# South African Securitisation Programme (RF) Limited

(Registration number:1991/002706/06)

Annual Financial Statements for the year ended 30 June 2023

In terms of section 29(1)(e)(ii) of the Companies Act, No 71 of 2008 as amended, we confirm that these annual financial statements were prepared under the supervision of Harriet Heymans CA(SA), Financial Director of Sasfin Bank Limited, and have been audited in compliance with the requirements of sections 29(1)(e)(i) and 30(2)(a) of the Companies Act, No 71 of 2008 as amended.

## Corporate details

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|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Directors** | DP Towers (Chair)<br>E Deiner<br>D Govender<br>B Harmse |
| **Registered office** | 140 West Street<br>6th Floor<br>Sandton<br>Johannesburg<br>2196 |
| **Postal address** | PO Box 95104<br>Grant Park<br>Johannesburg<br>2051 |
| **Controlling entity** | Sasfin Bank Limited |
| **Ultimate holding entity** | The Company is wholly owned by The South African Securitisation Issuer Owner Trust, a trust set up solely for the purposes of holding the ordinary shares of the Company. The trustee of the trust is Stonehage Fleming Corporate Services (Pty) Ltd. The Company is controlled, administered, and managed by Sasfin Bank Limited in accordance with IFRS. |
| **Auditor** | PricewaterhouseCoopers Inc (PwC) |
| **Company Secretary** | Stonehage Fleming Corporate Services Proprietary Limited |
| **Company registration number** | 1991/002706/06 |
| **Tax reference number** | 9664004711 |
| **Debt sponsor** | Sasfin Bank Limited |
| **Calculation agent** | Sasfin Bank Limited |
| **Transfer agent** | Sasfin Bank Limited |
| **Paying agent** | Sasfin Bank Limited |
| **Publish date** | 23 November 2023 |

# Contents

The reports and statements set out below comprise the annual financial statements presented to the shareholder.



**Legal entity terminology used in this report**

| | |
|---|---|
| Company: | South African Securitisation Programme (RF) Limited |
| Controlling company: | Sasfin Bank Limited |
| Group: | Sasfin Holdings Limited and its subsidiaries |
| Administrator: | Sasfin Bank Limited |
| Servicer | Sasfin Bank Limited |

# Directors' responsibility statement

The Board of Directors (the Board) of South African Securitisation Programme (RF) Limited (the Company) is responsible for the preparation and fair presentation of the Directors' report and the annual financial statements of the Company including significant accounting policies and other explanatory notes.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS® Accounting Standards) 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 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 annual financial statements and for maintaining adequate accounting records and an effective system of risk management.

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

The Sasfin Group is responsible for the controls and the security of Sasfin's website and, where applicable, for establishing and controlling the process for electronically distributing the annual financial statements and other financial information to shareholders. The examination of controls over the maintenance and integrity of the Sasfin's website is beyond the scope of the audit of the financial statements. However, 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 of the Sasfin Group 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, the Board is of the view that an effective internal financial control environment exists to support the integrity of the annual financial statements. Where weaknesses were identified, specifically on system-related controls and processes, the adequacy and design of compensating controls instituted by management were considered and found to be adequate and effective.

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

It is the responsibility of the independent auditor to report on the fair presentation of the annual financial statements.

The annual financial statements for the year ended 30 June 2023 were approved by the Board on 23 November 2023 and are signed on its behalf by:

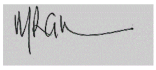
Dhesegan Govender

D Govender
Director
23 November 2023

DP Towers
Director
23 November 2023

## Company Secretary's certification

We hereby certify, in terms of section 88(2)(e) of the Companies Act, that South African Securitisation Programme (RF) 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 2023, and that all such returns and notices as required of a public company are true, correct and up to date.



Stonehage Fleming Corporate Services Proprietary Limited
Company Secretary
23 November 2023

## Directors' report

The directors have pleasure in submitting their report on the annual financial statements of South African Securitisation Programme (RF) Limited (the Company) for the year ended 30 June 2023.

**1. Nature of Business**

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

**2. Financial results**

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS® Accounting Standards) and the requirements of the Companies Act, No 71 of 2008. Full details of the financial position, results of operations and cash flows of the Company are set out in these annual financial statements.

During the period under review, the Administrator further strengthened its operational, IT and financial processes, controls and capabilities. Through this process, it was identified that certain transactions had not been correctly accounted for in prior periods. As noted in the Company Audit Committee Report, the review confirmed that there were errors affecting the prior periods that required restatement as set out in Note 30. These prior period errors impacted the opening retained earnings for the 2022 financial period and certain line items in the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive income and Statement of Cashflows. The combination of the changes referred to above contributed to the late publication of the annual financial statements. The Board is confident that the unique circumstances which impacted our year end process are unlikely to recur in future and the Company will be able to meet its reporting timelines as it has done in the past.

**3. Directorate and Changes to the Board**

**The Directors of the Company are:**

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|---|---|
| D Govender | Non-Executive |
| DP Towers | Independent Non-executive |
| E Deiner | Independent Non-executive |
| B Harmse | Independent Non-executive |

**4. Company Secretary**

Maitland Group South Africa Limited was appointed as Company Secretary on 1 October 2011. Stonehage Fleming acquired the corporate services business of Maitland during the previous financial year with Stonehage Fleming Corporate Services Proprietary Limited continuing as Company Secretary.

| | |
|---|---|
| Postal address | PO Box 781396<br>Sandton<br>Johannesburg<br>2146 |
| Business address | 54 Glenhove Road<br>Melrose<br>Johannesburg<br>Gauteng<br>2196 |

**5. Share Capital**

**Ordinary Share Capital**
There have been no changes to the authorised or issued ordinary share capital during the year under review.

**Preference Share Capital**
There have been no changes to the authorised or issued preference share capital during the year under review.

# Directors' report *… continued*

**6. Ultimate Holding Entity**

The Company is wholly owned by The South African Securitisation Issuer Owner Trust, a trust set up solely for the purposes of holding the ordinary shares of the company. The trustee of the trust is Stonehage Fleming Corporate Services (Pty) Ltd.

The company is controlled, administered and managed by Sasfin Bank Limited in accordance with IFRS Accounting Standards.

**7. Dividends**

The company declared, and paid preference share dividends of R20 million (2022: R40 million) during the current financial year.

**8. Directors' Emoluments**

Three directors of the Company are employed by independent external service providers and are remunerated by their respective employers on a separate basis. The remaining director is employed and remunerated by Sasfin Bank Limited. There was no remuneration or benefit paid directly to the directors or by any company within the Group for services provided in their capacity as directors of the Company, other than as disclosed in note 22.1.

**9. Significant events during the reporting period**

Management has assessed the current economic environment, which is being impacted by high inflation, rising interest rates as well as geopolitical issues such as the conflict in Ukraine and the Middle East. The Company's operations and financial statements have been largely unaffected by the factors mentioned but the risks will continue to be monitored on an on-going basis by the Company's executive management team.

**10. Special Resolutions**

No special resolution were passed during the year.

**11. Corporate Governance**

The principles of the King Code on Corporate Governance (King IV Code™) as applied to all companies in the Sasfin Group, are equally applied in the governance of the Company. An explanation of how the King IV Code™ principles are applied in the Group can be found on the Sasfin website, www.sasfin.com/investor-relations/#results-and- reports.

**12. Subsequent events**

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 31 (Subsequent events) to the Annual Financial Statements.

**13. Going concern**

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in sound financial position and that it has access to sufficient cash resources and borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or any pending changes to legislation which may affect the company.

# Audit committee report

## 1. Members of the Audit Committee

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

**Members**
B Harmse (Chairman)
E Deiner
DP Towers

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

## 2. Meetings held by the Audit Committee

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

For the period under review, the Committee met four times, on 18 August 2022, 18 May 2023, 27 October 2023 and 16 November 2023.

## 3. Specific Functions of the Committee

**Financial Reporting**

- Have regard to all factors and risks that may impact on the integrity of the annual financial statements, including factors that may predispose the Servicer and Administrator to present a misleading picture, significant judgements and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information;
- Evaluated the adequacy and effectiveness of the internal financial controls and reporting processes, supported by the work of the Internal Audit function and other assurance providers. Where weaknesses were identified, specifically on system-related controls and processes, the adequacy and design of compensating controls instituted by Sasfin was considered. The Committee satisfied itself as to the overall adequacy and operating effectiveness of the internal financial control environment. During the year, Sasfin initiated a remediation programme to address compliance and internal financial control related deficiencies identified. The Board of Sasfin subsequently constituted a sub-committee (Board Remediation Oversight Committee) to oversee the adequate and effective implementation of the remediation plans, progress of which will be reported to the Committee on an ongoing basis;
- Review the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any trading statements and similar documents;
- Comment on the annual financial statements, the accounting practices and the effectiveness of the internal financial controls;
- Recommend to the Board the engagement of an external assurance provider as may be provided for in the Transaction Documents; being the Memorandum of Incorporation of the company, the trust deed of the legal owner and all contracts, agreements, addendums to contracts and agreements and other memorandums governing the rights and obligations of the Company and its counter parties; and
- Recommend the annual financial statements for approval by the Board.

**External Audit**

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

- Nominate the external auditor for appointment by the shareholders;
- In line with section 92 of the Companies Act, Mr. Vincent Tshikhovhokhovho, the previous audit engagement partner, has rotated off the Sasfin audit after a tenure of five consecutive financial years. The Committee considered and recommended to the Board and shareholders the appointment of Mr Costa Natsas as the new designated audit partner for approval;
- Approve the terms of engagement and remuneration for the external audit engagement;
- Monitor and report on the independence of the external auditor in the annual financial statements;
- Define a policy for non-audit services provided by the external auditor in the annual financial statements;
- Pre-approve the contracts for non-audit services to be rendered by the external auditor;
- Ensure that there is a process for the Audit Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor in respect of the company;
- Review the quality and effectiveness of the external audit process;

## Audit committee report *… continued*

- Consider whether the audit firm and, where appropriate, the individual auditor that will be responsible for performing the functions of auditor, are accredited as such on the JSE list of Auditors and their advisors as required by the JSE Limited Listings Requirements; and
- Recommend for re-election PricewaterhouseCoopers Inc (PwC) as the audit firm, with Costa Natsas as the engagement partner, for shareholder approval.
- The Committee is satisfied that PwC is independent of the Company, and the partner who is responsible for signing the Company'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.
  - Policies and controls regarding non-assurance services provided by PwC.

The Company's external auditor is PwC. Fees paid for audit and other services are approved by the Committee.

### Internal Audit

The Committee may, if deemed necessary interact with the internal audit function of the Servicer and Administrator in as far as same relates to and may impact the Company in respect of:

- Financial reporting risks;
- Internal financial controls;
- Fraud risks as it relates to financial reporting; and
- IT risks as it relates to financial reporting.

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

### Combined Assurance

The Committee will, if applicable, ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee should:

- Ensure that the combined assurance received is appropriate to address all the significant risks facing the Company; and
- Monitor the relationship between the external assurance providers and the Company.

**4. Financial Risk Management**

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

**5. Annual Confirmations of Key Functions for the year**

### Financial control and financial reporting

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

During the period under review, the administrator and servicer became aware that certain prior period transactions may not have been correctly accounted for. A review to identify and quantify these confirmed that there were errors affecting prior periods that required restatement and/or reclassifications as set out in Note 30. These have been independently reviewed by Internal Audit.

## Audit committee report … continued

The prior period errors have impacted the opening retained earnings for the 2021 and 2022 financial periods and required the restatement of certain line items in the Consolidated statements of financial position, profit or loss and other comprehensive income and cash flows for the 2022 financial period.

