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %
2021					
Maximum credit exposures of financial assets at amortised cost					
Cash and cash equivalents[1]		1 285 578	1 285 578	–	–
Negotiable securities		2 085 076	2 209 169	124 093	5.62
Loans and advances		6 404 233	6 939 587	535 354	7.71
Equipment finance		4 208 195	4 651 818	443 622	9.54
Capital equipment finance		1 232 992	1 277 715	44 724	3.50
Trade and debtor finance		615 273	633 500	18 227	2.88
Term loans – secured		325 322	351 631	26 309	7.48
Term loans – unsecured		22 664	24 923	2 259	9.06
Guarantees[2]		(213)	–	213	–
Trade and other receivables		514 675	515 168	493	0.10
Net carrying amount		10 292 562	10 949 502	659 940	13.43
2021					
Off-balance sheet exposure to credit risk					
Letters of credit		117 461			
Loan commitments		51 906			
Financial guarantees issued		43 810			
Total exposure to off-balance sheet credit risk		213 177			
Credit loss allowance on off-balance sheet credit risk recognised		–			
2021					
Maximum credit exposures on financial assets at FVTPL					
Loans and advances		311 718			
Trading assets		371 165			
Investment securities		91 417			
		774 300			
Total exposure to credit risk		11 280 039			

[1] *Management has assessed these as high-quality liquid assets held with institutions with a low risk of default and hence no ECL allowance has been recognised for these, as it is immaterial.*

[2] *This represents the ECL on the off-balance sheet exposures that specifically relate to the Loans and advances exposures.*

[3] *A loss allowance based only on arrear information at an individual deal level may not appropriately cater for the level of deterioration that is contained in the performing loans. To cater for this shortfall, a transfer rate can be estimated by the percentage of performing deals that roll to under-performing and non-performing over a 12-month period. Based on these estimates this amounts to c. R300 million exposure for the 2021 financial year. The corresponding ECL is not considered material.*

A Exposure R'000	Stage 1 12-month ECL[3] R'000	Coverage ratio %	A and B Exposure R'000	Stage 2 Lifetime ECL R'000	Coverage ratio %	Default (C, D and E) Exposure R'000	Stage 3 Lifetime ECL R'000	Coverage ratio %
1 285 578	–	–	–	–	–	–	–	–
1 793 190	2 500	0.14	–	–	–	415 979	121 594	29.23
5 897 857	111 888	1.90	430 535	44 443	10.32	611 195	379 023	62.01
4 026 494	78 148	1.94	136 616	21 193	15.51	488 708	344 281	70.45
1 179 616	13 125	1.11	47 317	4 175	8.82	50 782	27 424	54.00
490 741	8 693	1.77	72 932	2 543	3.49	69 827	6 991	10.01
176 408	9 737	5.52	173 670	16 532	9.52	1 553	40	2.58
24 598	1 972	8.02	–	–	–	325	287	88.23
–	213	–	–	–	–	–	–	–
515 168	493	0.10	–	–	–	–	–	–
9 491 793	114 881	2.14	430 535	44 443	10.32	1 027 174	500 617	48.74
117 461			–			–		
51 906			–			–		
43 810			–			–		
213 177			–			–		
–			–			–		

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

43. Credit risk continued

43.1 Credit risk exposure analysis (continued)

	Credit risk grading ECL staging	Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %
2020					
Maximum credit exposures of financial assets at amortised cost					
Cash and cash equivalents[1]		1 731 243	1 731 243	–	–
Negotiable securities		3 126 595	3 154 579	27 984	0.89
Loans and advances		6 386 316	6 938 723	552 405	7.96
Equipment finance		4 255 396	4 688 234	432 838	9.23
Capital equipment finance		1 268 621	1 325 303	56 682	–
Trade and debtor finance		686 222	718 014	31 792	4.43
Term loans – secured		161 319	191 569	30 249	15.79
Term loans – unsecured		15 404	15 603	198	1.27
Guarantees		(646)	–	646	–
Trade and other receivables		436 642	437 013	371	0.08
Net carrying amount		11 680 795	12 261 557	524 050	10.14
2020					
Off-balance sheet exposure to credit risk					
Letters of credit		39 960			
Financial guarantees issued		53 939			
Total exposure to off-balance sheet credit risk		93 939			
Credit loss allowance on off-balance sheet credit risk recognised		4 328			
2020					
Maximum credit exposures on financial assets at FVTPL					
Loans and advances		223 011			
Trading assets		618 576			
Investment securities		683 928			
		1 525 515			
Total exposure to credit risk		13 304 538			

[1] *In order to provide more useful information to the users of the financial statements, this note has been expanded to include additional information on the Exposure amount, ECL amount and a coverage ratio. However, no amounts have been restated from the prior year. Management has assessed these as high-quality liquid assets held with institutions with a low risk of default, and hence no ECL allowance has been recognised for these, as it is immaterial.*

A Exposure R'000	Stage 1 12-month ECL R'000	Coverage ratio %	A and B Exposure R'000	Stage 2 Lifetime ECL R'000	Coverage ratio %	Default (C, D and E) Exposure R'000	Stage 3 Lifetime ECL R'000	Coverage ratio %
1 731 243	–	–	–	–	–	–	–	–
2 681 579	4 503	0.17	–	–	–	473 000	23 481	4.96
5 667 618	113 581	2.00	559 067	38 639	6.91	712 038	400 185	56.20
4 036 177	85 887	2.13	229 654	24 361	10.61	422 403	322 590	76.37
1 188 385	15 077	1.27	66 237	6 216	9.38	70 681	35 389	50.07
361 700	8 902	2.46	168 457	1 581	0.94	187 857	21 308	11.34
65 753	2 870	4.37	94 719	6 481	6.84	31 097	20 898	67.20
15 603	198	1.27	–	–	–	–	–	–
–	646	–	–	–	–	–	–	–
354 458	(67)	0.02	–	438	–	–	–	–
10 434 897	118 016	2.19	559 067	39 077	6.91	1 185 038	423 666	61.17
39 960			–			–		
53 939			–			–		
93 939			–			–		
4 328			–			–		

43. Credit risk continued

43.1 Credit risk exposure analysis continued

Financial assets attract credit risk in the form of counterparty credit risk and concentration risk.

	2021 R'000	2020 R'000
Concentration risk of gross advances		
Sectoral analysis		
Agriculture	**134 452**	69 400
Community, social and personal services	**1 667 794**	1 554 365
Construction	**321 249**	300 676
Electricity and water	**31 661**	24 248
Finance, real estate and business services	**1 556 915**	2 076 066
Manufacturing	**1 031 969**	968 780
Mining	**236 582**	224 424
Trade, repairs of vehicles and goods as well as hotels and restaurants	**1 533 795**	1 344 546
Transport and communication	**611 923**	599 228
Other activities not adequately defined	**338 142**	–
Total[1]	**7 464 482**	7 161 733

[1] *Amount includes loans and advances at amortised cost, fair value loans through profit or loss, loan commitments, financial guarantees and letters of credit.*

Issuer ratings for negotiable securities

	2021 %	2020 %
Issuer ratings (international scale) relating to the portfolio of bond assets were as follows		
Aaa/AAA/AAA	**6.45**	0.52
Aa1/AA+/AA+	**–**	3.86
Aa2/AA/AA	**3.80**	3.14
Aa3/AA-/AA-	**0.48**	0.83
A1/A+/A+	**1.10**	2.98
A3/A-/A-	**–**	0.11
Ba2/BB/BB	**76.07**	68.61
Unassigned[1]	**12.10**	19.95
	100.00	100.00

[1] *The unassigned category relates to the Land Bank bills which are not rated in the current year.*

43.2 Collateral and other security enhancements

43.2.1 Description of collateral for loans and advances

Loans and advances	Security
Equipment finance	The Group retains full ownership of the assets and equipment financed throughout the duration of the contract.
Capital equipment finance	The primary collateral for Capital Equipment Finance is the plant/equipment being financed. However, other security such as general notarial bonds over other assets and continuous covering mortgage bonds over property are sometimes taken to increase the collateral cover.
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 that 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, 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 may also be held as further collateral against these advances.
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.

43. Credit risk continued

43.2 Collateral and other security enhancements continued

43.2.2 Estimates of the fair value of collateral and other security enhancements held against loans and advances

Estimates of the fair value of collateral and other security enhancements held are shown below:

	Gross exposure R'000	Security Stock R'000	Fixed assets R'000	Receiv-ables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	Un-secured R'000
2021								
Loans and advances								
Equipment Finance[1]	**4 651 818**	**–**	**3 784 231**	**–**	**–**	**–**	**3 784 231**	**867 587**
Capital Equipment Finance[1]	**1 277 715**	**–**	**1 077 387**	**–**	**–**	**–**	**1 077 387**	**200 328**
Trade and Debtor Finance	**633 500**	**183 258**	**33 746**	**170 642**	**587**	**126 093**	**514 326**	**119 174**
Term loans: secured	**351 631**	**2 451**	**1 045**	**105 252**	**119 368**	**203**	**228 319**	**123 312**
Specialised lending	**311 718**	**10 162**	**–**	**–**	**–**	**–**	**10 162**	**301 556**
	7 226 382	**195 871**	**4 896 409**	**275 894**	**119 955**	**126 296**	**5 614 425**	**1 611 957**
2020								
Loans and advances								
Equipment Finance[1]	4 688 234	–	3 987 041	–	–	–	3 987 041	701 193
Capital Equipment Finance[1]	1 325 303	–	1 109 672	–	–	–	1 109 672	215 631
Trade and Debtor Finance	718 014	248 240	41 343	275 920	140 977	11 534	718 014	–
Term loans: secured	191 569	–	–	–	–	132 456	132 456	59 113
Specialised lending	223 011	–	–	6 905	69 000	132 406	208 311	14 700
	7 146 131	248 240	5 138 056	282 825	209 977	276 396	6 155 494	990 637

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

43.2.3 Collateral held against individually impaired assets

	Gross exposure R'000	Security Stock R'000	Fixed assets R'000	Receiv-ables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	Un-secured R'000
2021								
Loans and advances								
Equipment Finance[1]	**488 708**	**–**	**479 745**	**–**	**–**	**–**	**479 745**	**8 963**
Capital Equipment Finance[1]	**50 782**	**–**	**50 782**	**–**	**–**	**–**	**50 782**	**–**
Trade and Debtor Finance	**69 827**	**12 730**	**4 654**	**817**	**20 570**	**30 625**	**69 396**	**431**
Term loans: secured	**1 553**	**–**	**–**	**–**	**–**	**1 553**	**1 553**	**–**
	610 870	**12 730**	**535 181**	**817**	**20 570**	**32 178**	**601 476**	**9 394**
2020								
Loans and advances								
Equipment Finance	422 403	–	196 857	–	–	–	196 857	225 546
Capital Equipment Finance	70 681	–	16 393	47 832	–	–	64 225	6 456
Trade and Debtor Finance	187 857	32 546	19 121	33 694	33 673	68 823	187 857	–
Term loans: secured	31 097	–	–	4 353	–	24 863	29 216	1 881
	712 038	32 546	232 371	85 879	33 673	93 686	478 155	233 883

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

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

43. Credit risk continued

43.3 Credit loss allowance analysis

43.3.1 Reconciliation of ECL on Loans and Advances at amortised cost

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2021				
Credit loss allowance at 1 July 2020	113 581	38 639	400 185	552 405
Transfers between stages[1]	(2 096)	(10 164)	70 829	58 569
Transfer to stage 1	–	(9 105)	(19 920)	(29 025)
Transfer from stage 1	–	7 626	44 567	52 193
Transfer to stage 2	(1 319)	–	(1 223)	(2 542)
Transfer from stage 2	905	–	47 405	48 310
Transfer to stage 3	(2 039)	(8 906)	–	(10 945)
Transfer from stage 3	357	221	–	578
Net expected credit losses[1] (released)/raised	404	15 967	1 646	18 017
ECL on new exposure raised	68 541	32 603	39 508	140 652
Subsequent changes in ECL	(26 536)	915	22 432	(3 189)
Change in ECL due to derecognition	(41 601)	(17 551)	(60 294)	(119 446)
Impaired accounts written off[2]	–	–	(93 637)	(93 637)
Credit loss allowance at 30 June 2021	**111 889**	**44 442**	**379 023**	**535 354**

[1] *It is the Group's practice to transfer the ECL between stages, by comparing the ECL stage for an exposure at the beginning of the reporting period to the ECL stage of that exposure at the end of the reporting period, for those exposures that have not yet been settled. Transfers are done at the amount of the exposure at the point of transfer. This excludes the impact of interest in suspense (ISP) and other recoveries.*

[2] *The contractual amounts outstanding on loans and advances that were written off during the period and that are still subject to enforcement activities amounts to R52.9 million.*

43. Credit risk continued

43.3 Credit loss allowance analysis continued

43.3.1 Reconciliation of ECL on Loans and Advances at amortised cost continued

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2020				
Credit loss allowance at 1 July 2019	57 152	22 898	321 674	401 724
Transfers between stages[1]	(5 988)	(23 721)	106 864	77 155
Transfer to stage 1	–	(28 781)	(9 194)	(37 975)
Transfer from stage 1	–	17 919	75 731	93 650
Transfer to stage 2	(4 088)	–	(884)	(4 972)
Transfer from stage 2	948	–	41 211	42 159
Transfer to stage 3	(2 934)	(12 965)	–	(15 899)
Transfer from stage 3	86	106	–	192
Net expected credit losses (released)/raised	62 415	39 462	48 501	150 378
ECL on new exposures raised	19 127	11 249	34 889	65 265
Subsequent changes in ECL	50 939	34 422	35 655	121 016
Change in ECL due to derecognition[3]	(7 651)	(6 209)	(22 043)	(35 903)
Impaired accounts written off[2]	–	–	(76 854)	(76 854)
Credit loss allowance at 30 June 2020	113 581	38 639	400 185	552 405

[1] *It is the Group's practice to transfer the ECL between stages, by comparing the ECL stage for an exposure at the beginning of the reporting period to the ECL stage of that exposure at the end of the reporting period, for those exposures that have not yet been settled. Transfers are done at the amount of the exposure at the point of transfer. This excludes the impact of ISP and other recoveries.*

[2] *Contractual amount outstanding on loans and advances that were written off during the period and that are still subject to enforcement activities amounts to R19.550 million.*

[3] *Loans and advances decreased during the second half of the year as a result of COVID-19 as clients were under economic stress. The ECL increased by 37.66%, primarily as a result of the impact of COVID-19. Restructured loans with exposures amounting to R1.57 billion were provided to clients as relief during the COVID-19 period up to June 2020.*

43. Credit risk continued
43.3 Credit loss allowance analysis continued
43.3.2 Reconciliation of ECL on Loans and Advances at amortised cost by product

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2021				
Equipment Finance[1]				
Credit loss allowance balance beginning of the year	85 887	24 361	322 590	432 838
Transfer between stages	(2 093)	(7 146)	64 164	54 925
Stage 1 from Stage 2	767	–	–	767
Stage 1 from Stage 3	262	–	–	262
Stage 1 to Stage 2	(1 229)	–	–	(1 229)
Stage 1 to Stage 3	(1 893)	–	–	(1 893)
Stage 2 from Stage 1	–	7 162	–	7 162
Stage 2 from Stage 3	–	210	–	210
Stage 2 to Stage 1	–	(7 734)	–	(7 734)
Stage 2 to Stage 3	–	(6 784)	–	(6 784)
Stage 3 from Stage 1	–	–	41 201	41 201
Stage 3 from Stage 2	–	–	37 733	37 733
Stage 3 to Stage 1	–	–	(13 616)	(13 616)
Stage 3 to Stage 2	–	–	(1 154)	(1 154)
Total Transfers				
ECL on new exposure raised	43 606	11 707	31 817	87 130
Subsequent changes in ECL	(23 522)	(21)	24 849	1 306
Change in ECL due to derecognition	(25 731)	(7 708)	(51 022)	(84 461)
Impaired accounts written off	–	–	(48 116)	(48 116)
Credit loss allowance balance end of the year	78 147	21 193	344 282	443 622

Improvement in credit profile resulted in a reduction in Stage 3 and stage 2 loans due to improved collections processes.

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Capital Equipment Finance[2]				
Credit loss allowance balance beginning of the year	15 077	6 216	35 389	56 682
Transfer between stages	(32)	(2 954)	4 614	1 628
Stage 1 from Stage 2	94	–	–	94
Stage 1 from Stage 3	94	–	–	94
Stage 1 to Stage 2	(90)	–	–	(90)
Stage 1 to Stage 3	(130)	–	–	(130)
Stage 2 from Stage 1	–	464	–	464
Stage 2 from Stage 3	–	11	–	11
Stage 2 to Stage 1	–	(1 341)	–	(1 341)
Stage 2 to Stage 3	–	(2 088)	–	(2 088)
Stage 3 from Stage 1	–	–	2 807	2 807
Stage 3 from Stage 2	–	–	8 180	8 180
Stage 3 to Stage 1	–	–	(6 303)	(6 303)
Stage 3 to Stage 2	–	–	(70)	(70)
Total Transfers				
ECL on new exposure raised	7 918	3 290	5 916	17 125
Subsequent changes in ECL	(5 234)	(254)	(50)	(5 539)
Change in ECL due to derecognition	(4 604)	(2 124)	(5 986)	(12 714)
Impaired accounts written off	–	–	(12 458)	(12 458)
Credit loss allowance balance end of the year	13 125	4 174	27 425	44 724

1 *Improvement in credit profile resulted in a reduction in Stage 3 and stage 2 loans due to improved collections processes.*

2 *Despite slight growth of 1.21% of the portfolio, the credit profile improved across all three stages with the largest impact in stage 3. The material reduction in stage 3 is due to settlement of a large customer and write-off of smaller clients.*

43. Credit risk continued

43.3 Credit loss allowance analysis continued

43.3.2 Reconciliation of ECL on Loans and Advances at amortised cost by product continued

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2021				
Trade[1] and Debtor Finance[2]				
Credit loss allowance balance beginning of the year	8 902	1 581	21 308	31 791
Transfer between stages	32	(64)	1 973	1 941
Stage 1 from Stage 2	43	–	–	43
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	(11)	–	–	(11)
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	(30)	–	(30)
Stage 2 to Stage 3	–	(34)	–	(34)
Stage 3 from Stage 1	–	–	480	480
Stage 3 from Stage 2	–	–	1 493	1 493
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Total Transfers				
ECL on new exposure raised	5 574	1 074	1 568	8 216
Subsequent changes in ECL	2 104	1 191	(4 065)	(771)
Change in ECL due to derecognition	(7 920)	(1 238)	(3 236)	(12 395)
Impaired accounts written off	–	–	(10 556)	(10 556)
Credit loss allowance balance end of the year	8 692	2 543	6 992	18 226

[1] *The portfolio remained reasonably unchanged over the year, but the credit profile improved with substantial reductions in both stage 2 and stage 3. The reduction in stage 3 is due to settlement of one large customer and write-off of one large customer. The reduction in stage 2 is due to exiting of one large exposure and cancellation of facilities for a large customer.*

[2] *The portfolio reduced over the past year due to a reduction in stage 3 exposures as a result of repayments from two large customers. The increase in stage 2 is due to increased utilisation by clients in High Care, mainly from one large customer.*

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Term loans – secured[3]				
Credit loss allowance balance beginning of the year	2 870	6 481	20 898	30 249
Transfer between stages	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Total Transfers				
ECL on new exposure raised	9 737	16 532	–	26 269
Subsequent changes in ECL	–	–	1 699	1 699
Change in ECL due to derecognition	(2 870)	(6 481)	(50)	(9 401)
Impaired accounts written off	–	–	(22 507)	(22 507)
Credit loss allowance balance end of the year	9 737	16 532	40	26 309

[3] *Large reduction in stage 3 due to write-off of two large customers. Substantial increase in stage 2 due to COVID-19 loans provided under the SARB COVID Scheme, certain of which are classified as High Care accounts. The portfolio has increased due to new loan book growth.*

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

43. Credit risk continued

43.3 Credit loss allowance analysis continued

43.3.2 Reconciliation of ECL on Loans and Advances at amortised cost by product continued

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2021				
Term loans – unsecured				
Credit loss allowance balance beginning of the year	198	–	–	198
Transfer between stages	(5)	–	80	75
Stage 1 from Stage 2	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	(5)	–	–	(5)
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	80	80
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Total Transfers				
ECL on new exposure raised	1 705	–	207	1 912
Subsequent changes in ECL	98	–	–	98
Change in ECL due to derecognition	(24)	–	–	(24)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the year	1 972	–	287	2 259
Guarantees				
Credit loss allowance balance beginning of the year	646	–	–	646
Transfer between stages	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Total Transfers				
ECL on new exposure raised	–	–	–	–
Subsequent changes in ECL	19	–	–	19
Change in ECL due to derecognition	(452)	–	–	(452)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the year	213	–	–	213

43. Credit risk continued

43.3 Credit loss allowance analysis continued

43.3.2 Reconciliation of ECL on Loans and Advances at amortised cost by product continued

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2021				
Total loans and advances				
Credit loss allowance balance beginning of the year	113 581	38 639	400 185	552 405
Transfer between stages	(2 096)	(10 164)	70 823	58 569
Stage 1 from Stage 2	905	–	–	905
Stage 1 from Stage 3	357	–	–	357
Stage 1 to Stage 2[5]	(1 319)	–	–	(1 319)
Stage 1 to Stage 3[3]	(2 039)	–	–	(2 039)
Stage 2 from Stage 1	–	7 626	–	7 626
Stage 2 from Stage 3[4]	–	221	–	221
Stage 2 to Stage 1[6]	–	(9 105)	–	(9 105)
Stage 2 to Stage 3	–	(8 906)	–	(8 906)
Stage 3 from Stage 1	–	–	44 567	44 567
Stage 3 from Stage 2	–	–	47 405	47 405
Stage 3 to Stage 1[1]	–	–	(19 920)	(19 920)
Stage 3 to Stage 2[2]	–	–	(1 223)	(1 223)
Total Transfers				
ECL on new exposure raised	68 541	32 603	39 508	140 652
Subsequent changes in ECL[7]	(26 536)	915	22 432	(3 189)
Change in ECL due to derecognition[8]	(41 601)	(17 551)	(60 294)	(119 446)
Impaired accounts written off[9]	–	–	(93 637)	(93 637)
Credit loss allowance balance end of the year	111 889	44 442	379 023	535 354