Accounting for sale of assets from Bank to SASP

An accounting assessment in accordance with IFRS 9 *Financial Instruments* was performed for the transfers of financial assets from Bank to SASP as part of the securitisations. This was a complex assessment and concluded that the transfers of these financial assets (i.e loans and advances) by the Bank to SASP do not meet the IFRS 9 derecognition requirements for current and prior years even though legally there is a 'true sale'. Therefore, on transfer, the Bank continues to recognise these loans and advances ('securitised loans and advances') and a corresponding intercompany financial liability ('securitisation liability') for the consideration received. SASP will not recognise the transferred loans and advances. Instead, it recognises an intercompany financial asset ('intercompany loans from securitised assets') which is measured based on the underlying loans and advances. This assessment resulted in a restatement in accordance with IAS 8 Accounting Policies, *Changes in Accounting Estimates and Errors*.

### 6. The Audit Committee can confirm that:

- Resources have been utilised efficiently; and
- The internal controls have been effective in all material aspects throughout the year under review, and where weaknesses have been found adequate remedial action has been taken and/or compensating controls have been implemented;
- Proper accounting records have been maintained;
- Controls have ensured that the Company's assets are safeguarded; and
- The skills, independence, audit plan, reporting and overall performance of the external auditor is acceptable.

### 7. Annual Financial Statements

**The Committee has:**

- Reviewed and discussed the audited annual financial statements with the external auditor and Directors;
- Reviewed the external auditor's management letter and management's response thereto; and
- Reviewed significant adjustments resulting from external audit queries and any unadjusted audit differences (where applicable).

The Audit Committee is satisfied with the work performed by the Financial and Executive Directors of the administrator and servicer, with which the day-to-day management and oversight of SASP resides.

On behalf of the Audit Committee

B Harmse
Audit Committee Chairman
23 November 2023

# Independent auditor's report

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

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

### *Our opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of South African Securitisation Programme (RF) Limited (the Company) as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

**What we have audited**

South African Securitisation Programme (RF) Limited's financial statements set out on pages 17 to 86 comprise:

- the statement of financial position as at 30 June 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### *Basis for opinion*

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

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

**Independence**

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

# Independent auditor's report *… continued*

## *Our audit approach*

**Overview**

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|   | Overall materiality<br><br>• Overall materiality: R7.3 million which represents 1% of interest income, fee and commission income, gains and losses on financial instruments and other income ("total income") |
| | **Key audit matters**<br><br>• Correction of prior year error: Intercompany loans from securitised assets<br>• Expected credit losses; and<br>• Correction of other prior year errors. |

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

**Materiality**

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

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

| | |
|---|---|
| *Overall materiality* | R7.3 million |
| *How we determined it* | 1% of total income |
| *Rationale for the materiality benchmark applied* | We chose total income as the benchmark because in our view, it is the most suitable benchmark for the Company, it is the benchmark against which the performance of the Company is measured by users, and is a generally accepted benchmark.<br><br>We chose 1% which is consistent with quantitative materiality thresholds used when using income as the benchmark. |

## Independent auditor's report ... continued

### *Key audit matters*

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

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| Correction of prior year error: Intercompany loans from securitised assets<br><br>Refer to the following notes to the financial statements for details:<br>● Note 7 (Intercompany loans from securitised assets)<br>● Note 30 (Correction of prior period errors)<br><br>The Company purchases participating securitised assets, comprising rental and capital equipment finance contracts, from Sasfin Bank Limited that are subject to the eligibility criteria and portfolio covenants.<br><br>These sales are regarded as true sales from a legal perspective. However, in terms of International Financial reporting Standards 9 - Financial Instruments ('IFRS 9'), the derecognition principles were not met given all the risks and rewards of ownership of these assets not being transferred to the Company from an accounting perspective.<br><br>The financial statements have been restated for a prior year error in order to reflect the correct accounting treatment under IFRS 9 and instead of recognising these assets as Loans and advances, the Company now recognises Intercompany loans from the securitised assets from Sasfin Bank Limited that is representative of the cash flows expected to be received on the underlying loans and advances that are subject to the legal purchase agreements.<br><br>We considered this restatement to be a matter of most significance to our current year audit due to:<br><br>● the magnitude of the balance in relation to the financial statements; and<br>● the complexities in the interpretation of the legal versus accounting | With the assistance of our accounting and legal specialists, and with reference to the various underlying legal agreements between Sasfin Bank Limited and the Company in relation to the purchase of the participating securitised assets, we assessed the appropriateness of the application of the IFRS 9 derecognition criteria in management's conclusion that all the risks and rewards of ownership of these assets are not transferred to the Company. We found management's conclusion to be aligned to the requirements of IFRS 9.<br><br>We obtained management's calculations, workings, reconciliations and support regarding the adjustment to account for the correction of this error and tested the calculations for mathematical accuracy. We found no exceptions.<br><br>With the assistance of our accounting specialists we assessed:<br>● the appropriateness of the application of IAS 8 in accounting for the errors in the current year financial statements. No material exceptions were noted.<br>● the adequacy of the disclosures made in the financial statements with reference to the requirements of IAS 8, noting no material exceptions. |

## Independent auditor's report *… continued*

| | |
|---|---|
| treatments of the underlying agreements between Sasfin Bank Limited and the Company. | |
| Expected Credit Losses ("ECL")<br>Refer to the following accounting policies and notes to the financial statements for details:<br>● Note 1.6 (Financial instruments - Policy);<br>● Note 2.1 (Impact of economic conditions);<br>● Note 2.2 (Critical estimates, judgements and assumptions - Credit impairment of financial assets);<br>● Note 6 (Trade and other receivables);<br>● Note 7 (Intercompany loans from securitised assets); and<br>● Note 26 (Credit risk).<br><br>At 30 June 2023, gross investment in leases before expected credit losses amounted to R5.5 billion, against which an ECL of R240 million was recognised.<br><br>As described in the 'Correction of prior year error: Intercompany loans from securitised assets' key audit matter above, the financial statements have been restated for a prior year error to correctly reflect the IFRS 9 accounting treatment of the purchased participating securitised assets as an intercompany receivable from Sasfin Bank Limited that is representative of the cash flows expected to be received on the underlying participating securitised assets that are subject to the purchase agreements. The ECL on this intercompany receivable is calculated with reference to these underlying assets.<br><br>In calculating the ECL, in terms of FRS 9, the key areas of significant management judgement and assumptions included the following:<br>● Determining whether evidence exists that there has been a significant increase in credit risk ("SICR") since initial recognition in accordance with the Company's SICR definition as disclosed in note 1.6 to the financial statements.<br>● Determining the inputs to be used in the ECL model, i.e. Probability of Default (PD), Loss given default | Through inspection of underlying supporting documentation and discussions with management, we obtained an understanding of the following management controls implemented over the Company's credit systems and processes (including the controls performed by Sasfin Bank Limited in its administration and collection roles):<br>● Information technology controls supporting credit systems and processes;<br>● Relevant credit risk assessment controls that facilitate the identification and measurement of credit risk; and<br>● The Company's review controls for high care clients, annual review of credit files, approval of external collateral valuation vendors and approval of significant individual impairments.<br><br>**Evaluation of SICR and default definition**<br>Making use of our credit expertise, we assessed the reasonableness of the SICR definition and assumptions applied by management in the ECL model by performing the following procedures:<br>● We recalculated the ageing for a sample of participating securitised assets with reference to underlying supporting documentation. No material exceptions were noted.<br>● We selected a sample of Stage 1 and Stage 2 exposures and assessed through inspection of underlying supporting documentation whether the stage classification of these exposures was appropriate in terms of the Company's accounting policy for SICR at reporting date since the origination date of these exposures. No material exceptions were noted.<br>● We selected a sample of accounts in stage 1 and stage 2 and assessed the performance of the 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 a forward looking view of credit risk. We found the SICR thresholds and transfer rates to be reasonable.<br>● We evaluated the completeness of 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 Company's accounting policy for the definition of default for Stage 3 exposures. No material exceptions were noted.<br><br>**Evaluation of write-off point** |

## Independent auditor's report *... continued*

(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 Company considers this 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 Company 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 and determining the impact of forward-looking information (FLI) 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, the macro-economic factors considered as part of the forward-looking information are the Gross Domestic Product (GDP), Rand/USD exchange rate, PPI Electricity and Investment to GDP.

We considered ECL to be a matter of most significance to our current year audit due to:

- The degree of judgement and estimation applied by management in determining the ECL;
- the magnitude of the exposures and the ECL recognised in relation to the financial statements; and
- the effect that ECL has on investments in leases, and the Company's credit risk management processes.

Making use of our credit expertise, we evaluated the reasonableness of the write-off point applied by management 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; and
- 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 by management 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. No material exceptions were noted.
- Through discussions with management and inspection of relevant supporting 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 then independently recalculated PD, LGD and EAD estimates to derive a reasonable range of ECL values. Management's calculation was determined to be within our range.

**Inclusion of forward-looking information and macro-economic variables in the ECL**
Making use of our credit expertise and economic experts, we assessed the reasonableness of the forward-looking information (FLI) and macro-economic variables applied by management 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

## Independent auditor's report *… continued*

| | |
|---|---|
| | to independent industry data. We found management's forward-looking economic expectations to be reasonable;<br>● We assessed the reasonableness of both the base case scenario and alternative scenarios used in the determination of the FLI 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 found management's scenarios to be reasonable;<br>● We considered the level of ECL estimates, based on other commercial bank's insights and the Company's specific portfolio nuances and noted no material exceptions; and<br>● We independently recalculated the ECL taking into consideration our assessment of the FLI range and noted that management had sufficiently catered for the FLI.<br><br>**Assessment of ECL raised for individual exposures**<br>Where ECL have been raised for individual exposures included in the participating securitised assets, 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:<br>● 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. We noted no material exceptions;<br>● For collateral held, we inspected legal agreements and other underlying documentation to assess the existence and the Company's legal right to the collateral held, as well as the realisability thereof. We noted no material exceptions in this regard; and<br>● We evaluated the collateral valuation techniques applied by management against the Company's valuation guidelines and found these to be aligned. |
| Correction of other prior year errors<br><br>Refer to note 30 *(Correction of prior year errors)* to the financial statements.<br><br>In addition to the prior year error as described in the 'Correction of prior year error: Intercompany loans from securitised | We performed the following procedures relating to the correction of prior year errors:<br>● We held discussions with management and the related operational staff in order to obtain an understanding of the end-to-end business process with regards to the reconciliations, |

## Independent auditor's report *… continued*

| | |
|---|---|
| assets' key audit matter above, as a result of enhancements made to:<br>• financial control processes (including reconciliations, balance sheet substantiations and controls around classification of balances);<br>• certain disclosures; and<br>• the year end review<br><br>management identified and adjusted the financial statements for additional material prior period errors.<br><br>We considered the correction of these other prior year errors to be a matter of most significance to our current year audit due to:<br>• The importance of the matter to intended users' understanding of the financial statements as a whole, in particular, its materiality to the financial statements;<br>• The nature and materiality- quantitatively or qualitatively- of the correction of prior year errors;<br>• The nature and extent of audit effort needed to address the correction of prior year errors, including the nature of consultations outside the engagement team regarding the matter;<br>• The complexity in the application of International Accounting Standard 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") as it relates to the disclosures relative to the correction of the prior year errors in the financial statements; and<br>• The magnitude of the adjustments processed to the financial statements to account for the correction of the errors. | balance sheet substantiations and controls around the classification of balances that resulted in the identification and quantification of the prior year errors.<br>• We obtained management's calculations, workings, reconciliations and support regarding the adjustments to account for the correction of errors and performed the following:<br>○ We understood the nature of each of the adjustments;<br>○ We tested the calculations for mathematical accuracy and found no exceptions; and<br>○ On a sample basis, we tested the individual transactions and balances making up each material adjustment to the relevant underlying supporting documents. We noted no material exceptions.<br>• With the assistance of our accounting specialists we assessed:<br>○ the appropriateness of the application of IAS 8 in accounting for the errors in the current year financial statements. No material exceptions were noted.<br>○ the adequacy of the disclosures made in the financial statements with reference to the requirements of IAS 8, noting no material exceptions. |

### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the document titled "South African Securitisation Programme (RF) Limited Annual Financial Statements for the year ended 30 June 2023", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certification as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

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

## Independent auditor's report *... continued*

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

### *Responsibilities of the directors for the financial statements*[1]

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

[1] *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. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website*