[1] *Customers are up to date and six consecutive payments paid on due date and no SICR exists.*
[2] *Customers that are still in high care or the customer still displays signs of SICR. Distressed restructures that were in default and made six consecutive monthly payments under the revised terms.*
[3] *Customers classified as credit-impaired. For the definition refer to accounting policies note 1.13.*
[4] *Customers classified as credit-impaired. For the definition refer to accounting policies note 1.13.*
[5] *Customers defined as "high care" showing signs of SICR. SICR takes into account technical arrears (account past due for up to seven days) and materiality (an amount that is equal to or less than 5% of the next instalment due). Refer to accounting policies note 1.13.*
[6] *Customers up to date and no qualitative indicators of SICR are present.*
[7] *Include ECL move in the current stage for increases/decreases in customer exposures.*
[8] *Settlement of accounts.*
[9] *No further reasonable expectation of further recovery exists.*

43. Credit risk continued
43.3 Credit loss allowance analysis continued
43.3.2 Reconciliation of ECL on Loans and Advances at amortised cost by product *continued*

	Credit loss allowance at 1 July 2019 R'000	Transfers between stages R'000	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Net expected credit losses (released/ raised) R'000
2020						
Equipment finance	320 310	42 359	25 856	28 818	(12 315)	136 642
Stage 1	33 009	(1 616)	–	(690)	(926)	54 499
Stage 2	13 944	(26 917)	(15 528)	–	(11 389)	37 334
Stage 3	273 344	70 891	41 384	29 508	–	44 809
Capital equipment finance	28 519	15 799	16 269	269	(739)	16 373
Stage 1	7 255	(798)	–	(93)	(705)	8 619
Stage 2	1 843	1 102	1 137	–	(35)	3 271
Stage 3	19 420	15 495	15 132	363	–	4 483
Trade and debtor finance	35 211	8 286	293	8 842	(849)	(5 315)
Stage 1	13 002	(1 820)	–	(1 614)	(205)	(2 280)
Stage 2	5 120	(1 351)	(707)	–	(644)	(2 188)
Stage 3	17 089	11 456	1 000	10 456	–	(847)
Term loans: secured	17 314	10 713	13 258	(742)	(1 803)	2 222
Stage 1	3 503	(1 754)	–	(742)	(1 012)	1 121
Stage 2	1 991	3 445	4 236	–	(791)	1 045
Stage 3	11 820	9 022	9 022	–	–	56
Term loans: unsecured	–	–	–	–	–	198
Stage 1	–	–	–	–	–	198
Guarantees	388	–	–	–	–	258
Stage 1	388	–	–	–	–	258
Total	401 742	77 156	55 675	37 188	(15 707)	150 379
Stage 1	57 157	(5 987)	–	(3 139)	(2 848)	62 416
Stage 2	22 898	(23 721)	(10 862)	–	(12 859)	39 462
Stage 3	321 687	106 864	66 537	40 327	–	48 501

The disaggregations of transfers between stages could not be replicated without undue cost for the prior year due to the nature of the underlying systems which collate the ECL information at a point in time. As such, the information presented on transfers will not be comparable to the information presented for 30 June 2020 except on a total level.

ECL on new exposure raised R'000	Subsequent changes in ECL R'000	TVM unwind IIS movements R'000	Change in ECL due to derecognition R'000	Impaired accounts written off[3] R'000	Credit loss allowance at 30 June 2020 R'000
41 506	112 545	–	(17 409)	(66 455)	432 838
13 493	44 618	–	(3 612)	–	85 887
7 395	35 889	–	(5 950)	–	24 361
20 618	32 037	–	(7 846)	(66 455)	322 590
21 019	8 602	–	(13 247)	(4 009)	56 682
4 052	6 811	–	(2 243)	–	15 077
3 794	(371)	–	(151)	–	6 216
13 174	2 162	–	(10 853)	(4 009)	35 389
1 888	(2 249)	–	(4 954)	(6 390)	31 792
731	(1 408)	–	(1 603)	–	8 902
61	(2 141)	–	(108)	–	1 581
1 097	1 300	–	(3 244)	(6 390)	21 308
510	2 004	–	(292)	–	30 249
510	803	–	(192)	–	2 870
–	1 045	–	–	–	6 481
–	156	–	(100)	–	20 898
83	115	–	–	–	198
83	115	–	–	–	198
258	–	–	–	–	646
258	–	–	–	–	646
65 265	121 017	–	(35 902)	(76 854)	552 405
19 127	50 939	–	(7 651)	–	113 581
11 249	34 422	–	(6 209)	–	38 639
34 889	35 655	–	(22 043)	(76 854)	400 185

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For the year ended 30 June 2021

43. Credit risk continued

43.3 Credit loss allowance analysis continued

43.3.3 Reconciliation of ECL on negotiable securities

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2021				
Credit loss allowance at 1 July 2020	4 503	–	23 481	27 984
Net expected credit losses (released)/raised	(2 003)	–	98 112[2]	96 109
ECL on new exposures raised	897[1]	–	–	897
Subsequent changes in ECL	(2 900)	–	98 112	95 212
Credit loss allowance at 30 June 2021	**2 500**	**–**	**121 593**	**124 093**

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2020				
Credit loss allowance at 1 July 2019	–	–	–	–
Net expected credit losses (released)/raised	4 503	–	23 841	27 984
ECL on new exposures raised	4 503[1]	–	23 841[2]	27 984
Credit loss allowance at 30 June 2020	4 503	–	23 841	27 984

[1] *ECL on negotiable securities other than the Land Bank Bills refer to note 5.*
[2] *ECL on the Land Bank Bills refer to note 5.*

43.3.4 Reconciliation of ECL on trade and other receivables

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2021				
Credit loss allowance at 1 July 2020	(67)	438	–	371
Transfers between stages	–	–	–	–
Transfer from stage 2	–	–	–	–
Net expected credit losses (released)/raised	560	(438)	–	122
ECL on new exposures raised	493	–	–	493
Subsequent changes in ECL	67	(438)	–	(371)
Credit loss allowance at 30 June 2021	**493**	**–**	**–**	**493**

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2020				
Credit loss allowance at 1 July 2019	–	–	–	–
Net expected credit losses (released)/raised	(67)	438	–	371
ECL on new exposures raised	(67)	438	–	371
Credit loss allowance at 30 June 2020	(67)	438	–	371

43. Credit risk continued
43.3 Credit loss allowance analysis continued
43.3.5 Credit impairment charges recognised in profit or loss

	2021 R'000	2020 R'000
Net ECL recognised	**166 474**	273 882
Loans and advances[1]	**70 243**	245 527
Negotiable securities	**96 109**	27 984
Trade and other receivables	**122**	371
Recoveries of loans and advances previously written off	**(15 778)**	(21 264)
	150 696	252 618

[1] *This includes the impact of ISP and other recoveries.*

44. Liquidity risk

Liquidity risk 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.

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 measures used by the Group for managing liquidity risk are:

- The Liquidity Coverage Ratio (LCR) refers to the proportion of high-quality liquid assets to meet the banks' liquidity needs during a 30 calendar day liquidity stress period/scenario; and
- The ratio of net liquid assets to deposits from customers.

For this purpose, net liquid assets are considered as including cash and cash equivalents 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 equivalents, treasury bills and negotiable certificates of deposit for which there is an active liquid market.

Notes to the consolidated financial statements continued

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44. Liquidity risk continued

44.1 Contractual maturity analysis

	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	More than 5 years R'000	Non-contractual R'000	Total R'000
2021									
Discounted maturity									
Assets									
Cash and cash equivalents	1 285 578	1 285 352	1 094 146	191 432	–	–	–	–	1 285 578
Trading assets	703 433	703 435	353 929	14 973	28 771	128 353	177 407	–	703 433
Negotiable securities	2 085 077	2 209 170	2 380	547 450	649 183	794 104	216 054	(124 094)	2 085 077
Trade and other receivables	511 941	–	–	–	–	–	–	511 941	511 941
Non-current assets held for sale	6 700	–	–	–	–	–	–	6 700	6 700
Loans and advances	6 715 951	6 806 657	478 648	794 652	1 823 688	3 665 866	43 803	(90 706)	6 715 951
Current taxation asset	26 595					–	–	26 595	26 595
Investment securities	540 061	216	216	–	–	–	–	539 845	540 061
Investments at fair value through profit or loss	519 972	216	216	–	–	–	–	519 756	519 972
Equity accounted associates	20 089	–	–	–	–	–	–	20 089	20 089
Deferred tax asset	37 584	–	–	–	–	–	–	37 584	37 584
Property and equipment and right-of-use assets	65 068	–	–	–	–	–	–	65 068	65 068
Investment property	16 400	–	–	–	–	–	–	16 400	16 400
Intangible assets and goodwill	160 856	–	–	–	–	–	–	160 856	160 856
Total assets	12 155 244	11 004 830	1 929 319	1 548 507	2 501 642	4 588 323	437 264	1 150 189	12 155 244
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	700 067	700 067	700 067	–	–	–	–	–	700 067
Trading liabilities	658 957	658 956	308 041	14 908	5 280	198 281	132 447	–	658 957
Current taxation liability	5 093	–	–	–	–	–	–	5 093	5 093
Trade and other payables	722 531	722 531	–	–	–	–	–	722 531	722 531
Provisions	72 714	–	–	–	–	–	–	72 714	72 714
Bank overdraft	30 392	30 392	30 392	–	–	–	–	–	30 392
Deposits from customers[1]	4 732 764	4 732 764	2 419 662	1 210 805	1 008 444	93 853	–	–	4 732 764
Lease liabilities	43 205	46 077	2 948	6 728	24 568	11 833	–	–	46 077
Debt securities issued	2 741 583	3 044 088	–	346 020	329 860	2 368 207	–	–	3 044 088
Long-term loans	730 904	792 426	–	8 433	250 064	533 929	–	–	792 426
Deferred tax liability	110 770	–	–	–	–	–	–	110 770	110 770
Total liabilities	10 548 980	10 727 301	3 461 110	1 578 461	1 618 216	3 206 103	132 447	911 108	10 915 879
Off-statement of financial position									
Loan commitments	51 906	51 906	51 906	–	–	–	–	–	51 906
Letters of credit	117 461	117 461	117 461	–	–	–	–	–	117 461
Financial guarantees	43 810	43 810	43 810	–	–	–	–	–	43 810
Capital expenditure	5 189	5 189	5 189	–	–	–	–	–	5 189
Non-cancellable short-term/operating lease rentals for premises	–	–	–	–	–	–	–	–	–
	218 366	218 366	218 366	–	–	–	–	–	218 366

[1] *Based on the historical data on the behaviour of our depositors, it is unlikely that they will withdraw all funds with the Group based on contractual maturities.*

This table represents the contractual maturities of assets and liabilities, as opposed to their "business as usual" maturity profiles.

44 Liquidity risk continued

44.1 Contractual maturity analysis continued

	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	More than 5 years R'000	Non-contractual R'000	Total R'000
2020									
Discounted maturity									
Assets									
Cash and cash equivalents	1 731 243	1 731 243	1 626 541	104 702	–	–	–	–	1 731 243
Trading assets	1 060 342	1 060 342	474 062	67 175	38 180	236 347	244 578	–	1 060 342
Negotiable securities	3 126 595	3 154 579	1 270 949	594 698	581 648	495 650	211 636	(27 984)	3 126 595
Trade and other receivables	436 644	438 879	443 296	17 752	56 794	(78 962)	–	(2 235)	436 644
Non-current assets held for sale	6 700	–	–	–	–	–	–	6 700	6 700
Loans and advances	6 609 328	7 161 733	559 528	740 619	1 946 068	3 493 989	421 529	(552 405)	6 609 328
Current taxation asset	21 035	21 035	8 070	2 686	10 279	–	–	–	21 035
Investment securities	654 966	–	–	–	–	–	–	654 966	654 966
Investments at fair value through profit or loss	528 771	–	–	–	–	–	–	528 771	528 771
Equity accounted associates	126 195	–	–	–	–	–	–	126 195	126 195
Deferred tax asset	36 808	–	–	–	–	–	–	36 808	36 808
Property and equipment and right-of-use-assets[1]	103 550	–	–	–	–	–	–	103 550	103 550
Investment property	13 123	–	–	–	–	–	–	13 123	13 123
Intangible assets and goodwill	205 206	–	–	–	–	–	–	205 206	205 206
Total assets	14 005 540	13 567 814	4 382 446	1 527 632	2 632 969	4 147 024	877 743	437 728	14 005 540
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	1 882 806	1 882 806	1 882 806	–	–	–	–	–	1 882 806
Trading liabilities	999 842	1 019 251	568 562	2 309	532	212 586	235 262	–	1 019 251
Current taxation liability	3 963	6 716	–	2 798	3 918	–	–	–	6 716
Trade and other payables	783 786	764 970	632 550	38 423	93 997	–	–	–	764 970
Provisions	41 629	–	–	–	–	–	–	41 629	41 629
Bank overdraft	151 462	151 462	151 462	–	–	–	–	–	151 462
Deposits from customers	5 138 778	5 138 778	3 004 999	1 109 195	945 373	79 211	–	–	5 138 778
Lease liabilities[1]	70 266	76 061	3 404	9 776	25 797	37 083	–	–	76 061
Debt securities issued	2 743 823	3 034 334	–	312 415	531 828	2 190 091	–	–	3 034 334
Long-term loans	371 649	371 649	255 289	–	–	116 360	–	–	371 649
Deferred tax liability	94 531	–	–	–	–	–	–	94 531	94 531
Total liabilities	12 282 535	12 439 313	6 499 072	1 472 118	1 597 527	2 635 332	235 262	136 160	12 575 472
Off-statement of financial position									
Loan commitments	–	–	–	–	–	–	–	–	–
Letters of credit	39 960	39 960	39 960						39 960
Financial guarantees	53 939	53 939	53 939						53 939
Capital expenditure	–	–	–	–	–	–	–	–	–
Non-cancellable short-term/operating lease rentals for premises	547	547	547	–	–	–	–	–	547
	94 446	94 446	94 446	–	–	–	–	–	94 446

[1] *Based on the historical data on the behaviour of our depositors, it is unlikely that they will withdraw all funds with the Group based on contractual maturities.*

This table represents the contractual maturities of assets and liabilities, as opposed to their "business as usual" maturity profiles.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

44. Liquidity risk continued

44.2 Discounted maturity analysis: Current and non-current

	2021 Current R'000	2021 Non-current R'000	2021 Total R'000	2020 Current R'000	2020 Non-current R'000	2020 Total R'000
Assets						
Cash and cash equivalents	**1 285 578**	**–**	**1 285 578**	1 731 243	–	1 731 243
Trading assets	**397 673**	**305 760**	**703 433**	579 416	480 926	1 060 342
Negotiable securities	**1 074 919**	**1 010 158**	**2 085 077**	2 419 309	707 286	3 126 595
Trade and other receivables	**511 941**	**–**	**511 941**	370 299	66 345	436 644
Non-current assets held for sale	**6 700**	**–**	**6 700**	6 700	–	6 700
Loans and advances	**3 006 282**	**3 709 669**	**6 715 951**	3 199 206	3 410 122	6 609 328
Current taxation asset	**26 595**	**–**	**26 595**	21 035	–	21 035
Investment securities	**216**	**539 845**	**540 061**	–	654 966	654 966
Investments at fair value through profit or loss	**216**	**519 756**	**519 972**	–	528 771	528 771
Equity accounted associates	**–**	**20 089**	**20 089**	–	126 195	126 195
Property, equipment and right-of-use assets		**65 068**	**65 068**	–	103 550	103 550
Investment property	**–**	**16 400**	**16 400**	–	13 123	13 123
Intangible assets and goodwill	**–**	**160 856**	**160 856**	–	205 206	205 206
Deferred tax asset	**–**	**37 584**	**37 584**	856	35 952	36 808
Total assets	**6 309 904**	**5 845 340**	**12 155 244**	8 328 064	5 677 476	14 005 540
Liabilities						
Funding under repurchase agreements and interbank	**700 067**	**–**	**700 067**	1 882 806	–	1 882 806
Trading liabilities	**328 728**	**330 229**	**658 957**	552 111	447 731	999 842
Current taxation liability	**5 093**	**–**	**5 093**	3 963	–	3 963
Trade and other payables	**722 531**	**–**	**722 531**	674 449	109 337	783 786
Provisions	**72 714**	**–**	**72 714**	37 682	3 947	41 629
Bank overdraft	**30 392**	**–**	**30 392**	151 462	–	151 462
Deposits from customers	**4 638 912**	**93 853**	**4 732 764**	5 053 038	85 740	5 138 778
Lease liabilities[1]	**33 712**	**9 493**	**43 205**	60 544	9 722	70 266
Debt securities issued	**544 796**	**2 196 787**	**2 741 583**	–	2 743 823	2 743 823
Long-term loans	**97 500**	**633 404**	**730 904**	–	371 649	371 649
Deferred tax liability	**–**	**110 770**	**110 770**	59 046	35 485	94 531
Total liabilities	**7 173 945**	**3 375 035**	**10 548 980**	8 475 101	3 807 434	12 282 535

[1] *The amounts reflected as current will be settled in less than 12 months and the amounts reflected in non-current are expected to be settled in greater than 12 months.*

45. Market risk

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

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

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

Settlement risk

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

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

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, as we regard this as being one of the soundest and most intuitive methods.

  Two confidence intervals have been selected to analyse. Both scenarios are using daily historical closing prices from 3 May 2016 to 29 June 2021 inclusive, and use R186 as the benchmark. ZJS is used as the risk-free rate.

  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.

  For multiple currencies all historical prices of securities are first converted back to the base currency of the portfolio (ZAR) at the historical reigning cross-rate on that day, after which the VAR is then calculated.

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

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

Exposure to interest rate risk

- Trading portfolios
  Trading portfolios consist of exchange-traded bonds that bear fixed interest rates.

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

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 CLEC. Market risk on these investments is managed in terms of the investment's 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.

Currency risk

The Group incurs currency risk as a result of trade finance and foreign exchange businesses, as well as services and supplies acquired from foreign suppliers. The currencies in which the Group primarily deals are US Dollars, Pound Sterling and Euros. The Group is therefore exposed to volatility in the exchange rate of the Rand relative to these foreign currencies.

Notes to the consolidated financial statements continued

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45. Market risk continued

45.1 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.

Exchange rate contracts

The Group utilises forward-exchange contracts from time to time to limit the exposure to movements in the exchange rate on foreign currency liabilities.

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.

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.

45. Market risk continued

45.2 Market risk

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 re-pricing date or maturity.

	Up to 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Total R'000
2021						
Assets						
Non-trading portfolios						
Cash and cash equivalents	**1 125 587**	**159 206**	**–**	**–**	**–**	**1 284 793**
Negotiable securities	**2 380**	**547 450**	**649 183**	**794 103**	**216 054**	**2 209 170**
Loans and advances	**6 042 788**	**284 671**	**250 364**	**617 760**	**23 104**	**7 218 687**
Total assets	**7 170 755**	**991 327**	**899 547**	**1 411 863**	**239 158**	**10 712 650**
Liabilities						
Non-trading portfolios						
Funding under repurchase agreements and interbank	**700 067**	**–**	**–**	**–**	**–**	**700 067**
Bank overdraft	**30 379**	**–**	**–**	**–**	**–**	**30 379**
Deposits from customers	**2 815 188**	**815 279**	**1 008 444**	**93 853**	**–**	**4 732 764**
Lease liabilities	**–**	**831**	**2 558**	**–**	**4 709**	**8 098**
Debt securities issued	**–**	**2 741 583**	**–**	**–**	**–**	**2 741 583**
Long-term loans	**–**	**5 338**	**97 500**	**612 866**	**15 199**	**730 903**
Total liabilities	**3 545 634**	**3 563 031**	**1 108 502**	**706 719**	**19 908**	**8 943 794**
Net pricing gap	**3 625 121**	**(2 571 704)**	**(208 955)**	**705 144**	**219 250**	**1 768 856**
Cumulative repricing gap	**3 625 121**	**1 053 417**	**844 462**	**1 549 606**	**1 768 856**	**1 768 856**
A 200 basis point interest rate change will have the following effect on profit/loss:						
200 bp parallel shock interest rate increase	**6 490**	**(1 024)**	**–**	**–**	**–**	**5 466**
200 bp parallel shock interest rate decrease	**(5 509)**	**1 024**	**–**	**–**	**–**	**(4 485)**
2020						
Assets						
Non-trading portfolios						
Cash and cash equivalents	1 418 612	306 884	5 747	–	–	1 731 243
Negotiable securities	1 270 949	594 698	581 647	495 650	211 635	3 154 579
Loans and advances	4 069 083	286 707	643 130	2 146 951	15 862	7 161 733
Total assets	6 758 644	1 188 289	1 230 524	2 642 601	227 497	12 047 555
Liabilities						
Non-trading portfolios						
Funding under repurchase agreements and interbank	1 882 806	–	–	–	–	1 882 806
	151 462	–	–	–	–	151 462
	3 040 516	1 109 195	920 677	68 390	–	5 138 778
Deposits from customers	65 284	1 270	600	3 112	–	70 266
Debt securities issued	–	2 743 823	–	–	–	2 743 823
Long-term loans	250 000	121 649	–	–	–	371 649
Total liabilities	5 390 068	3 975 937	921 277	71 502	–	10 358 784
Net pricing gap	1 368 576	(2 787 648)	309 247	2 571 099	227 497	1 688 771
Cumulative repricing gap	1 368 576	(1 419 072)	(1 109 825)	1 461 274	1 688 772	1 688 769
A 200 basis point interest rate change will have the following effect on profit/loss:						
200 bp parallel shock interest rate increase	(590)	(1 239)	–	–	–	(1 829)
200 bp parallel shock interest rate decrease	590	1 239	–	–	–	1 829