## Independent auditor's report *… continued*

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

### *Report on other legal and regulatory requirements*

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: C Natsas
Registered Auditor
4 Lisbon Lane, Waterfall City, Jukskei View, 2090, South Africa
23 November 2023

# Statement of financial position

for the year ened 30 June 2023

| | Accounting Policy | Note | 2023 R'000 | Restated[1] 2022 R'000 | Restated[1] 2021 R'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents[1] | 1.5 | 4 | **427 041** | 536 438 | 334 072 |
| Trading assets | 1.6 | 5.1 | **2 917** | - | - |
| Trade and other receivables[1] | 1.6 | 6 | **95 738** | 79 126 | 133 057 |
| Intercompany loans from securitised assets[1] | 1.6 | 7 | **4 073 075** | 3 246 720 | 3 083 318 |
| Current taxation asset | 1.8 | | **42 052** | 36 703 | 19 318 |
| **Total assets** | | | **4 640 823** | 3 898 987 | 3 569 765 |
| **LIABILITIES** | | | | | |
| Trading liabilities | 1.6 | 5.2 | **-** | 2 783 | 7 892 |
| Trade and other payables[1] | 1.6 | 8 | **140 427** | 186 607 | 212 343 |
| Debt securities issued | 1.6 | 9 | **3 720 138** | 2 991 426 | 2 741 583 |
| Long-term loans | 1.6 | 10 | **-** | 5 500 | 5 338 |
| Deferred tax liability | 1.8 | 11 | **144 372** | 134 382 | 92 439 |
| Loans from entities in the Group | 1.6 | 22.2.1 | **393 649** | 334 185 | 333 975 |
| **Total liabilities** | | | **4 398 586** | 3 654 883 | 3 393 570 |
| **EQUITY** | | | | | |
| Ordinary share capital | 1.4 | 12 | **100** | 100 | 100 |
| Reserves[1] | | | **242 137** | 244 004 | 176 095 |
| Preference share capital | 1.4 | 13 | **-** | - | - |
| **Total equity** | | | **242 237** | 244 104 | 176 195 |
| **Total liabilities and equity** | | | **4 640 823** | 3 898 987 | 3 569 765 |

[1] Prior periods by restatement, please refer to Note 30 for additional information.

## Statement of profit or loss and other comprehensive income

for the year ended 30 June 2023

| | Accounting Policy | Note | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Interest income | 1.7 | 14 | **611 082** | 411 915 |
| Interest income calculated using the effective[1] interest method | | | **612 449** | 415 980 |
| Other interest income | | | **(1 367)** | (4 065) |
| Interest expense | | 15 | **(337 766)** | (193 597) |
| Interest expense calculated using the effective interest method | 1.7 | | **(337 766)** | (193 597) |
| **Net interest income** | | | **273 316** | 218 318 |
| **Non-interest expense** | | | **(168 497)** | (66 239) |
| Net fee and commission expense | 1.7 | 16 | **(288 221)** | (206 452) |
| Fee and commission income | | | **5 300** | 3 709 |
| Fee and commission expense | 1.7 | | **(293 521)** | (210 161) |
| Gains and losses on financial instruments | | | **10 118** | 15 980 |
| Net gains or losses on the derecognition of financial instruments at amortised cost | 1.7 | 17 | **10 118** | 15 980 |
| Other Income[1] | | 18 | **109 606** | 124 233 |
| **Total income** | | | **104 819** | 152 079 |
| Credit impairment charges[1] | 1.6 & 2.2 | 26.3 | **(52 716)** | 19 337 |
| **Net income after impairments** | | | **52 103** | 171 416 |
| Other operating expenses[1] | | 19 | **(23 980)** | (21 972) |
| **Profit for the year before income tax** | | | **28 123** | 149 444 |
| Income tax expense | 1.8 | 20 | **(9 990)** | (41 535) |
| **Profit for the year** | | | **18 133** | 107 909 |
| **Total comprehensive income for the year** | | | **18 133** | 107 909 |

[1] Prior periods by restatement, please refer to Note 30 for additional information.

## Statement of changes in equity

for the year ended 30 June 2023

| | Ordinary share capital[1] R'000 | Reserves R'000 | Total ordinary shareholders' equity R'000 | Preference share capital[2] R'000 | Total shareholders' equity R'000 |
|---|---|---|---|---|---|
| **2023** | | | | | |
| **Restated opening balance at 1 July 2022** | **100** | **244 004** | **244 104** | **-** | **244 104** |
| **Total comprehensive income for the year** | **-** | **18 133** | **18 133** | **-** | **18 133** |
| Profit for the year | **-** | **18 133** | **18 133** | **-** | **18 133** |
| **Transactions with owners recorded directly in equity** | | | | | |
| Dividends to preference shareholders | **-** | **(20 000)** | **(20 000)** | **-** | **(20 000)** |
| **Balance at 30 June 2023** | **100** | **242 137** | **242 237** | **-** | **242 237** |
| **2022** | | | | | |
| **Opening balance at 1 July 2021** | 100 | 186 381 | 186 481 | - | 186 481 |
| **Restatement (Refer to Note 30)** | - | (10 286) | (10 286) | - | (10 286) |
| **Restated opening balance** | 100 | 176 095 | 176 195 | - | 176 195 |
| **Total comprehensive income for the year** | - | 107 909 | 107 909 | - | 107 909 |
| Profit for the year – Restated | - | 107 909 | 107 909 | - | 107 909 |
| **Transactions with owners recorded directly in equity** | | | | | |
| Dividends to preference shareholders | - | (40 000) | (40 000) | - | (40 000) |
| **Balance at 30 June 2022 – Restated** | **100** | **244 004** | **244 104** | **-** | **244 104** |

[1] Please refer to note 12.
[2] Please refer to note 13.

## Statement of cash flows
for the year ended 30 June 2023

| | Notes | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest received[1] | | **556 256** | 373 510 |
| Interest paid[1] | | **(339 424)** | (180 440) |
| Fee and commission income received | | **5 300** | 3 709 |
| Fee and commission expense paid | | **(293 521)** | (210 161) |
| Net trading and other income[1] | | **110 974** | 128 298 |
| Cash payments to suppliers[1] | | **(23 980)** | (21 973) |
| **Cash inflow from operating activities** | 21.1 | **15 605** | 92 943 |
| Taxation paid | 21.2 | **(5 348)** | (16 977) |
| Dividends paid | 21.3 | **(20 000)** | (40 000) |
| **Cash flows from operating activities before changes in operating assets and liabilities** | | **(9 743)** | 35 966 |
| **Changes in operating assets and liabilities** | | **(889 488)** | (70 496) |
| (Increase) in Intercompany loans from securitised assets[1] | | **(814 075)** | (89 677) |
| (Increase) in trading assets | | **(4 285)** | - |
| (Increase)/Decrease in trade and other receivables[1] | | **(16 665)** | 53 931 |
| (Decrease) in trading liabilities | | **(2 783)** | (9 174) |
| (Decrease)/Increase in long-term funding | | **(5 500)** | 162 |
| Increase/(Decrease) in trade and other payables[1] | | **(46 180)** | (25 738) |
| **Net cash from operating activities** | | **(899 231)** | (34 530) |
| **Cash flows from financing activities** | | **789 834** | 236 896 |
| Settlement of debt securities[1] | | **(983 310)** | (1 041 260) |
| Proceeds from issuance of debt securities[1] | | **1 711 000** | 1 286 000 |
| Advance in loans from entities in the group[1] | | **65 337** | 10 929 |
| Repayments in loans from entities in the group[1] | | **(3 193)** | (18 773) |
| **Net increase in cash and cash equivalents** | | **(109 397)** | 202 366 |
| Cash and cash equivalents at the beginning of the year[1] | 4 | **536 438** | 334 072 |
| **Cash and cash equivalents at the end of the year[1]** | | **427 041** | 536 438 |

[1] Prior periods by restatement, please refer to Note 30 for additional information

# Notes to the financial statements

## 1. ACCOUNTING POLICIES

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

### 1.1 Basis of Preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretation Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, No 71 of 2008, as amended, and the JSE Debt Listings Requirements.

The Annual Financial Statements were authorised for issue by the Board of Directors on the 23 November 2023.

The directors assess the Company's future performance and financial position on a continuous basis and have no reason to believe that the Company will not be a going concern in the reporting period ahead. Consequently the annual financial statements have been prepared on the going concern basis.

The Company has, in the preparation of the annual financial statements, consistently applied the accounting policies with those applied in the previous financial year, unless otherwise stated.

The Annual Financial Statements are prepared on the historic 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.

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

The following amendments have been adopted without affecting the Company's previously reported financial results, disclosures or accounting policies. The items mentioned below are confirmed not to have had an impact on the Company's financial statements for the 2023 financial year-end.

***Updating a reference to the Conceptual Framework (Amendments IFRS 3)***

An updated reference in IFRS 3 to the Conceptual Framework has been updated without any significant changes to its requirements.

***Proceeds before intended use (Amendments to IAS 16)***

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.

***Onerous Contracts- Cost of Fulfilling a Contract (Amendments to IAS 37)***

This amendment indicates which costs an entity should include as the costs to fulfilling a contract when assessing whether a contract is onerous.

***Annual improvements to IFRS Standards 2018-2020 (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.

An illustrative example has been removed from IFRS 16 Leases to prevent potential confusion regarding the treatment of lease incentives.

IFRS 9 Financial Instruments 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.

***International tax reform - pillar two model rules (Amendment to IAS 12)***

These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

### 1.1.2 Interest Rate Benchmark and reference interest rate reform

The Financial Stability Board 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 their intention to move away from JIBAR and to create an alternative reference rate for South Africa. The SARB has indicated their initial preference for the adoption of the South African Rand Overnight Index Average (ZARONIA) as the preferred unsecured candidate to replace JIBAR in cash and derivative instruments.

On 2 November 2022, ZARONIA was published for the purposes of observing the rate. On 3 November 2023, the SARB confirmed that the observation period for ZARONIA ended and that market participants may use it as a reference rate in financial contracts going forward. The Market Practitioners Group ("MPG") has designated ZARONIA as the successor rate to replace JIBAR. The SARB noted that the transition away from JIBAR to ZARONIA is a multi-year initiative and that the MPG will provide detailed information regarding the transition roadmap and offer further guidance on the salient aspects of transition in due course. Accordingly, there is still uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the Company. The Company is in the process of assessing which financial instruments could be impacted by the transition to ZARONIA and will monitor the transition plan to ensure readiness.

## 1.2 Currencies

***Functional and Presentation Currency***

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

The Company operates in the Republic of South Africa with a functional currency of ZAR.

## 1.3 Provisions

A provision is recognised when the Company 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.

## 1.4 Share Capital

### 1.4.1 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, is recognised as a reduction in equity at the amount of consideration paid, including directly attributable costs, net of tax.

## Notes to the annual financial statements *…continued*

### 1.4.2 Preference Share Capital as Equity

Preference share capital is classified as equity as it is non-redeemable and 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 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.

### 1.5 Cash and Cash equivalents

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

Cash and cash equivalents consist of funds on call and fixed deposits with Nedbank Limited and Sasfin Bank Limited.

### 1.6 Financial Instruments

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

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

Financial instruments are initially 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 Company’s business model for managing it and the contractual cash flow characteristics of the financial assets.

Financial assets held by the Company 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 asset leads 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 Company in a business model that has the objective of realising cash flows through 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)’.

*Intercompany receivable*

The loan to group company or intercompany receivable is classified as a financial asset at amortised cost, and is initially measured at fair value plus transactions costs and subsequently measured at amortised cost using the effective interest method.

*Business model assessment*

The Company makes an assessment of 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 the Company 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 Company 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 Company 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).

***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 Company 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 Company changes its business model for managing those financial assets.

## Notes to the annual financial statements *…continued*

***Impairment***

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

- financial assets that are debt instruments including trade and other receivables;
- intercompany loans from securitised assets based on the change in impairment on the underlying loans it legally owns

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see note 26).