45. Market risk continued

45.3 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 economically 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
2021						
Forward-exchange contracts	**4 370**	**65**	**25**	**314**	**64**	**4 838**
Import Bills	**202 369**	**16 691**	**–**	**16 067**	**–**	**235 127**
Bank balances	**6 566**	**53 116**	**310**	**12 688**	**1 446**	**74 126**
Funding under repurchase and interbank	**(109 840)**	**–**	**–**	**–**	**(1)**	**(109 841)**
Import suppliers	**(1 554)**	**–**	**–**	**(3 878)**	**–**	**(5 432)**
Usance creditors	**(18 191)**	**(211)**	**–**	**–**	**–**	**(18 402)**
Other payables	**(27 459)**	**(41 439)**	**580**	**(64 258)**	**868**	**(131 708)**
Total net (short)/ long position	**56 261**	**28 222**	**915**	**(39 067)**	**2 377**	**48 708**
Sensitivity – 5%	**2 813**	**1 411**	**46**	**(1 953)**	**119**	**2 435**
2020						
Forward-exchange contracts	1 783	6 430	303	223	(55 661)	(46 922)
Import bills	169 879	28 690	689	11 246	107 770	318 274
Bank balances	401 323	41 624	386	10 116	10 517	463 966
Funding under repurchase and interbank	(50 340)	(32 225)	–	–	(54 134)	(136 699)
Import suppliers	(3 960)	(534)	–	(153)	(1 341)	(5 988)
Usance creditors	(15 552)	(284)	–	–	–	(15 836)
Other payables	(330 789)	(38 676)	–	(19 859)	(10 657)	(399 981)
Total net (short)/ long position	172 344	5 025	1 378	1 573	(3 506)	176 814
Sensitivity – 5%	8 617	251	69	79	(175)	8 841

45. Market risk continued
45.3 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
2021						
Assets						
Cash and cash equivalents	6 566	53 116	12 688	1 211 452	1 756	1 285 578
Trading assets	38 023	3 579	1 006	660 542	283	703 433
Negotiable securities	–	–	–	2 085 077	–	2 085 077
Trade and other receivables	–	–	–	511 941	–	511 941
Non-current assets held for sale	–	–	–	6 700	–	6 700
Loans and advances	202 369	16 691	16 067	6 480 824	–	6 715 951
Taxation	–	–	–	25 595	–	25 595
Investment securities	–	–	–	540 061	–	540 061
– Investments at fair value through profit or loss	–	–	–	519 972	–	519 972
– Investments at fair value through other comprehensive income	–	–	–	–	–	–
– Equity accounted associates	–	–	–	20 089	–	20 089
Loans to entities in the Group	–	–	–	–	–	–
Deferred tax asset	–	–	–	37 584	–	37 584
Property, equipment and right-of-use assets	–	–	–	65 068	–	65 068
Investment property	–	–	–	16 400	–	16 400
Intangible assets and goodwill	–	–	–	160 856	–	160 856
Investments in subsidiaries and structured entities	–	–	–	–	–	–
Total assets	**246 958**	**73 386**	**29 761**	**11 802 100**	**2 039**	**12 154 244**
Liabilities						
Funding under repurchase agreements and interbank	109 840	–	–	590 226	1	700 067
Trading liabilities	33 653	3 515	692	620 903	194	658 957
Current taxation liabilities	–	–	–	5 093	–	5 093
Trade and other payables	47 204	41 649	68 136	566 991	(1 449)	722 531
Provisions	–	–	–	72 714	–	72 714
Bank overdraft	–	–	–	30 392	–	30 392
Deposits from customers	–	–	–	4 732 764	–	4 732 764
Lease liabilities	–	–	–	43 205	–	43 205
Debt securities issued	–	–	–	2 741 583	–	2 741 583
Long-term loans	–	–	–	730 904	–	730 904
Deferred tax liability	–	–	–	110 770	–	110 770
Total liabilities	**190 697**	**45 164**	**68 828**	**10 245 545**	**(1 254)**	**10 548 980**

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

45. Market risk continued

45.3 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
2020						
Assets						
Cash and cash equivalents	406 101	41 624	9 438	1 267 367	6 713	1 731 243
Trading assets	66 029	13 168	957	979 630	559	1 060 343
Negotiable securities	–	–	–	3 126 595	–	3 126 595
Trade and other receivables	90	–	–	436 533	19	436 642
Non-current assets held for sale	–	–	–	6 700	–	6 700
Loans and advances	163 437	27 509	10 722	6 406 794	866	6 609 328
Taxation	–	–	–	21 035	–	21 035
Investment securities	–	–	–	654 966	–	654 966
– Investments at fair value through profit or loss	–	–	–	528 772	–	528 771
– Equity accounted associates	–	–	–	126 195	–	126 195
Deferred tax asset	–	–	–	36 808	–	36 808
Property, equipment and right-of-use assets	–	–	–	103 551	–	103 551
Investment property	–	–	–	13 123	–	13 123
Intangible assets and goodwill	–	–	–	205 206	–	205 206
Total assets	635 657	82 301	21 117	13 258 308	8 157	14 005 540
Liabilities						
Funding under repurchase agreements and interbank	28 754	50 340	–	1 803 712	–	1 882 806
Trading liabilities	68 090	12 910	907	917 432	503	999 842
Current taxation liability	–	–	–	3 963	–	3 963
Trade and other payables	350 300	39 494	20 012	367 899	6 083	783 788
Provisions	–	–	–	41 628	–	41 628
Bank overdraft	–	3 471	–	147 497	494	151 462
Deposits from customers	–	–	–	5 138 777	–	5 138 777
Lease liabilities	–	–	–	70 266	–	70 266
Debt securities issued	–	–	–	2 743 823	–	2 743 823
Long-term loans	–	–	–	371 649	–	371 649
Deferred tax liability	–	–	–	94 531	–	94 531
Total liabilities	447 144	106 215	20 919	11 701 177	7 080	12 282 535

45. Market risk continued

45.4 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
2021					
Interest rate swaps	**(9 517)**	**(9 518)**	**(577)**	**(8 941)**	**(126 737)**
Exchange rate contracts	**4 838**	**4 838**	**43 884**	**(39 046)**	**358 368**
Total derivatives	**(4 679)**	**(4 680)**	**43 307**	**(47 987)**	**231 631**
2020					
Interest rate swaps	(16 983)	(16 983)	–	(16 983)	2 417 499
Exchange rate contracts	719	719	85 174	(84 455)	3 296 487
Total derivatives	(16 264)	(16 264)	85 174	(101 438)	5 713 986

46. 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 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.

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

46. Capital management continued

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 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 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; and
- Tier 2 capital 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; and
- total qualifying capital as a percentage of risk-weighted assets.

	2021 % Unaudited	2020 % Audited
Common Equity Tier 1 Capital	**17.186**	15.338
Additional Tier 1 Capital	**0.047**	0.411
Total Tier 1 Capital	**17.233**	15.749
Tier 2 Capital	**0.824**	0.844
Total capital	**18.057**	16.593
Stakeholder capital adequacy ratio minimum requirements		
Regulator:		
– Notional Common Equity Tier 1	**8.000**	8.000
– Notional Total Tier 1	**10.000**	10.000
– Total capital	**12.500**	12.500

	2021 R'000	2020 R'000
Ordinary share capital	**321**	321
Ordinary share premium	**166 945**	166 945
Treasury shares	**(40 177)**	(177)
Preference share capital	**18**	18
Preference share premium	**43 313**	188 068
Non-controlling interest	**–**	–
Total retained earnings	**1 435 844**	1 367 830
Foreign currency translation reserve	**–**	116 729
Hedging reserve	**–**	(107 099)
	1 606 264	1 723 005

47. Segment reporting

Previously management reported on three operating segments: Banking, Capital and Wealth. At the beginning of the 2021 financial year, internal restructuring occurred between existing segments. These segments are regularly reviewed by the CODM in making decisions about operating matters and in assessing performance. In order to better represent the revised operating model, management now reports on four segments (excluding the Group functions and inter-segment eliminations segment). These segments are Asset Finance, B\\Yond Business Banking, Capital and Wealth.

Accordingly, the segment information for prior periods has been restated.

	2021			2020		
	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	1 277 094	6 686	1 283 780	1 118 300	28 195	1 146 495
Segment assets	12 155 244	–	12 155 244	13 487 002	518 537	14 005 539

	Asset Finance R'000	Beyond Business Banking R'000	Wealth R'000	Capital (including Trade and Debtor Finance) R'000	Group and Treasury Eliminations R'000	Total R'000
Business segments 2021						
Interest income	718 861	28 581	20 443	105 750	121 426	995 061
Interest expense	(331 173)	(9 737)	(20 661)	(67 341)	(28 169)	(457 081)
Net interest income	387 688	18 844	(218)	38 409	93 257	537 980
Non-interest income	191 756	92 186	326 630	132 170	3 058	745 800
Total income	579 444	111 030	326 412	170 579	96 315	1 283 780
Credit impairment charges	(36 083)	(2 060)	–	(16 451)	(96 102)	(150 696)
Net income after impairments	543 361	108 970	326 412	154 128	213	1 133 084
Operating costs	(254 088)	(149 239)	(267 898)	(158 776)	(185 454)	(1 015 455)
Employee costs	(88 169)	(40 595)	(131 190)	(71 920)	(198 610)	(530 484)
Depreciation	(794)	–	(6 154)	(304)	(39 063)	(46 315)
Amortisation	(5 297)	–	(3 151)	(591)	(22 662)	(31 701)
Other operating expenses	(159 828)	(108 644)	(127 403)	(85 961)	115 465	(366 371)
Goodwill and intangible asset impairments	–	–	–	–	(40 584)	(40 584)
Profit/(loss) from operations	289 273	(40 269)	58 514	(4 648)	(185 241)	117 629
Share of associate income	–	–	18 962	–	–	18 962
Profit/(loss) before income tax	289 273	(40 269)	77 476	(4 648)	(185 241)	136 591
Income tax expense	(86 393)	11 276	(24 947)	(2 371)	43 488	(58 947)
Profit/(loss) for the year	202 880	(28 993)	52 529	(7 019)	(141 753)	77 644
Segment assets	9 496 439	829 621	984 589	1 929 050	(1 084 455)	12 155 244
Segment liabilities	9 002 987	858 616	833 222	1 808 348	(1 954 193)	10 548 980

Notes to the consolidated financial statements continued

For the year ended 30 June 2021

47. Segment reporting continued

	Asset Finance R'000	Beyond Business Banking R'000	Wealth R'000	Capital (including Trade and Debtor Finance) R'000	Group and Treasury Eliminations R'000	Total R'000
Business segments 2020						
Interest income	866 089	31 666	39 808	157 428	190 558	1 285 549
Interest expense	(498 026)	(15 072)	(46 606)	(96 786)	(122 744)	(779 234)
Net interest income	368 063	16 594	(6 798)	60 642	67 814	506 315
Non-interest income	162 201	87 985	320 223	105 727	(35 956)	640 180
Total income	530 264	104 579	313 425	166 369	31 858	1 146 495
Credit impairment charges	(198 083)	(198)	–	(26 352)	(27 985)	(252 618)
Net income after impairments	332 181	104 381	313 425	140 017	3 873	893 877
Operating costs	(263 244)	(147 284)	(268 451)	(202 803)	(77 258)	(959 040)
Staff costs	(82 233)	(44 858)	(116 689)	(81 747)	(192 078)	(517 605)
Depreciation	(591)	(1)	(8 667)	(867)	(44 025)	(54 151)
Amortisation	(4 767)	–	(3 958)	(273)	(30 492)	(39 490)
Other operating expenses	(174 818)	(102 425)	(139 137)	(119 916)	205 153	(331 143)
Goodwill and intangible asset impairments	(835)	–	–	–	(15 816)	(16 651)
Profit/(loss) from operations	68 937	(42 903)	44 974	(62 786)	(73 385)	(65 163)
Share of associate income	–	–	20 161	–	–	20 161
Profit/(loss) before income tax	68 937	(42 903)	65 135	(62 786)	(73 385)	(45 002)
Income tax expense	(17 766)	13 104	(7 913)	(4 418)	18 841	1 848
Profit/(loss) for the year	51 171	(29 799)	57 222	(67 204)	(54 544)	(43 154)
Segment assets	7 881 294	698 244	1 358 624	2 049 219	2 018 159	14 005 540
Segment liabilities	7 654 218	731 939	1 080 661	1 785 543	1 030 174	12 282 535

48. Events after the reporting date

48.1 Riots July 2021

48.1.1 Benal Property Investments (Pty) Ltd

During 2021, Sasfin was in the final stages of disposing of an investment property consisting of land and buildings owned by one of its subsidiaries, Benal Property Investments (Pty) Ltd. This asset was classified as a non-current asset held for sale in terms of IFRS 5 as at 30 June 2021. Refer to note 8. However, during the recent unrest in the country, the building was razed to the ground on 9 July 2021. Consequently, the sale of the property was cancelled, and a claim was lodged with the insurers which management considers is highly probable to succeed. The damage to the building is a material non-adjusting event in terms of IAS 10 Events after the Reporting Period.