For the intercompany loans from securitised assets related to the securitisation of deals (Refer to Note 7), the Company 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***

The ECL relating to the legally owned loans and advances recognised within intercompany loans from securitised assets are calculated as follows.

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 Company 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.

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) or
- Expert judgement referred to below.

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 SICR (Significant Increase in Credit Loss) since initial recognition. For these financial instruments, ECL is calculated based on the relevant 12-month PD, TTD 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 and EAD.
- Stage 3 includes Exposures for which there are objective evidence of impairment at the reporting date. For these financial instruments, ECL is calculated based on a lifetime PD, TTD and EAD. The Financial Instrument must be classified as in “Stage 3”, when it is credit-impaired.

An expert judgment approach is used to determine the LGD for the Capital Equipment Finance 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, 3rd party credit bureau reports).
- Any supporting suretyships or guarantees.
- Financial standing / reputation of the client Company and or related parties.
- Any recourse / warranty claim against a supplier or any other 3rd party.
- Any applicable insurance claim.
- Any negotiated settlement agreements.
- 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 Company 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 consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of SICR since initial recognition.

The Company defines a SICR for the loans and advances as follows:

- 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 based 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.

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 their 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 deadline, etc.;
- Material negative changes in the business, competitor and economic environment within which the business operates. This will include material negative changes in the businesses' supply chain;
- Difficulty in producing regular financial information; or
- Significant changes within key leadership with no meaningful succession planning.

***Default and Curing***

For purposes of calculating the ECL, the Company views a financial asset as in default and hence in Stage 3 (i.e. credit impaired), when the borrower becomes 90 days overdue on its contractual payments. In addition, the following qualitative factors are also considered to determine whether a debtor is in default:

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.

Immaterial Arrears is defined as an amount that is less than 5% of the next contractual instalment.

*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. Per IFRS 9, distressed restructures will be credit-impaired;
- 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 debtor being up to date;
- six consecutive payments are paid on or before due date; and
- no SICR exists.

***Write Off***

Financial assets 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 Company determines that there is no realistic prospect of recovering the monies owed. This assessment is carried out at the individual asset level.

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 in order to comply with the Company’s procedures for recovery of amounts due.

# Notes to the annual financial statements *…continued*

***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.

***Classification and Measurement of Financial Liabilities***

The Company classifies its financial liabilities as measured at amortised cost or FVTPL.

***Derecognition of financial assets and financial liabilities***

The Company 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 Company 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 Company is recognised as a separate asset or liability.

The Company 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, and any difference between the initial amount and the maturity amount, and for financial assets, adjusted for any expected credit loss allowance.

***Financial Instruments at Fair Value through Profit or Loss (FVTPL)***

The Company 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.

***Offsetting Financial Instruments and Income and Expenses***

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Company of similar transactions such as in the Company's trading activity.

### 1.6.1 Derivative Financial Instruments

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

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

## 1.7 Total income

### 1.7.1 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 intercompany loans from securitised assets measured at amortised cost is recognised using the effective interest rate 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 Company 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 reduction of the Impairment changes on financial assets.

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

Interest income and expense on financial assets and financial liabilities at fair value through profit or loss are presented in other interest income and other interest expense respectively.

### 1.7.2 Non-Interest Income

Non-interest income comprises of fee and commission income, evergreens, settlement profits and sundry income.

*Fee and commission income*

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Company recognises the revenue when it transfers control over a service to a customer. Other fee and commission refers to commission earned by the Company and is recognised at a point in time.

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 Company is acting as an agent amounts collected on behalf of the principal are not recognised as revenue.

Administration fee and other fee income relates to administration and service fees and the revenue is recognised over a period of time as performance obligations are met.

*Gains and losses on financial instruments*

Gains and losses on the derecognitions of financial instruments at amortised cost consist of a margin charged for the settlement of lease contracts before contractual maturity date.

*Fee and commission expense*

Net fee and commission income is recognised net of the following expenses:

- Revenue share expense is a contractual term defined in the legal agreements between the Company, Sasfin Bank Limited and the holders of the debt securities. The revenue share is recognised as an expense for the Company and the recognition and measurement of the expense is dependent on the Company’s profit generating ability above a pre-set hurdle determined by a formula, and only to the extent that this is achieved does the expense become payable.
- Commission expense is recognised in terms of agreements with specified suppliers of office automation equipment as compensation for securing performing finance lease agreements for this office automation equipment.
- Administration and management fees are recognised in terms of servicer agreements with Sasfin Bank Limited for the usage of Sasfin Bank Limited’s resources to manage the portfolio of finance lease agreements and pay administration and management fees to Sasfin Bank Limited in return for these services so rendered.

# Notes to the annual financial statements *…continued*

*Other Income*

Income derived from:

- Income received on evergreens are recognised on a systematic basis beyond the lease contract's maturity date in the event where the end-user does not cancel the lease and elects to continue using the office automation equipment originally contracted for.

The Company recognises revenue from other income when it transfers control over a service to a customer and it's at a point in time.

### 1.8 Taxation

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

### 1.8.1 Current Tax

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

### 1.8.2 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 are recognised in the Statement of changes in equity and Statement of profit or loss and other comprehensive income respectively.

### 1.9 Commitments and Contingent Liabilities

***Series Guarantee and Series Indemnity***

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

***Legal Proceedings***

In the ordinary course of business, the Company is 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".

The Company is also the defendant in some legal cases for which the 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 Company should not have a material adverse effect on the Company's financial position and the Directors are satisfied that the Company has 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 Company is exposed to certain actual and potential claims in the ordinary course of its business, none of which are individually material. Based on information presently available and an assessment of the probability of these claims, the Directors are satisfied that the Company has adequate provisions and/or insurance cover to meet such claims. As such, management it is not expecting any of these to have a material adverse effect on the Company.

## 2. CRITICAL ESTIMATES AND JUDGEMENTS

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

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

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

### 2.1 Impact of economic conditions

The world economic growth continues to slow down with higher inflation rates experiences in most countries and monetary policy driving higher interest rates to counter same.

In March 2023, South Africa was grey listed by the Financial Action Task Force (FATF) for falling short of certain international standards for the combating of money laundering and other serious financial crimes. Eskom loadshedding, infrastructure issues, high inflation and water shortages have had a marked negative widespread impact on the economy.

Sasfin has not experienced a lasting material impact from COVID-19 as evidenced by a low rate of COVID-19 related defaults, with no further requests for payment holidays and minimal supply chain disruptions to clients. There has been no direct discernible impact from the continued Russia/Ukraine conflict on our clients apart from the overall slowdown in the global economic growth referenced above.

These events have been considered as part of our credit impairments and are reflected in the use of a 77% weighting in our weighted probability scenario approach referred to in 2.2 and fair value measurements in 2.3.

### 2.2 Credit Impairment of Financial Assets (refer note 7 and note 26)

The Company assesses its intercompany loans from securitised assets for impairment monthly using the ECL model. Changes to the Intercompany loans from securitised assets are based on changes in the ECL of the underlying loans legally owned by the Company.

The Company applies judgement in the way in which it defines and applies a SICR, which is the driver in dividing the loans and advances portfolio between Stage 1, Stage 2 and Stage 3, with:

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

Refer accounting policy note 1.6 for more information on SICR.

The Company 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.

## Notes to the annual financial statements *…continued*

The IFRS 9 Expected Credit Loss (ECL) requires a forward-looking overlay on the calculated loan book ECL to ensure the The IFRS 9 ECL requires a forward-looking overlay on the calculated loan book ECL to ensure the timely recognition of future credit losses. To capture economic changes accurately and forecast the required levels of impairment provisions to be held, the Group uses statistical modelling.

Various macro-economic factors were statistically tested for the current financial year to identify key drivers in the context of power shortages, weak economic outlook, high inflation, and an increasing interest rate environment. Producer price index (PPI) of electricity, ZAR/USD exchange rate and investment to GDP were identified as the most significant drivers of the loan book and were used in the model. For each of the scenarios listed below for 2023, the variables over the next 12 months are disclosed. The average PPI of electricity, ZAR/USD exchange rate and investment to GDP over the remaining forecast period, from 2023 to 2026, were used in the statistical modelling.

For the prior year, the macroeconomic factors were statistically tested and only the Prime interest rate and GDP were statistically significant. The Group therefore used GDP and Prime for the regression modelling. For each of the scenarios listed below for 2022, GDP and Prime over the next 12 months have been disclosed. The average GDP and Prime over the remaining forecast period, from 2023 to 2026, was used in the statistical modelling.

A weighted probability scenario approach was applied to determine the model derived scalar as per the table below. Given the conservative internal view on the economic outlook, a management overlay was further applied to determine the final scalar.

| | **Best** | | **Expected** | | **Worst** | | **Blended[1]** | |
|---|---|---|---|---|---|---|---|---|
| | **12 months** | **Life time** | **12 months** | **Life time** | **12 months** | **Life time** | **12 months** | **Life time** |
| **2023** | **%** | **%** | **%** | **%** | **%** | **%** | **%** | **%** |
| *Factors* | | | | | | | | |
| PPI of electricity | 155.95 | 168.16 | 170.84 | 193.69 | 177.14 | 220.73 | 171.23 | 197.28 |
| Rand/USD exchange rate | 15.03 | 15.39 | 17.78 | 18.50 | 19.87 | 22.77 | 18.02 | 19.11 |
| Investment to GDP (%) | 16.06 | 16.6 | 15.38 | 15.88 | 14.33 | 14.72 | 15.22 | 15.71 |
| Scenario probability | 5% | | 77% | | 18% | | Combination[1] | |
| Scalar | 1.2 | | 1.4 | | 1.64 | | 1.44 | |
| | **R'000** | | **R'000** | | **R'000** | | **R'000** | |
| **Impact on ECL[2]** | **(5 587)** | | **(931)** | | **4 656** | | **-** | |

[1] The blended scenario is the probability-weighted scenario made up of the following scenarios – best case (5%), expected case (77%) and a worst case (18%).
[2] The impact of forward-looking information on the IFRS 9 ECL provision is an increase of R16.249 million. This is depicted as the zero base case in the blended column in the above table as the impact is already included in the ECL for the current period. The percentage change of the total IFRS 9 provision is a 2.3% downward adjustment should a 100% best case scenario be assumed, a 0.4% downward adjustment should a 100% expected scenario be assumed and a 1.9% upward adjustment should a 100% worst-case scenario be assumed.

| | **Best** | | **Expected** | | **Worst** | | **Blended[3]** | |
|---|---|---|---|---|---|---|---|---|
| | **12 months** | **Life time** | **12 months** | **Life time** | **12 months** | **Life time** | **12 months** | **Life time** |
| **2022** | **%** | **%** | **%** | **%** | **%** | **%** | **%** | **%** |
| *Factors* | | | | | | | | |
| Gross Domestic Product | 5.6 | 3.9 | 2.53 | 1.7 | (6.1) | (1.7) | (3.5) | (0.7) |
| Scenario probability | | | 30 | | 70 | | | |
| | | | **R'000** | | **R'000** | | **R'000** | |
| **Impact on ECL[2]** | | | **(11 029)** | | **4 807** | | **-** | |

[1] The impact of forward looking information on the IFRS 9 provision is R24 million. The percentage change of the total IFRS 9 provision is 4% downward adjustment in a 100% expected case scenario, 2% upward adjustment in a 100% worst case scenario.
[2] The blended scenario is the actual/base case scenario against which the expected and worst-case scenarios are benchmarked.

# Notes to the annual financial statements *…continued*

The Company further applies judgement when determining whether a specific loan and/or advances 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. 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.

**2.3 Fair Value (refer note 24)**

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

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

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

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

Financial asset portfolios, that are exposed to market risk and credit risk, are measured on the basis of a price that would be received when selling a net long position for a particular risk exposure.

Financial liability portfolios, that are exposed to market risk and credit risk, are measured on the basis of a price that would be paid to transfer a short position for a particular risk exposure.

Market risk and credit risk portfolio level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

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

# Notes to the annual financial statements *…continued*

**Fair Value Hierarchy**

***Valuation models***

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

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

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

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

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

**2.4 Current and Deferred Taxation (refer note 11 and note 20)**

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

Deferred tax assets are reviewed at each reporting date for recoverability. These assets are reduced to the extent that it is no longer probable that the deferred tax asset will be realised. The significant management assumptions in determining these probability assessments to determine the deferred tax assets recoverability are the relevant entity budgets and forecasts.

# Notes to the annual financial statements *…continued*

## 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 2023, and have not been applied in preparing these Annual Financial Statements. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated. These include the following standards and interpretations that have been issued, with an indication of the estimated impact on the future financial statements of the Company:

| Pronouncement | Title and details: | Effective date |
|---|---|---|
| *IFRS 17* | *Insurance Contracts*<br><br>IFRS 17 replaces the current standard on insurance contracts, IFRS 4. It creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. 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.<br><br>This standard is not expected to have an impact on the Company. | Annual periods beginning on or after 1 January 2023. |
| *Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8* | *Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8*<br><br>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.<br><br>These amendments are not expected to have an impact on the Company. | Annual periods beginning on or after 1 January 2023. |
| *IAS 12 amendments* | *Deferred tax related to assets and liabilities arising from a single transaction*<br><br>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.<br><br>These amendments are not expected to have an impact on the Company. | Annual periods beginning on or after 1 January 2023. |

# Notes to the annual financial statements *…continued*

| Pronouncement | Title and details: | Effective date |
|---|---|---|
| *IAS 1 amendments* | *Classification of liabilities as current or non-current*<br><br>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.<br><br>The amendments clarified that a company has a right to defer settlement of a liability if the company complies with those conditions at that date. As part of the amendment it specified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. For liabilities that a company is only required to assess compliance with covenants within twelve months after the reporting date (or further), it would have no effect on the classification of a liability. However, for such liabilities the amendment requires separate disclosure of the information about the covenants, the carrying amount of the related liabilities and the facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants in the Annual Financial Statements. It also clarified that an entity does not have a right to defer settlement (and therefore classify it as current), if the liability could become repayable within twelve months at the discretion of the counterparty or third party or depending on an uncertain future event or outcome that is unaffected by the Company's future actions.<br><br>These amendments are not expected to have an impact on the Company. | Annual periods beginning on or after 1 January 2024. |
| *IFRS 16 amendments* | *Lease Liability in a Sale and Leaseback*<br><br>The amendment clarifies how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent account of the lease liability such that it recognises no gain or loss relating to the right of use it retains. The amendment is to applied retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16.<br><br>These amendments are not expected to have an impact on the Company. | Annual periods beginning on or after 1 January 2024. |

## Notes to the annual financial statements *…continued*

| Pronouncement | Title and details: | Effective date |
|---|---|---|
| *IFRS 7 and IAS 7 amendments* | *Supplier Finance Arrangements – new disclosure requirements*<br><br>The amendments made to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures is to enhance the usefulness of information provided by entities in relation to supplier finance arrangements. The amendments are intended to assist the users of the financial statements to better understand the effect of such arrangements on the entity's liabilities, cash flows and exposure to liquidity risk. As part of the amendment, the amendment clarifies the characteristics of supplier finance arrangements and disclosure requirements. The disclosure requirements includes the requirement for an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows.<br><br>These amendments are not expected to have an impact on the Company. | Annual periods beginning on or after 1 January 2024. |
| *IAS 21 amendment* | *Lack of Exchangeability*<br><br>The amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* aims to clarify how an entity should assess whether a currency is exchangeable, how to determine the spot exchange rate when exchangeability is lacking and disclosure in the financial statements to enable the financial users to understand the impact of a currency not being exchangeable.<br><br>These amendments are not expected to have an impact on the Company. | Annual periods beginning on or after 1 January 2025. |

# Notes to the annual financial statements …continued

| | | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|---|
| **4.** | **CASH AND CASH EQUIVALENTS** | | |
| | Funds on call[1] | **150 439** | 165 063 |
| | Fixed deposits[2] | **276 602** | 371 375 |
| | | **427 041** | **536 438** |

[1] Prior periods by restatement, please refer to Note 30 for additional information.
[2] The funds are easily accessible if required by the Company.

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **5.** | **TRADING ASSETS AND LIABILITIES** | | |
| | Derivatives | **2 917** | (2 783) |
| | | **2 917** | **(2 783)** |
| **5.1** | **Total trading assets** | **2 917** | - |
| | Financial assets | **2 917** | **-** |
| **5.2** | **Total trading liabilities** | **-** | **(2 783)** |
| | Financial liabilities | **-** | **(2 783)** |

| | | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|---|
| **6.** | **TRADE AND OTHER RECEIVABLES[2]** | | |
| | **Financial assets** | **9 540** | 17 870 |
| | Sundry receivables[1] | **-** | 487 |
| | Receivables from companies in the Group[1, 3] | **9 540** | 17 383 |
| | **Non-financial assets** | **86 252** | 61 256 |
| | Value added taxation[1] | **86 252** | 61 256 |
| | Trade and other receivables before impairments | **95 792** | 79 126 |
| | Credit loss allowance | **(54)** | - |
| | **Net trade and other receivables** | **95 738** | 79 126 |

[1] Prior periods by restatement, please refer to Note 30 for additional information.
[2] The note was re-represented to distinguish between contractual financial instruments and non-contractual assets. There has been no impact on the primary financial statements.
[3] The receivables are unsecured, bear no interest and have no fixed repayment terms.
Receivables from companies in the Group decreased in the normal course of business. Please also refer to note 22.2.2.

## Notes to the financial statements *… continued*

| | | 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 |
|---|---|---|---|---|---|---|---|---|
| **7.** | **INTERCOMPANY LOANS FROM SECURITISED ASSETS** | | | | | | | |
| | **2023** | | | | | | | |
| | **Gross investment in leases** | **5 466 013** | **2 186 148** | **1 545 846** | **1 037 083** | **557 513** | **137 038** | **2 385** |
| | Equipment finance | **4 537 425** | **1 847 351** | **1 277 543** | **854 439** | **450 297** | **107 795** | **-** |
| | Capital Equipment finance | **928 588** | **338 797** | **268 303** | **182 644** | **107 216** | **29 243** | **2 385** |
| | **Less: Unearned finance income** | **(1 152 916)** | **(560 139)** | **(348 180)** | **(175 507)** | **(61 482)** | **(7 443)** | **(165)** |
| | Equipment finance | **(957 573)** | **(470 062)** | **(288 240)** | **(143 954)** | **(49 627)** | **(5 690)** | **-** |
| | Capital Equipment finance | **(195 343)** | **(90 077)** | **(59 940)** | **(31 553)** | **(11 855)** | **(1 753)** | **(165)** |
| | **Net investment in leases** | **4 313 097** | **1 626 009** | **1 197 666** | **861 576** | **496 031** | **129 595** | **2 220** |
| | Equipment finance | **3 579 852** | **1 377 289** | **989 303** | **710 485** | **400 670** | **102 105** | **-** |
| | Capital Equipment finance | **733 245** | **248 720** | **208 363** | **151 091** | **95 361** | **27 490** | **2 220** |
| | **Intercompany loans from securitised assets before expected credit losses** | **4 313 097** | | | | | | |
| | Credit loss allowance (Refer to Credit Risk note - Credit loss allowance analysis) | **(240 022)** | | | | | | |
| | **Total Intercompany loans from securitised assets at amortised cost** | **4 073 075** | | | | | | |
| | **Total Intercompany loans from securitised assets**[1] | **4 073 075** | | | | | | |

[1] Intercompany loans from securitised assets with a carrying amount of R4.073 billion have been ceded as security for the debt securities issued. Refer to note 9.

Sasfin Bank legally sold a portion of equipment finance assets (recognised as part of loans and advances) to the Company. The sale of these loans and advances are regarded as a true sale from a legal perspective, however, it did not meet the derecognition principals as set out in IFRS 9 *Financial Instruments* from an accounting perspective, as Sasfin Bank retained substantially all the risks and rewards of ownership and continues to control the underlying assets. As a result, an intercompany loan from securitised assets from Sasfin Bank Limited is recognised for the consideration paid for these loans and advances that have been transferred. The cash flows arising from this asset are directly attributable to the transferred loans and advances and thus, the disclosure above has been made as the carrying amount of the receivable will fluctuate in line with the loans and advances balance. This did not impact the balances or any of the underlying loans and advances.

## Notes to the financial statements *… continued*

| | Total R'000 | Year 1 R'000 | Year 2 | Year 3 | Year 4 | Year 5 R'000 | More than 5 years R'000 |
|---|---|---|---|---|---|---|---|
| **7. INTERCOMPANY LOANS FROM SECURITISED ASSETS** | | | | | | | |
| **2022 – Restated[2]** | | | | | | | |
| **Gross investment in leases** | 4 202 643 | 1 756 891 | 1 186 759 | 745 133 | 403 073 | 110 570 | 217 |
| Equipment finance | 3 761 533 | 1 576 292 | 1 051 486 | 667 466 | 366 106 | 99 966 | 217 |
| Capital Equipment finance | 441 110 | 180 599 | 135 273 | 77 667 | 36 967 | 10 604 | - |
| **Less: Unearned finance income** | (727 140) | (367 852) | (212 374) | (104 412) | (37 642) | (4 854) | (6) |
| Equipment finance | (657 051) | (331 885) | (191 344) | (94 976) | (34 405) | (4 435) | (6) |
| Capital Equipment finance | (70 089) | (35 967) | (21 030) | (9 436) | (3 237) | (419) | - |
| **Net investment in leases** | 3 475 503 | 1 389 039 | 974 385 | 640 721 | 365 431 | 105 716 | 211 |
| Equipment finance | 3 104 482 | 1 244 407 | 860 142 | 572 490 | 331 701 | 95 531 | 211 |
| Capital Equipment finance | 371 021 | 144 632 | 114 243 | 68 231 | 33 730 | 10 185 | - |
| **Intercompany loans from securitised assets before expected credit losses** | **3 475 503** | | | | | | |
| Credit loss allowance (Refer to Credit Risk note - Credit loss allowance analysis) | (228 783) | | | | | | |
| **Net Intercompany loans from securitised assets[1]** | **3 246 720** | | | | | | |

[1] Intercompany loans from securitised assets with a carrying amount of R3.247 billion have been ceded as security for the debt securities issued. Refer to note 9.
[2] Prior periods by restatement, please refer to Note 30 for additional information.

Sasfin Bank legally sold a portion of equipment finance assets (recognised as part of loans and advances) to the company. The sale of these loans and advances are regarded as a true sale from a legal perspective, however, it did not meet the derecognition principals as set out in IFRS 9 *Financial Instruments* from an accounting perspective, as Sasfin Bank retained substantially all the risks and rewards of ownership and continues to control the underlying assets. As a result, an intercompany loan from securitised assets from Sasfin Bank Limited is recognised for the consideration paid for these loans and advances that have been transferred. The cash flows arising from this asset are directly attributable to the transferred loans and advances and thus, the following disclosure has been made as the carrying amount of the receivable will fluctuate in line with the loans and advances balance. This did not impact the balances or any of the underlying loans and advances.

## Notes to the financial statements *... continued*

| | | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|---|
| **8.** | **TRADE AND OTHER PAYABLES** | | |
| | Financial liabilities[2] | **139 789** | 185 687 |
| | Accounts payables[1, 3] | **1 041** | 3 669 |
| | Other payables[1, 3] | **5 608** | 6 262 |
| | Payables to companies in the Group[3] | **133 140** | 175 756 |
| | Non-financial liabilities[2] | **638** | 920 |
| | Value Added Taxation[1] | **-** | (9) |
| | Audit fees and other services | **638** | 929 |
| | | **140 427** | **186 607** |

[1] Prior periods by restatement, please refer to Note 30 for additional information.
[2] The note was re-represented to distinguish between contractual financial instruments and non-contractual assets. There has been no impact on the primary financial statements.
[3] The payables are unsecured and bear no interest, have no fixed repayment terms.
Payables to companies in the Group decreased in the normal course of business. Please also refer to note 22.2.2.