48.1.2 KZN Rental Finance Book

Furthermore, in Rental Finance we have identified c. R300 million of credit exposure that relates to clients based in KZN, of which c. R277 million is in our Stage 1 book. We have reviewed each of these exposures, and none are currently of concern. We continue to monitor the book, especially with the payment cycles coming up in the coming months.

48.2 Preference Share Buy Back

On 5 July 2021 Sasfin paid the Preference Shareholders for their preference shares and the shares were transferred back to Sasfin Holdings Limited, to be held as authorised unissued shares.

48.3 Land Bank

On 19 July 2021 the Land Bank repaid 10% of the capital outstanding on the Land Bank Bills held by Sasfin. The gross amount of Bills, at 30 June 2021, was R413.6 million.

48.4 Operational loss August 2021

During August 2021, Sasfin Securities (Pty) Ltd in the normal course of business participated in a corporate action on behalf of a client where an error occurred that resulted in an operational loss of R33.9 million. Sasfin is insured under professional indemnity insurance for such losses. The timing and quantum of the settlement, if any, is currently uncertain.

48.5 New lease for office premises

The Sasfin Group will be moving to its new office premises in December 2021. Sasfin Holdings concluded the contract for the new lease during August 2021. The lease asset and lease liability to be recognised on the balance sheet is estimated to be R135 million.

49. Going concern

Over the last twelve months, the South African economy performed better than anticipated. This was due to the strong performance in the commodity sector coupled by some of the early interventions by the government, including the reduction in interest rates. Against this backdrop, Sasfin has produced an improved set of results, returning to profitability, whilst taking active steps to support our stakeholders, including society at large. Sasfin posted headline earnings of R141.071 million (2020: loss of R48.617 million) for the year ended 30 June 2021. This improvement was largely because of improved credit performance and an increase in total income of 11.65% to R1.303 billion (2020: R1.167 billion). Given the overall improved performance, as well as the stable financial, liquidity and capital position, the directors are of the view that the Group is a going concern. The directors believe that the Group has adequate financial resources to continue for the foreseeable future, which further supports that the financial statements be prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position, and together with measures taken to strengthen the capital and liquidity base, is well-positioned to take advantage of growth opportunities. The Group's CAR and LCR are above the required regulatory minimum. The directors are not aware of any material changes that may adversely impact the Group.

Separate statement of financial position

At 30 June 2021

	Accounting policy	Note	2021 R'000	2020 R'000
Assets				
Cash and cash equivalents	1.11	1	**198 106**	5 747
Trade and other receivables	1.13	2	**11 230**	23 484
Current taxation asset	1.16.1		**–**	107
Deferred tax asset	1.16.2	3	**1 779**	2 280
Investments in subsidiaries and structured entities	1.3	4	**552 146**	515 500
Total assets			**763 261**	547 118
Liabilities				
Current taxation liability	1.16.1		**387**	–
Trade and other payables	1.13	5	**152 860**	9 457
Loans from entities in the Group		21.1.1	**36 564**	–
Total liabilities			**189 811**	9 457
Equity				
Ordinary share capital	1.10	6	**323**	323
Ordinary share premium	1.10	7	**163 363**	163 363
Reserves			**366 433**	185 889
Preference share capital	1.10	8	**18**	18
Preference share premium	1.10	9	**43 313**	188 068
Total equity			**573 450**	537 661
Total liabilities and equity			**763 261**	547 118

Separate statement of profit or loss and other comprehensive income

for the year ended 30 June 2021

	Accounting policy	Note	2021 R'000	2020 R'000
Interest income	1.14.1	11	**1 129**	310
Interest income calculated using the effective interest rate method			**1 129**	310
Interest expense	1.14.1	12	**(29)**	(21)
Interest expense calculated using the effective interest rate method			**(29)**	(21)
Net interest income			**1 100**	289
Non-interest income			**199 488**	65 526
Net fee and commission income	1.14.2	13	**19 488**	12 526
Fee and commission income			**25 537**	18 385
Fee and commission expense			**(6 049)**	(5 859)
Dividend income		14	**180 000**	53 000
Total income			**200 588**	65 815
Credit impairment charges	1.13 & 2.2	24.2.2	**1 477**	(4 766)
Net income after impairments			**202 065**	61 049
Total operating costs			**(19 119)**	(13 616)
Staff costs	1.15	16	**(5 775)**	(4 994)
Other operating expenses		17	**(13 344)**	(7 814)
Impairments on non-financial assets	1.12	18	**–**	(808)
Profit before income tax			**182 946**	47 433
Income tax expense	1.16	19	**(2 402)**	1 058
Total comprehensive income for the year			**180 544**	48 491
Profit attributable to:			**180 544**	48 491
Preference shareholders			**–**	15 029
Equity holders of the Group			**180 544**	33 462

Separate statement of changes in equity

for the year ended 30 June 2021

	Ordinary share capital R'000	Ordinary share premium R'000	Distri-butable reserves R'000	Total ordinary share-holders' equity R'000	Preference share capital R'000	Preference share premium R'000	Total share-holders' equity R'000
2021							
Opening balance at the beginning of the year	**323**	**163 363**	**185 889**	**349 575**	**18**	**188 068**	**537 661**
Total comprehensive income for the year	**–**	**–**	**180 544**	**180 544**	**–**	**–**	**180 544**
Profit for the year	**–**	**–**	**180 544**	**180 544**	**–**	**–**	**180 544**
Changes in ownership interest							
Preference share buy-back and cancellation	**–**	**–**	**–**	**–**	**–**	**(144 755)**	**(144 755)**
Balance at the end of the year	**323**	**163 363**	**366 433**	**530 119**	**18**	**43 313**	**573 450**
2020							
Opening balance at the beginning of the year	323	163 363	184 323	348 009	18	188 068	536 095
Total comprehensive income for the year	–	–	33 462	33 462	15 029	–	48 491
Profit for the year	–	–	33 462	33 462	15 029	–	48 491
Dividends to preference shareholders	–	–	–	–	(15 029)	–	(15 029)
Dividends to ordinary shareholders	–	–	(31 896)	(31 896)	–	–	(31 896)
Balance at the end of the year	323	163 363	185 889	349 575	18	188 068	537 661

Separate statement of cash flows

for the year ended 30 June 2021

	Note	2021 R'000	2020 R'000
Cash flows from operating activities			
Interest received		**1 129**	310
Interest paid		**(29)**	(21)
Fee and commission income received		**25 537**	18 385
Fee and commission expense paid		**(6 049)**	(5 859)
Cash payments to employees and suppliers		**(19 119)**	(12 808)
Cash inflow from operating activities	20.1	**1 469**	7
Dividends received		**180 000**	53 000
Taxation paid	20.2	**(1 407)**	(984)
Dividends paid	20.3	**–**	(46 925)
Cash flows from operating activities before changes in operating assets and liabilities		**180 062**	5 098
Changes in operating assets and liabilities		**12 379**	(6 657)
Decrease/(Increase) in trade and other receivables		**12 663**	(12 640)
(Decrease)/Increase in trade and other payables		**(284)**	5 983
Net cash from operating activities		**192 441**	(1 559)
Cash flows from investing activities			
Further investment in the Share Incentive Trust		**(82)**	(156)
Net cash flows from investing activities		**(82)**	(156)
Net increase/(decrease) in cash and cash equivalents		**192 359**	(1 715)
Cash and cash equivalents at beginning of the year	1	**5 747**	7 462
Cash and cash equivalents at the end of the year	1	**198 106**	5 747

Notes to the separate financial statements

For the year ended 30 June 2021

		2021 R'000	2020 R'000
1.	**Cash and cash equivalents**		
	Funds on call	**198 106**	5 747
		198 106	5 747
2.	**Trade and other receivables**		
	Value added taxation	**694**	–
	Prepaid expenses	**378**	352
	Receivables from companies in the Group	**10 158**	23 132
		11 230	23 484
3.	**Deferred tax assets and liabilities**		
	Deferred tax assets	**1 779**	2 280

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2021 Assets R'000	2021 Net R'000	2020 Assets R'000	2020 Net R'000
Prepayments	**(82)**	**(82)**	(74)	(74)
Provisions	**1 861**	**1 861**	2 354	2 354
Net tax assets/(liabilities)	**1 779**	**1 779**	2 280	2 280

Movements in temporary differences during the year	**Balance at 1 July R'000**	**Recognised in profit or loss R'000**	**Balance at 30 June R'000**
2021			
Prepayments	**(74)**	**(8)**	**(82)**
Provisions	**2 354**	**(493)**	**1 861**
	2 280	**(501)**	**1 779**
2020			
Prepayments	(35)	(39)	(74)
Provisions	760	1 594	2 354
	725	1 555	2 280

		2021 R'000	2020 R'000
4.	**Investments in subsidiaries and structured entities**		
	Unlisted investments		
	Ordinary Shares at carrying amount at the beginning of the year[1, 3]	**514 548**	515 356
	Share Incentive Trust	**952**	796
		515 500	516 152
	Further investment in the Share Incentive Trust	**36 646**	156
	Further investment in Safin Private Equity Investment Holdings (Pty) Ltd[2]	**79 269**	–
	Less: Disposal of Sasfin Property Holdings (Pty) Ltd[2]	**(79 269)**	–
	Less: Impairment of investment in Sasfin Capital (Pty) Ltd	**–**	(808)
		552 146	515 500

[1] *The shares in SPEIH have been ceded to ABSA with Holdings providing a guarantee over these preference shares with certain negative undertakings put in place as usual for transactions of this nature.*

[2] *During the current year as part of the rationalisation of the Group Sasfin Holdings Ltd Sold its 100% share in Sasfin Property Holdings (Pty) Ltd to Sasfin Private Equity Investment Holdings (Pty) Ltd in exchange for additional shares in Sasfin Private Equity Investment Holdings (Pty) Ltd.*

[3] *Refer to note 40.1 in the notes to the Consolidated Financial Statements for the Group structure.*

		2021 R'000	2020 R'000
5.	**Trade and other payables**		
	Value Added Taxation	**–**	79
	Audit fees and other services	**3 470**	3 774
	Accounts payable[1]	**137 755**	–
	Other payables	**3 575**	4 637
	Accruals	**10**	857
	Payables to entities in the Group	**8 050**	110
		152 860	9 457
	[1] *As a result of the preference shares referred in note 9, at 30 June 2021 there is an unconditional obligation on Sasfin Holdings Limited to buy-back the preference shares and therefore a liability exists at year end.*		
6.	**Ordinary share capital**		
	Authorised		
	100 000 000 (2020: 100 000 000) ordinary shares with a par value of 1 cent each	**1 000**	1 000
	Issued		
	30 772 847 (2020: 32 196 882) ordinary shares with a par value of 1 cent each	**323**	323
	Balance at the end of the year	**323**	323
	Reconciliation of the number of shares issued		
	Total shares in issue (number)	**32 301 441**	32 301 441
	Less: Treasury shares held by the Sasfin Share Incentive Trust (number)	**(1 436 052)**	(12 017)
	Less: Treasury shares held by SasSec (number)	**(92 542)**	(92 542)
		30 772 847	32 196 882
7.	**Ordinary share premium**		
	Balance at the beginning of the year	**163 363**	163 363
	Balance at the end of the year	**163 363**	163 363
8.	**Preference share capital**		
	Authorised preference share capital		
	5 000 000 (2020: 5 000 000) non-redeemable, non-cumulative, non-participating variable rate preference shares with a par value of 1 cent each	**50**	50
	Issued preference share capital		
	1 797 226 (2020: 1 797 226) non-redeemable, non-cumulative, non-participating variable rate preference shares with a par value 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 when declared.		
9.	**Preference share premium**		
	Balance at the beginning of the year	**188 068**	188 068
	Repurchase of shares	**(144 755)**	–
	Balance at the end of the year	**43 313**	188 068
	Before year-end, Sasfin entered into a scheme of arrangement, whereby the entire preference share capital class of shares will be repurchased. The scheme of arrangement was finalised before year-end; however, settlement only occurred on 5 July 2021 (refer to subsequent events note 48 in the preceding Sasfin Holdings Consolidated Financial Statements). Therefore at 30 June 2021 there is an unconditional obligation on Sasfin Holdings Limited to buy-back the preference shares, and accordingly a liability exists at year-end. The preference share premium was reduced at year-end and a liability recognised in other payables (refer to note 5).		
10.	**Commitments and contingent liabilities**		
	Guarantees (refer to note 21.4)	**350 000**	814 028
		350 000	814 028

Notes to the separate financial statements
continued

For the year ended 30 June 2021

		2021 R'000	2020 R'000
11.	**Interest income**		
	Interest income calculated using the effective interest method		
	Deposits with banks	**1 129**	310
	Total interest income	**1 129**	310
	Interest income on items measured at amortised cost	**1 129**	310
	– Performing financial assets	**1 129**	310
12.	**Interest expense**		
	Interest expense calculated using the effective interest method		
	Other deposits and loan accounts	**29**	21
		29	21
13.	**Net fee and commission income**		
	Fee and commission income	**25 537**	18 385
	Administration fees	**25 537**	18 385
	Fee and commission expense	**(6 049)**	(5 859)
	Administration fee expense	**(6 049)**	(5 859)
	Net fee and commission income	**19 488**	12 526
14.	**Gains and losses on financial instruments**		
	Other gains or losses on financial instruments: Dividend income	**180 000**	53 000
		180 000	53 000
15.	**Credit impairment allowance**		
	Net ECL recognised		
	Financial guarantees	**3 260**	4 766
	Intercompany receivables	**29**	–
16.	**Staff costs**		
	Non-Executive Directors' remuneration[1]	**5 775**	4 994
		5 775	4 994
17.	**Other operating expenses**		
	The following items are included in operating expenses		
	Fees paid to auditors	**3 957**	4 822
	Audit fees – Current year	**3 887**	3 774
	– Underprovision prior year	**–**	1 048
	Other	**70**	–
	Bank charges	**1**	1
	Consulting fees	**5 972**	83
	Legal costs	**–**	48
	Marketing costs	**2 123**	1 538
	Other charges	**1 265**	1 157
	Tax related expenses	**26**	165
	Other operating expenses	**13 344**	7 814
18.	**Impairments of non-financial assets**		
	Investment in subsidiaries	**–**	808
		–	808

[1] *Refer to note 40.3 in the Consolidated Financial Statements for the directors' and prescribed officers' remuneration disclosure.*

		2021 R'000	2020 R'000
19.	**Income tax expense**		
	Current tax expense	**1 901**	497
	Current year	**1 901**	497
	Deferred tax expense	**501**	(1 555)
	Current year	**501**	(1 555)
		2 402	(1 058)
	Reconciliation of taxation rate	**%**	%
	South African normal tax rate	**28.00**	28.00
	Adjusted for:	**(26.69)**	(30.23)
	Exempt income	**(27.55)**	(31.29)
	Non-deductible expenses	**0.86**	0.58
	Fair value adjustments	**–**	0.48
	Effective rate	**1.31**	(2.23)
20.	**Notes to the statement of cash flows**		
20.1	**Cash inflow from operating activities**		
	Reconciliation of operating profit to cash flows from operating activities		
	Profit before income tax	**182 946**	47 433
	Dividend received	**(180 000)**	(53 000)
	Credit impairment charges on intercompany receivables	**(1 477)**	4 766
	Impairment of investment in subsidiary	**–**	808
		1 469	7
20.2	**Taxation paid**		
	Unpaid at the beginning of the year	**107**	(380)
	Charge to the income statement	**(1 901)**	(497)
	Unpaid at the end of the year	**387**	(107)
		(1 407)	(984)
20.3	**Dividends paid**		
	Charge to distributable reserves	**–**	46 925
	Total dividends paid	**–**	46 925

For the year ended 30 June 2021

		2021 R'000	2020 R'000
21.	**Related-party transactions**		
21.1	**Intercompany receivables with entities in the Group**		
	Sasfin Capital (Pty) Ltd	**(1 290)**	–
	Sasfin Bank Limited	**3 163**	2 810
	Sasfin Wealth (Pty) Ltd	**266**	20 650
	Total intercompany receivables with entities in the Group	**2 139**	23 460
21.1.1	Loans from entities in the Group		
	Loans from subsidiaries		
	Share Incentive Trust[1]	**(36 564)**	–
	Total loans from entities in the Group	**(36 564)**	–
	[1] *An amount of R36.6 million was contributed to the Sasfin Share Incentive Trust in order to acquire shares in Sasfin Holdings Limited. The shares were acquired before year-end; however, the funds only flowed after year-end.*		
21.1.2	Transactions with subsidiaries		
	Subsidiaries		
	Sasfin Bank Limited	**26 666**	–
	Sasfin Wealth (Pty) Ltd	**180 000**	–
21.2	**Transactions with subsidiaries**		
	Interest received	**1 129**	310
	Dividend received – from Sasfin Securities (Pty) Ltd	**180 000**	53 000
	Dividends paid on treasury shares	**–**	(103)
	Management fees	**25 537**	18 385
		206 666	71 592
21.3	**Funds on call and deposits with subsidiaries**		
	Sasfin Bank Ltd	**198 106**	5 747
		198 106	5 747
21.4	**Financial guarantees issued in respect of subsidiaries**		
	The Company has guaranteed the debt exposures of certain of its subsidiaries, as set out below.		
	Sasfin Asia Ltd[1]	**–**	347 668
	Sasfin Bank Ltd[2]	**–**	116 360
	Sasfin Securities (Pty) Ltd[3]	**100 000**	100 000
	Sasfin Private Equity Investment Holdings (Pty) Ltd[4]	**250 000**	250 000
		350 000	814 028
	[1] *Guarantee of $20 million with the IFC as the beneficiary.* [2] *Guarantee with the Dutch development bank FMO and DEG as the beneficiary.* [3] *Guarantee with Nedbank as the beneficiary.* [4] *Guarantee on the ABSA preference shares issued by SPEIH.*		
21.5	**Transactions with other related parties**		
	Management fees paid to WIPHOLD	**6 048**	5 859

22. Classification of assets and liabilities

Accounting classification and fair values

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

Assets	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2021			
Cash and cash equivalents	198 106	–	198 106
Trade and other receivables	10 158	1 072	11 230
Deferred tax asset	–	1 779	1 779
Investments in subsidiaries and structured entities	–	552 146	552 146
Total assets	**208 264**	**554 997**	**763 261**

Liabilities	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2021			
Current taxation liability	–	387	387
Trade and other payables	152 860	–	152 860
Loans from entities in the Group	36 564	–	36 564
Total liabilities	**189 424**	**387**	**189 811**

Assets	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2020			
Cash and cash equivalents	5 747	–	5 747
Trade and other receivables	23 484	–	23 484
Current taxation asset	–	107	107
Deferred tax asset	–	2 280	2 280
Investments in subsidiaries and structured entities	–	515 500	515 500
Total assets	29 231	517 887	547 118

Liabilities	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2020			
Trade and other payables	9 457	–	9 457
Total liabilities	9 457	–	9 457

Notes to the separate financial statements
continued

For the year ended 30 June 2021

23. Financial assets and financial liabilities not measured at fair value

	2021				
	Fair value Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000	Amortised cost R'000
Financial assets	–	198 106	10 158	208 264	208 264
Cash and cash equivalents	–	198 106	–	198 106	198 106
Trade and other receivables	–	–	10 158	10 158	10 158
Financial liabilities	–	–	189 424	189 424	189 424
Trade and other payables	–	–	152 860	152 860	152 860
Loans from entities in the Group	–	–	36 564	36 564	36 564

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

		2020		
Fair value Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000	Amortised cost R'000
–	5 747	23 484	29 231	29 231
–	5 747	–	5 747	5 747
–	–	23 484	23 484	23 484
–	–	9 458	9 458	9 458
–	–	9 458	9 458	9 458
–	–	–	–	–

24. Credit risk

24.1 Credit risk exposure analysis

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company maximum exposure to credit risk on these assets, by credit quality.