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **9.** | **DEBT SECURITIES ISSUED** | | |
| | **Category analysis** | | |
| | Rated | **3 720 138** | 2 991 426 |

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

Floating rate notes are secured by a cession of rentals and equipment, underlying instalment finance assets and bank accounts in the name of SASP. All notes are placed with South African investors. The debt securities in issuance are rated by Global Credit Ratings Co. Refer note 26. The Company has not had any defaults or other breaches with respect to its debt securities issued during the year ended 30 June 2023.

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Held at amortised cost** | | |
| **Class A notes (SLRA4)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.7500%. Scheduled maturity date is 15 November 2022. | **-** | 126 007 |
| **Class A notes (SLRA5)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.5000%. Scheduled maturity date is 15 August 2022. | **-** | 261 002 |
| **Class A notes (SLRA6)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.9500%. Scheduled maturity date is 15 November 2023. | **361 722** | 359 966 |
| **Class A notes (SLRA7)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.9000%. Scheduled maturity date is 15 August 2024. | **279 627** | 278 275 |

## Notes to the annual financial statements *…continued*

| 9. | DEBT SECURITIES ISSUED *… continued* | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| | **Class A notes (SLRA8)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.8000%. Scheduled maturity date is 15 August 2025. | **327 202** | - |
| | **Class A notes (SLRA9)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.1000%. Scheduled maturity date is 15 August 2027. | **251 324** | - |
| | **Class A notes (LRFA3)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.4500%. Scheduled maturity date is 20 November 2022. | **-** | 282 041 |
| | **Class A notes (LRFA4)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.9000%. Scheduled maturity date is 20 November 2025. | **404 694** | - |
| | **Class A notes (ERSA25)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.8000%. Scheduled maturity date is 17 August 2022. | **-** | 109 386 |
| | **Class A notes (ERS3A27)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.3000%. Scheduled maturity date is 17 August 2022. | **-** | 36 460 |
| | **Class A notes (ERSA28)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.0500%. Scheduled maturity date is 17 August 2023. | **266 359** | 265 132 |
| | **Class A notes (ERSA29)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.7000%. Scheduled maturity date is 17 May 2025. | **436 314** | 434 308 |
| | **Class A notes (ERSA30)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.0000%. Scheduled maturity date is 17 May 2027. | **348 371** | 346 767 |
| | **Class A notes (ERSA31)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.2000%. Scheduled maturity date is 17 February 2028. | **392 015** | - |
| | **Class A notes (ERSB10)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.4000%. Scheduled maturity date is 17 February 2028. | **46 608** | - |
| | **Class B notes (LRFB3)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.6500%. Scheduled maturity date is 20 November 2022. | **-** | 52 895 |
| | **Class B notes (LRFB4)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.10000%. Scheduled maturity date is 20 November 2025. | 75 898 | - |

## Notes to the annual financial statements *…continued*

| 9. DEBT SECURITIES ISSUED *… continued* | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Class B notes (SLRB4)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.3000%. Scheduled maturity date is 15 November 2022. | **-** | 37 324 |
| **Class B notes (SLRB5)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.8000%. Scheduled maturity date is 15 August 2022. | **-** | 30 243 |
| **Class B notes (SLRB6)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.3000%. Scheduled maturity date is 15 November 2023. | **31 424** | 31 271 |
| **Class B notes (SLRB8)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.000%. Scheduled maturity date is 15 August 2025. | **18 239** | - |
| **Class B notes (SLRB9)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.300%. Scheduled maturity date is 15 August 2027. | **82 107** | - |
| **Class B notes (ERS3B8)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.9000%. Scheduled maturity date is 17 May 2025. | **46 579** | 46 364 |
| **Class B notes (ERS3B9)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.2000%. Scheduled maturity date is 17 May 2027. | **80 024** | 79 655 |
| **Class C notes (ERS3C10)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.5500%. Scheduled maturity date is 17 February 2028. | **17 228** | - |
| **Class C notes (SLRC4)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.9000%. Scheduled maturity date is 15 November 2022. | **-** | 25 238 |
| **Class C notes (SLRC5)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.0000%. Scheduled maturity date is 15 August 2022. | **-** | 35 293 |
| **Class C notes (SLRC6)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.5000%. Scheduled maturity date is 15 November 2023. | **25 348** | 25 225 |
| **Class C notes (SLRC7)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.45000%. Scheduled maturity date is 15 August 2024. | **20 277** | 20 179 |
| **Class C notes (SLRC8)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.400%. Scheduled maturity date is 15 August 2025. | **30 414** | - |

## Notes to the annual financial statements *…continued*

| 9. DEBT SECURITIES ISSUED *… continued* | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Class C notes (SLRC9)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.700%. Scheduled maturity date is 15 August 2027. | **61 866** | - |
| **Class C notes (LRFC3)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.8000%. Scheduled maturity date is 20 November 2022. | **-** | 17 634 |
| **Class C notes (LRFC4)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.30000%. Scheduled maturity date is 20 November 2025. | **25 305** | - |
| **Class C notes (ERS3C8)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.0500%. Scheduled maturity date is 17 May 2025. | **21 268** | 21 170 |
| **Class C notes (ERS3C9)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.3500%. Scheduled maturity date is 17 May 2027. | **24 316** | 24 203 |
| **Class B notes (SLRB7)**<br>Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.2000%. Scheduled maturity date is 15 August 2024. | **45 609** | 45 388 |
| **Total** | **3 720 138** | 2 991 426 |

**Financial Risk Management**

The company purchased from Sasfin Bank Limited participating assets that are subject to the eligibility criteria and portfolio covenants. The company funded the purchase on the first issue date by issuing notes to investors and drawing down on subordinated loans provided by Sasfin Bank Limited. The Company as the first loss provider guarantees performance to secured creditors (which include note holders, Sasfin Bank Limited as the subordinated lender and other creditors) as set out in the priority of payments of the issuer.

The underlying equipment on the contracts of the participating assets serve as security on the loans.

The notes issued to fund the purchase of the participating assets are rated by an external independent rating agency and provides support for the quality of the participating assets. The ratings are determined at inception of the structure and are re-assessed on every annual anniversary.

The Company has various unsubordinated, compulsory redeemable, asset back notes which have varying debt covenant triggers for each of the note's series issued. The triggers per series at year end, namely net default rate and yield tests are disclosed below:

- Series 1: The net default trigger level is between 2.625% and 4% and the 2.625% trigger will fall away when those specific notes mature (2022: same as 2023). At June 2023 the average net default rate was at 1.362% (2022: 1.088%) and no breaches were recorded. The average yield of 27.204% (2022: 24.78%) remains above the required yield test of prime rate plus 5.000% (2022: prime plus 5.000%). The debt securities issued as at 30 June 2023 is R1 679 080 935 (2022: R1 363 446 398).
- Series 2: The 0.125% (2022: negative 0.305%) net default rate remains well below the net default trigger level of 4.000% (2022: 4.000%), and with an average yield of 20.458% (2022: 18.98%) remains above the required yield test of prime rate plus 3.000% (2022: prime plus 3.000%). The debt securities issued as at 30 June 2023 is R505 897 460 (2022: R352 569 517).
- Series 3: The net default trigger level is 4.500% (2022: the net default trigger level is between 2.625% and 4.5% and the 2.625% trigger will fall away when those specific notes mature). At June 2023 the average net default rate was at 1.161% (2022: 1.161%) and no breaches were recorded. The average yield of 20.838% (2022: 17.64%) remains above the required yield test of prime plus 4.000% (2022: prime plus 4.000%). The debt securities issued as at 30 June 2023 is R1 535 159 387 (2022: R1 275 410 362).

## Notes to the annual financial statements *…continued*

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **10.** | **LONG-TERM LOANS** | | |
| | **Represented by:** | | |
| | The Hollard Insurance Company Limited | - | 5 500 |
| | **Total** | - | 5 500 |

The long-term loan is unsecured, bears interest at 1-month JIBAR plus 7% and was settled in June 2023.

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **11.** | **DEFERRED TAX ASSETS AND LIABILITIES** | | |
| | Deferred tax liability | **(144 372)** | (134 382) |

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Liabilities R'000 | Net R'000 | Liabilities R'000 | Net R'000 |
| Equipment finance (Intercompany receivable) | **(158 771)** | **(158 771)** | (149 070) | (149 070) |
| Tax losses | **3 248** | **3 248** | 3 598 | 3 598 |
| Provisions | **11 151** | **11 151** | 11 090 | 11 090 |
| **Net tax liabilities** | **(144 372)** | **(144 372)** | **(134 382)** | **(134 382)** |

The Company has historically applied a conservative approach to certain tax allowances relating to timing differences on lease assets. The impact is that higher tax was paid in the past. In the current year, the decision has been taken to revise the estimate of allowances allowed prospectively in terms of the relevant tax legislation. The prospective adjustments will impact temporary timing differences.

**Movements in temporary differences during the year**

| | Balance at 1 July R'000 | Tax rate change effect R'000 | Restated balance at 1 July R'000 | Recognised in profit or loss R'000 | Balance at 30 June R'000 |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Equipment finance (intercompany receivable) | **(149 070)** | **-** | **-** | **(9 701)** | **(158 771)** |
| Tax losses | **3 598** | **-** | **-** | **(350)** | **3 248** |
| Provisions | **11 090** | **-** | **-** | **61** | **11 151** |
| | **(134 382)** | **-** | **-** | **(9 990)** | **(144 372)** |

| | Balance at 1 July R'000 | Tax rate change effect R'000 | Restated balance at 1 July R'000 | Recognised in profit or loss R'000 | Balance at 30 June R'000 |
|---|---|---|---|---|---|
| **2022** | | | | | |
| Equipment finance (intercompany receivable) | **(152 318)** | **5 521** | **(146 797)** | **(2 273)** | **(149 070)** |
| Tax losses | **-** | **(133)** | **(133)** | **3 731** | **3 598** |
| Provisions | **59 879** | **(411)** | **59 468** | **(48 378)** | **11 090** |
| | **(92 439)** | **4 977** | **(87 462)** | **(46 920)** | **(134 382)** |

# Notes to the annual financial statements *…continued*

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **12.** | **ORDINARY SHARE CAPITAL** | | |
| | **Authorised** | | |
| | 100,000 (2022: 100,000) ordinary shares of R1 each | **100** | 100 |
| | **Issued** | | |
| | 100,000 (2022: 100,000) ordinary shares of R1 each | | |
| | Balance at the beginning of the year | **100** | 100 |
| | Balance at the end of the year | **100** | **100** |
| | **Reconciliation of the number of shares issued** | | |
| | Total shares in issue (number) | **100 000** | 100 000 |
| | | **100 000** | **100 000** |

The issued ordinary share capital of the Company is held by The South African Securitisation Issuer Owner Trust.

| | | 2023 Rand | 2022 Rand |
|---|---|---|---|
| **13.** | **PREFERENCE SHARE CAPITAL** | | |
| | **Authorised preference share capital** | | |
| | 100 (2022: 100) non-cumulative, redeemable preference shares of no par value | **-** | - |
| | **Issued preference share capital** | | |
| | 3 (2022: 3) non-cumulative, redeemable preference shares of no par value | | |
| | Balance at the beginning of the year | **1** | 1 |
| | Balance at the end of the year | **1** | 1 |

The issued preference share capital of the Company is held by Sasfin Bank Limited.

| | | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|---|
| **14.** | **INTEREST INCOME** | | |
| | **Interest income calculated using the effective interest method** | **612 449** | 415 980 |
| | Interest Income | **1 030** | 17 |
| | Deposits with banks | **30 048** | 17 184 |
| | Intercompany receivable - Equipment finance[1] | **498 537** | 357 094 |
| | Intercompany receivable - Capital Equipment finance[1] | **82 834** | 41 685 |
| | **Other interest income** | **(1 367)** | (4 065) |
| | Trading assets and other | **(1 367)** | (4 065) |
| | | **611 082** | 411 915 |

[1] Prior periods by restatement, please refer to Note 30 for additional information.