	Credit risk grading					A
	ECL staging	Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %	Stage 1 12-month Exposure R'000
2021						
Maximum credit exposures of financial assets at amortised cost						
Cash and cash equivalents[1]		198 106	198 106	–	–	198 106
Trade and other receivables		11 230	11 259	29	0.26	11 259
Net carrying amount		209 336	209 365	29	0.01	209 365
2021						
Off-balance sheet exposure to credit risk						
Financial guarantees issued		350 000				350 000
Total exposure to off-balance sheet credit risk		350 000				350 000
Credit loss allowance on off-balance sheet credit risk recognised		3 260				3 260
Total exposure to credit risk		556 076				

[1] *Management has assessed these as high-quality liquid assets held with institutions with a low risk of default and hence no ECL allowance has been recognised for these, as it is immaterial.*

		A and B			Default (C, D and E)		
ECL R'000	Coverage ratio R'000	Stage 2 Lifetime Exposure R'000	ECL R'000	Coverage ratio R'000	Stage 3 Lifetime Exposure R'000	ECL R'000	Coverage ratio %
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
		–			–		
		–			–		
		–			–		
		–			–		

For the year ended 30 June 2021

24. Credit risk continued

24.1 Credit risk exposure analysis continued

	Credit risk grading					A
	ECL staging	Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %	Stage 1 12-month Exposure R'000
2020						
Maximum credit exposures of financial assets at amortised cost						
Cash and cash equivalents[1]		5 747	5 747	–	–	–
Trade and other receivables		23 922	23 922	438	1.83	–
Loans to entities in the Group		–	–	–	–	–
Net carrying amount		29 669	29 669	438	1.83	–
2020						
Off-balance sheet exposure to credit risk						
Financial guarantees issued		814 028				814 028
Total exposure to off-balance sheet credit risk		814 028				814 028
Credit loss allowance on off-balance sheet credit risk recognised		4 328				
Total exposure to credit risk		839 369				

[1] *Management has assessed these as high-quality liquid assets held with institutions with a low risk of default and hence no ECL allowance has been recognised for these, as it is immaterial.*

		A and B			Default (C, D and E)		
ECL R'000	Coverage ratio R'000	Stage 2 Lifetime Exposure R'000	ECL R'000	Coverage ratio R'000	Stage 3 Lifetime Exposure R'000	ECL R'000	Coverage ratio %
–	–	–	–	–	–	–	–
–	–	23 922	438	–	–	–	–
–	–	–	–	–	–	–	–
–	–	23 922	438	–	–	–	–
		–			–		
		–			–		

Notes to the separate financial statements
continued

For the year ended 30 June 2021

24. Credit risk continued
24.2 Credit loss allowance analysis
24.2.1 Reconciliation of ECL on trade and other receivables

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2021				
Credit loss allowance on 1 July 2020	–	438	–	438
Transfers between stages[1]	–	–	–	–
Transfer to stage 1	–	–	–	–
Transfer from stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer from stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Transfer from stage 3	–	–	–	–
Net expected credit losses (released)/raised	29	(438)	–	(409)
ECL on new exposure raised	29	–	–	29
Subsequent changes in ECL	–	(438)	–	(438)
Change in ECL due to derecognition	–	–	–	–
Impaired accounts written off[3]	–	–	–	–
Credit loss allowance on 30 June 2021	**29**	**–**	**–**	**29**

24. Credit risk continued
24.2 Credit loss allowance analysis continued
24.2.2 Credit impairment charges recognised in profit or loss

	2021 R'000	2020 R'000
Net ECL recognised	**1 477**	(4 766)
Loans and advances	**–**	–
Letters of credit, carry facilities, loan commitments and financial guarantees issued	**1 068**	(4 328)
Cash and cash equivalents	**–**	–
Negotiable securities	**–**	–
Trade and other receivables	**438**	(438)
Intercompany receivables	**(29)**	–
	1 477	(4 766)

Notes to the separate financial statements
continued

For the year ended 30 June 2021

25. Liquidity risk
25.1 Contractual maturity analysis

	Carrying amount R'000	Gross outflow R'000
2021		
Discounted maturity		
Assets		
Cash and cash equivalents	**198 106**	**198 106**
Trade and other receivables	**11 230**	**–**
Deferred tax asset	**1 779**	**–**
Investments in subsidiaries and structured entities	**552 146**	**–**
Total assets	**763 261**	**198 106**
Undiscounted maturity		
Liabilities		
Current taxation liability	**387**	**–**
Trade and other payables	**152 860**	**–**
Loans from entities in the group	**36 564**	**–**
Total liabilities	**189 811**	**–**
Off-statement of financial position		
Guarantees	**350 000**	**350 000**
2020		
Discounted maturity		
Assets		
Cash and cash equivalents	5 747	5 747
Trade and other receivables	23 484	23 922
Current taxation asset	107	107
Deferred tax asset	2 280	–
Investments in subsidiaries and structured entities	515 500	–
Total assets	547 118	29 776
Undiscounted maturity		
Liabilities		
Trade and other payables	9 458	9 458
Total liabilities	9 458	9 458
Off-statement of financial position		
Guarantees	814 028	814 028

[1] *Comparative information has not been restated for the adoption of IFRS 16. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

Sasfin's liquidity risk reporting is based on a contractual maturity basis as opposed to a business as usual maturity basis, which is preferred by the ALCO. The liquidity mismatches forecast are highly improbable to actually occur. Sasfin closely manages its liquidity positions by including various buffers into its daily liquidity monitoring reports.

Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Non-contractual R'000	Total R'000
198 106	**–**	**–**	**–**	**–**	**–**	**198 106**
–	**–**	**–**	**–**	**–**	**11 230**	**11 230**
–	**–**	**–**	**–**	**–**	**1 779**	**1 779**
–	**–**	**–**	**–**	**–**	**552 146**	**552 146**
198 106	**–**	**–**	**–**	**–**	**565 155**	**763 261**
387	**–**	**–**	**–**	**–**	**–**	**387**
–	**–**	**–**	**–**	**–**	**152 860**	**152 860**
36 564	**–**	**–**	**–**	**–**	**–**	**36 564**
36 951	**–**	**–**	**–**	**–**	**152 860**	**189 811**
350 000	**–**	**–**	**–**	**–**	**–**	**350 000**
5 747	–	–	–	–	–	5 747
–	–	352	23 570	–	(438)	23 484
–	–	107	–	–	–	107
–	–	–	–	–	2 280	2 280
–	–	–	–	–	515 500	515 500
5 747	–	459	23 570	–	517 342	547 118
9 458	–	–	–	–	–	9 458
9 458	–	–	–	–	–	9 458
814 028	–	–	–	–	–	814 028

Notes to the separate financial statements
continued

For the year ended 30 June 2021

25. Liquidity risk continued
25.2 Discounted maturity analysis: Current and non-current

	2021 Current R'000	2021 Non-current R'000	2021 Total R'000	2020 Current R'000	2020 Non-current R'000	2020 Total R'000
Assets						
Cash and cash equivalents	198 106	–	198 106	5 747	–	5 747
Trade and other receivables	11 230	–	11 230	352	23 132	23 484
Current taxation asset	–	–	–	107	–	107
Deferred tax asset	–	1 779	1 779	–	2 280	2 280
Investments in subsidiaries and structured entities	–	552 146	552 146	–	515 500	515 500
Total assets	209 336	553 925	763 261	6 206	540 912	547 118
Liabilities						
Current taxation liability	387	–	387	–	–	–
Trade and other payables	152 860	–	152 860	4 328	5 130	9 458
Loans from entities in the Group	36 564	–	36 564	578 009	(578 009)	–
Total liabilities	189 811	–	189 811	582 337	(572 879)	9 458

[1] *The amounts reflected as current will be settled in less than 12 months, and the amounts reflected in non-current are expected to be settled after 12 months.*

26. Capital management

The Company 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 Company's capital management policy are to ensure that the Company 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 Company.

Key objectives of capital management are to:

- Ensure that the Company 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 Company's Board Risk Appetite;
- Ensure that the available capital resources of the Company are sufficient to support the economic capital requirements of the Company;
- Optimise return on regulatory and economic capital by providing investors with above market-related returns on a sustainable basis;
- Generate sufficient capital to support organic and new business growth objectives of the Company;
- Allocate capital to businesses to support the strategic and growth objectives of the Company; and
- Ensure that the Company 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 Company'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 Company 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 Company. The capital adequacy of the Company is reported to the Board on a quarterly basis.

26. Capital management continued

Capital adequacy (unaudited)

The Company has developed and implemented a capital management framework, which ensures that the Company 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 the Company maintains adequate capital levels for legal and regulatory compliance purposes. The Company ensures that its actions do not compromise sound corporate governance and appropriate business practices.

The Company 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 Company are consolidated.

Regulatory capital (unaudited)

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

The Company'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; and
- 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; and
- Total qualifying capital as a percentage of risk-weighted assets.

	2021 R'000	2020 R'000
Ordinary share capital	323	323
Ordinary share premium	163 363	163 363
Preference share capital	18	18
Preference share premium	43 313	188 068
Non-controlling interest	–	–
Distributable reserves	366 433	185 889
	573 450	537 661

27. Events after the reporting date

There were no material events that occurred after the reporting date and up to the date of this report.

Glossary of terms

Term	Definition
AGM	Annual General Meeting
ALCO	Asset and Liability Committee
ATFS	Absa Technology Finance Solutions (Proprietary) Limited
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 (Proprietary) Limited
CAR	Capital Adequacy Ratio
CGU	Cash-generating unit
CLEC	Credit and Large Exposures Committee
Companies Act	Companies Act, No 71 of 2008, as amended
DFI	Development Finance Institutions
EAD	Exposure at Default
ECL	Expected Credit Losses
Efficient	Efficient Group Limited
Fintech	Fintech (Proprietary) Limited
FVTPL	Fair Value Through Profit or Loss
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
JSE	Johannesburg Stock Exchange Limited
LGD	Loss Given Default
Libor	London Interbank Offered Rate
PA	Prudential Authority
PD	Probability of Default
PwC	PricewaterhouseCoopers Inc.
REMCO	HR and Remuneration Committee
Reporting date	31 August 2021
SAICA	South African Institute of Chartered Accountants
SAL	Sasfin Asia Limited
SAM	Sasfin Asset Managers (Proprietary) Limited
SARB	South African Reserve Bank
SasCred	SasCred Financial Services Limited
Sasfin	Sasfin Holdings Limited
SASP	South African Securitisation Programme (RF) Limited
SasSec	Sasfin Securities (Proprietary) Limited
SCS	Sasfin Commercial Solutions (Proprietary) Limited
SENS	Stock Exchange News Service
SICR	Significant Increase in Credit Risk
SPAS	Share Price Appreciation Scheme
SPEIH	Sasfin Private Equity Investment Holdings (Proprietary) Limited
SPPI	Solely Payments of Principal and Interest
The Bank	Sasfin Bank Limited
The Banking Group	Sasfin Bank Limited and its subsidiaries
The Company	Sasfin Holdings Limited
The Group	Sasfin Holdings Limited and its subsidiaries
TTD	Time to Default
TVM	Time Value of Money
USD	United States Dollar
WACC	Weighted Average Cost of Capital
WIPHOLD	Women Investment Portfolio Holdings Limited
ZAR	South African Rand

Corporate details

Country of incorporation and domicile	South Africa
Independent Non-executive Chair	Roy Andersen[1]
Executive Directors	Michael Sassoon (Chief Executive Officer) Angela Pillay (Group Financial Director)
Independent Non-executive Directors	Richard Buchholz (Lead) Deon de Kock Grant Dunnington[2] Tapiwa Njikizana[3] Mark Thompson Eileen Wilton
Non-independent, Non-executive Directors	Gugu Dingaan Nontobeko Ndhlazi Roland Sassoon Shaun Rosenthal (Alternate)
Group Company Secretary	Charissa de Jager
Transfer secretaries	Computershare Investor Services (Proprietary) Limited Rosebank Towers 15 Biermann Avenue Rosebank Johannesburg 2196
Lead sponsor	Sasfin Capital (Proprietary) Limited (a member of the Sasfin Group)
Independent sponsor	Deloitte & Touche Sponsor Services (Proprietary) Limited
Auditors	PwC Inc.
Registered office	29 Scott Street Waverley Johannesburg 2090
Postal address	PO Box 95104 Grant Park Johannesburg 2051
Website	www.sasfin.com
E-mail	investorrelations@sasfin.com
Company registration number	1987/002097/06
Tax reference number	9300/204/71/7

[1] *Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until March 2023.*
[2] *Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until the Group's 2021 AGM.*
[3] *Appointed 3 May 2021.*

sasfin beyond a bank