## Notes to the annual financial statements *…continued*

| | | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|---|
| **14.** | **INTEREST INCOME … *continued*** | | |
| | **Total interest income** | | |
| | Interest income on items measured at amortised cost | **612 449** | 415 980 |
| | - Performing financial assets | **583 320** | 402 489 |
| | - Credit impaired financial assets | **29 129** | 13 491 |
| | Interest income on items measured at fair value through profit or loss | **(1 367)** | (4 065) |
| | | **611 082** | 411 915 |

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **15.** | **INTEREST EXPENSE** | | |
| | **Interest expense calculated using the effective interest method** | **337 766** | 193 597 |
| | Loans from entities in the Group | **50 081** | 35 128 |
| | Debt securities | **286 943** | 157 703 |
| | Long-term borrowings | **742** | 766 |
| | | **337 766** | 193 597 |

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **16.** | **NET FEE AND COMMISSION EXPENSE** | | |
| | **Fee and commission income** | **5 300** | 3 709 |
| | Administration fees | **109** | 79 |
| | Other fee income | **5 191** | 3 630 |
| | **Fee and commission expense** | **(293 521)** | (210 161) |
| | Fee and commission expense: Revenue share expense | **(223 887)** | (150 841) |
| | Total commission expense | **(9 640)** | (9 257) |
| | Administration fee expense | **(59 994)** | (50 063) |
| | **Net fee and commission expense** | **(288 221)** | (206 452) |

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **17.** | **GAINS AND LOSSES ON FINANCIAL INSTRUMENTS** | | |
| | Net gains/losses on the derecognition of financial assets measured at amortised cost | | |
| | Settlement profits | **10 118** | 15 980 |
| | **Total gains and losses on financial instruments** | **10 118** | **15 980** |

| | | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|---|
| **18.** | **OTHER INCOME** | | |
| | Income received on Evergreens | **108 179** | 122 344 |
| | Sundry income[2] | **1 427** | 1 889 |
| | Other income | **109 606** | 124 233 |

[1] Prior periods by restatement, please refer to Note 30 for additional information.
[2] A significant part of this balance comprises of the write back of creditors past their prescription period.

# Notes to the annual financial statements …continued

| | | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|---|
| 19. | **OTHER OPERATING EXPENSES** | | |
| | The following items are included in operating expenses: | | |
| | Fees paid to auditors | **745** | 1 646 |
| | Management fees | **2 432** | 2 064 |
| | Bank charges | **1 306** | 1 123 |
| | Buildings, equipment and consumables | **49** | 41 |
| | Consulting fees | **151** | 75 |
| | Legal costs[1] | **3 812** | (447) |
| | Operational losses[1] | **6 479** | 11 843 |
| | Other charges[1] | **8 807** | 5 449 |
| | Tax related expenses | **199** | 178 |
| | **Other operating expenses** | **23 980** | 21 972 |

[1] Prior periods by restatement, please refer to Note 30 for additional information.

| | | 2023 R'000 | Restated 2022 R'000 |
|---|---|---|---|
| 20. | **INCOME TAX EXPENSE** | | |
| | **Current tax expense** | **-** | (408) |
| | Current year | **-** | - |
| | Under/(over) provision in prior years | **-** | (408) |
| | **Deferred tax expense** | **9 990** | 41 943 |
| | Current year | **9 990** | 46 920 |
| | Under/(over) provision as a result of rate change | **-** | (4 977) |
| | | **9 990** | 41 535 |
| | **Reconciliation of taxation rate[1]** | **%** | **%** |
| | South African normal tax rate | **27.00%** | 28.00% |
| | ***Adjusted for:*** | **8.52** | (0.21) |
| | Under provision in prior years | **-** | (0.27) |
| | Tax rate change[2] | **-** | (3.33) |
| | Operational expenses[1] | **8.52** | 3.39 |
| | **EFFECTIVE RATE** | **35.52** | 27.79 |

The Company has historically applied a conservative approach to certain tax allowances relating to timing differences on lease assets. The impact is that higher tax was paid in the past. In the current year, the decision has been taken to revise the estimate of allowances allowed prospectively in terms of the relevant tax legislation. The prospective adjustments will impact temporary timing differences.

[1] The prior year tax rate recon has been updated in the line with the restatement of profit before tax. The impact of operational expenses was omitted in the prior year, this has been restated for in the current year with no impact on the primary statements.
[2] During the 2022 year, the South African Government announced a decrease in the South African rate of corporation tax from 28% to 27% effective for years of assessment ending on/after 31 March 2023. As a result, the deferred tax balances as at 30 June 2022 have been adjusted to reflect this substantively enacted rate change.

## Notes to the annual financial statements *…continued*

| | | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|---|
| **21.** | **STATEMENT OF CASHFLOW NOTE** | | |
| **21.1** | **Cash inflow from operating activities** | | |
| | **Reconciliation of operating profit to cash flows from operating activities** | | |
| | **Profit / (loss) before income tax** | **28 122** | 149 444 |
| | Credit impairment charges[1] | **52 716** | (19 337) |
| | Fair value adjustment | **1 367** | 4 065 |
| | Non-cash interest received[1,2] | **(54 825)** | (38 407) |
| | Non-cash interest paid[1,2] | **1 022** | 5 104 |
| | Interest from loans from entities in the group[1] | **(2 679)** | 8 054 |
| | Settlement profits[1] | **(10 118)** | (15 980) |
| | | **15 605** | 92 943 |

[1] Prior periods by restatement, please refer to Note 30 for additional information. In addition, the note has been amended to reflect all amounts adjusted in the Statement of Cash Flow.
[2] Non-cash interest paid and non-cash interest received have been adjusted for in the current year in the calculation of cash flows from operating activities to provide more useful information to the users of the financial statements. In the prior year this was presented as interest accrued.

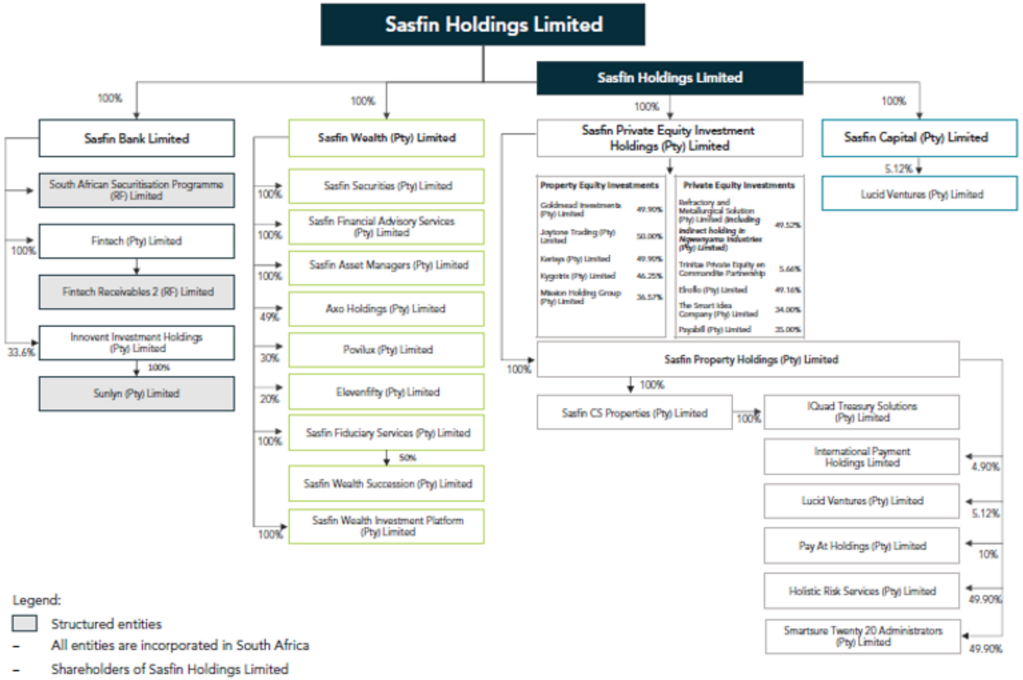
| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **21.2** | **Taxation paid** | | |
| | Unpaid at the beginning of the year | **36 703** | 19 318 |
| | Charge to the income statement | **-** | 408 |
| | Unpaid at the end of the year | **(42 051)** | (36 703) |
| | | **(5 348)** | **(16 977)** |

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **21.3** | **Dividends paid** | | |
| | Charge to distributable reserves | **(20 000)** | (40 000) |
| | **Total dividends paid** | **(20 000)** | (40 000) |

## Notes to the financial statements *... continued*

### 22. RELATED PARTY TRANSACTIONS

**Subsidiaries and controlled structured entities**




- Non-Public:
  - Unitas Enterprises Limited (2023: 15 398 174 shares (47.67%); (2022: 15 398 174 shares (47.67%)), a company owned by trusts, of which Roland Sassoon and Michael Sassoon are discretionary beneficiaries.
  - Wipfin Investments (Proprietary) Limited (2023: 8 107 662 shares (25.10%); 2022: 8 107 662 shares (25.10%)), a wholly owned subsidiary of Women Investment Portfolio Holdings Limited (WIPHOLD).
  - CV Partners Limited (2023: 3 332 338 shares (10.32%); (2022: 2 321 079 shares (7.19%)).
  - Sasfin Share Incentive Trust (2023: 1 436 052 shares (4.45%)); (2022: 1 436 052 shares (4.45%)).
  - Public (2023: 3 906 384 shares (12.09%); (2022: 7 249 478 shares (22.73%)).

### 22.1 Key management personnel and related remuneration

| Directors' and Prescribed officer's remuneration | Cash package[1] Rand | Other benefits[2] Rand | Incentive bonus[3] Rand | Total Rand |
|---|---|---|---|---|
| 2023 | | | | |
| **Non-executive directors** | | | | |
| D Govender | 2 383 619 | 395 086 | 686 667 | 3 465 372 |
| | **2 383 619** | **395 086** | **686 667** | **3 465 372** |
| **Board of director fees[4]** | 251 851 | - | - | 251 851 |
| | **251 851** | **-** | **-** | **251 851** |

| Directors' and Prescribed officer's remuneration | Cash package[1] Rand | Other benefits[2] Rand | Incentive bonus[3] Rand | Total Rand |
|---|---|---|---|---|
| 2022 | | | | |
| **Non-executive directors** | | | | |
| D Govender | 2 197 015 | 344 916 | 537 500 | 3 079 431 |
| | **2 197 015** | **344 916** | **537 500** | **3 079 431** |
| **Board of director fees[4]** | 208 440 | - | - | 208 440 |
| | **208 440** | **-** | **-** | **208 440** |

[1] The remuneration of the Director is paid by the Controlling Company for his full role to the Sasfin group and does not relate only to his responsibilities towards 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 prior financial year.
[4] Director fees for DP Towers, E Deiner (from Quadridge Trust Services) and B Harmse (of Stonehage Fleming Corporate Services (Pty) Ltd) are paid by their respective service providers.

### 22.2 Related party transactions
### 22.2.1 Loans from entities in the group

| | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|
| *Loans from controlling company* | | |
| Sasfin Bank Limited (Series 1) | **(211 395)** | (135 969) |
| Sasfin Bank Limited (Series 2) | **(50 746)** | (58 215) |
| Sasfin Bank Limited (Series 3) | **(131 508)** | (140 001) |
| **Total loans from entities in the Group** | **(393 649)** | **(334 185)** |

The loans are subordinated, secured and bear interest at rates 3 month JIBAR plus 5% Series 1 and Series 2, and JIBAR plus 7.5% for Series 3. These loans are repayable on demand. In the current year loans from entities in the group were disaggregated to reflect the amounts payable per series to provide more useful information to the financial statement users. This had no impact on the primary financial statements.

# Notes to the annual financial statements …continued

### 22.2.2 Intercompany (payables) / receivables with entities in the group

| | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|
| *(Payables to) / receivables from controlling company* | | |
| Sasfin Bank Limited (Series 1)[1] | **(18 406)** | (60 897) |
| Sasfin Bank Limited (Series 2)[1] | **(78 395)** | (61 294) |
| Sasfin Bank Limited (Series 3)[1] | **(26 550)** | (51 810) |
| **Intercompany loans from securitised assets** | **4 073 075** | 3 246 720 |
| Sasfin Bank Limited (Series 1)[1] | **1 881 603** | 1 446 493 |
| Sasfin Bank Limited (Series 2)[1] | **557 011** | 393 498 |
| Sasfin Bank Limited (Series 3)[1] | **1 634 461** | 1 406 729 |
| | **3 949 724** | 3 072 719 |
| *(Payables to) / receivables from fellow subsidiaries* | **(247)** | 15 628 |
| Fintech (Pty) Ltd | **(9 787)** | (869) |
| Fintech Lease Rentals (Pty) Ltd | **1 287** | 12 639 |
| Fintech Underwriting (Pty) Ltd | **776** | (886) |
| Sunlyn (Pty) Ltd | **7 477** | 4 744 |
| **Total (Payables) / receivables with entities in the Group** | **3 949 477** | 3 088 347 |

[1] Prior periods by restatement, please refer to Note 30 for additional information. In addition please note the note has been amended to reflect the amount payable per Series of the Company to Sasfin Bank Limited. No impact on the primary financial statements is noted.

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

### 22.2.3 Trading (liabilities) / assets with entities in the group

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| *Trading (liabilities) / assets with Controlling company* | | |
| Sasfin Bank Limited | 67 | (2 210) |
| **Total trading (liabilities) / assets with entities in the Group** | **67** | (2 210) |

* The company has a prime/3-month JIBAR interest rate swap with Sasfin Bank Limited. This swap is measured at arms length and outstanding balances at the year-end are settled in cash.

## Notes to the financial statements *… continued*

### 22.2.4 Transactions with holding companies, subsidiaries and fellow subsidiaries

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| *Controlling company* | | |
| Interest received | **29 332** | 16 717 |
| Interest paid | **(50 081)** | (43 333) |
| Administration fees paid* | **(59 994)** | (50 063) |
| Dividends paid | **(20 000)** | (40 000) |
| Management fees* | **(2 432)** | (2 064) |
| Revenue share* | **(223 887)** | (150 841) |
| | **(327 062)** | **(269 584)** |
| *Fellow subsidiaries* | | |
| Fintech (Pty) Ltd | | |
| Fee and Commission Expense | **(9 640)** | (9 257) |

* These transactions are measured in terms of agreements between Sasfin Bank Limited and the Company and is based on the performance of the overall equipment finance book.

### 22.2.5 Cash and cash equivalents with entities in the Group

| | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|
| *Cash and cash equivalents with controlling company* | | |
| Sasfin Bank Limited[1] | **371 497** | 484 411 |
| **Total cash and cash equivalents with entities in the Group** | **371 497** | 484 411 |

[1] Prior periods by restatement, please refer to Note 30 for additional information. These are entered into at arm’s length and any interest earned on the balance is settled in cash.

## Notes to the financial statements *… continued*

### 23. 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 | Balance Sheet R'000 | Profit or loss (default) R'000 | Total Fair Value R'000 | Amortised cost R'000 | Outside scope of IFRS 9 R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Cash and cash equivalents | **427 041** | **-** | **-** | **427 041** | **-** | **427 041** |
| Trading assets | **2 917** | **2 917** | **2 917** | **-** | **-** | **2 917** |
| Trade and other receivables | **95 738** | **-** | **-** | **9 486** | **86 252** | **95 738** |
| Intercompany loans from securitised assets | **4 073 075** | **-** | **-** | **4 073 075** | **-** | **4 073 075** |
| Current taxation asset | **42 052** | **-** | **-** | **-** | **42 052** | **42 052** |
| **Total Assets** | **4 640 823** | **2 917** | **2 917** | **4 509 602** | **128 304** | **4 640 823** |

| LIABILITIES | | | | | | |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Trading liabilities | **-** | **-** | **-** | **-** | **-** | **-** |
| Trade and other payables | **140 427** | **-** | **-** | **139 789** | **638** | **140 427** |
| Debt securities issued | **3 720 138** | **-** | **-** | **3 720 138** | **-** | **3 720 138** |
| Long term loans | **-** | **-** | **-** | **-** | **-** | **-** |
| Deferred tax liability | **144 372** | **-** | **-** | **-** | **144 372** | **144 372** |
| Loans from entities in the Group | **393 649** | **-** | **-** | **393 649** | **-** | **393 649** |
| **Total liabilities** | **4 398 586** | **-** | **-** | **4 253 576** | **145 010** | **4 398 586** |

# Notes to the financial statements *… continued*

## 23. CLASSIFICATION OF ASSETS AND LIABILITIES … *continued*

**Accounting classification and fair values … *continued***

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

| ASSETS | Balance Sheet R'000 | Profit or loss (default) R'000 | Total Fair Value R'000 | Amortised cost R'000 | Outside scope of IFRS 9 R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| **2022 – Restated[1]** | | | | | | |
| Cash and cash equivalents[1] | 536 438 | - | - | 536 438 | - | 536 438 |
| Trading assets | - | - | - | - | - | - |
| Trade and other receivables[1] | 79 126 | - | - | 17 870 | 61 256 | 79 126 |
| Intercompany loans from securitised assets[1] | 3 246 720 | - | - | 3 246 720 | - | 3 246 720 |
| Current taxation asset | 36 703 | - | - | - | 36 703 | 36 703 |
| **Total Assets** | **3 898 987** | - | - | 3 801 028 | 97 959 | **3 898 987** |

| LIABILITIES | Balance Sheet R'000 | Profit or loss (default) R'000 | Total Fair Value R'000 | Amortised cost R'000 | Outside scope of IFRS 9 R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| **2022 – Restated[1]** | | | | | | |
| Trading liabilities | 2 783 | 2 783 | 2 783 | - | - | 2 783 |
| Trade and other payables[1] | 186 607 | - | - | 185 687 | 920 | 186 607 |
| Debt securities issued | 2 991 426 | - | - | 2 991 426 | - | 2 991 426 |
| Long term loans | 5 500 | - | - | 5 500 | - | 5 500 |
| Deferred tax liability | 134 382 | - | - | - | 134 382 | 134 382 |
| Loans from entities in the Group | 334 185 | - | - | 334 185 | - | 334 185 |
| **Total liabilities** | **3 654 883** | **2 783** | **2 783** | **3 516 798** | **135 302** | **3 654 883** |

[1] Prior periods by restatement, please refer to Note 30 for additional information.
[2] The amount was amended to more accurately reflect contractual financial instruments. There has been no impact on the primary statements.

## Notes to the financial statements *… continued*

**24 CLASSIFICATION OF ASSETS AND LIABILITIES … *continued***

**24.1 Financial assets and liabilities measured at fair value**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Level 2 R'000 | Fair value R'000 | Level 2 R'000 | Fair value R'000 |
| **Recurring fair value measurements** | | | | |
| **Financial Assets** | 2 917 | 2 917 | - | - |
| Trading assets[1] | 2 917 | 2 917 | - | - |
| **Trading liabilities** | - | - | 2 783 | 2 783 |
| Trading liabilities[1] | - | - | 2 783 | 2 783 |

[1] These were fair valued on a discounted basis using forward interest rates.

**24.2 Financial assets and financial liabilities not measured at fair value**

| 2023 | Level 1 R'000 | Fair Value Level 2 R'000 | Level 3 R'000 | Total Fair Value R'000 | Amortised Cost R'000 |
|---|---|---|---|---|---|
| **Financial assets** | **-** | **427 041** | **4 144 159** | **4 571 200** | **4 595 854** |
| Cash and cash equivalents | **-** | **427 041** | **-** | **427 041** | **427 041** |
| Trade and other receivables | **-** | **-** | **95 738** | **95 738** | **95 738** |
| Intercompany loans from securitised assets | **-** | **-** | **4 048 421** | **4 048 421** | **4 073 075** |
| **Financial liabilities** | **3 723 158** | **-** | **534 076** | **4 257 234** | **4 254 214** |
| Trade and other payables | **-** | **-** | **140 427** | **140 427** | **140 427** |
| Debt securities issued | **3 723 158** | **-** | **-** | **3 723 158** | **3 720 138** |
| Long-term loans | **-** | **-** | **-** | **-** | **-** |
| Loans from entities in the Group | **-** | **-** | **393 649** | **393 649** | **393 649** |

| 2022 – Restated[1] | Level 1 R'000 | Fair Value Level 2 R'000 | Level 3 R'000 | Total Fair Value R'000 | Amortised Cost R'000 |
|---|---|---|---|---|---|
| **Financial assets** | - | 536 438 | 3 325 846 | 3 862 284 | 3 862 284 |
| Cash and cash equivalents[1] | - | 536 438 | - | 536 438 | 536 438 |
| Trade and other receivables[1] | - | - | 79 126 | 79 126 | 79 126 |
| Intercompany loans from securitised assets[1] | - | - | 3 246 720 | 3 246 720 | 3 246 720 |
| **Financial liabilities** | 2 991 426 | - | 526 292 | 3 517 718 | 3 517 718 |
| Trade and other payables[1] | - | - | 186 607 | 186 607 | 186 607 |
| Debt securities issued | 2 991 426 | - | - | 2 991 426 | 2 991 426 |
| Long-term loans | - | - | 5 500 | 5 500 | 5 500 |
| Loans from entities in the Group | - | - | 334 185 | 334 185 | 334 185 |

*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*.

[1] Prior periods by restatement, please refer to Note 30 for additional information.

## 25. FINANCIAL RISK MANAGEMENT

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

The responsibility for risk management resides at all levels, from the Sasfin Holdings Limited ("SHL") Board through to all employees of SHL. The SHL Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

### 25.1 Risk Management Framework

*Governance*

The ALCO (an Executive Management Committee) and GRCMC (a committee of the Board), are responsible for monitoring Company risk management policies in their specified areas of responsibility. The ALCO has Executive Directors and members of Executive Management as members, including Non-Executive Directors as investees. The GRCMC, CLEC, and IT Committee have both Executive and Non-Executive Directors as members, including members of executive management as invitees. The GAC, DANC and REMCO have only Non-Executive Directors as members, with Executive Directors and members of senior management as invitees. The chair of each Board committee reports quarterly or as required to the Board on the activities of their respective committees.

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

The Company uses the following lines of defence:

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

### 25.2 Risk types, definitions, governance standards, policies and procedures

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

The risk governance principles in respect of market and liquidity risk have remained relatively unchanged from the prior year. Refer note 26 for more information.

## 26. CREDIT RISK

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

Sasfin Bank Limited legally sold a portion of its Equipment finance and Capital Equipment finance leases to SASP, as a result exposure to credit arises if the equipment finance leases customers partially fulfil contractual obligations, as the Intercompany loans from securitised assets balance amount changes.

For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (individual obligor default risk as well as country and sector risk).

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

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits, as approved and reviewed regularly by the Board, are allocated to business unit credit officers. Larger facilities may require approval by Group Credit, Head: Company Credit, CLEC or the Board;
- Reviewing and assessing credit risk. Group Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit;
- Limiting concentrations of exposure to counterparties, geographies and industries for loans and advances, deposits with banks and investment securities (refer note 26.1);
- Developing and maintaining the Company'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 Company Credit on the credit quality of local portfolios and appropriate corrective action is taken; and
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Each business unit is required to implement Company 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 Company approval.

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

***Securitisation***

The Company 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 Company's credit risk policies and procedures.

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

## Notes to the financial statements *… continued*

**Management of Credit Risk**

***Deposits with other banks***

The Company places funds on a daily basis with other banks. 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 that are rated as investment grade by accredited global rating agencies, and may not exceed internal risk limits. Deposits with other banks 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. At the reporting date the Company does not expect any losses from non-performance by the counterparties for these deposits and money market funds.

***Credit impairment***

The Company determines an allowance for credit losses that represents its estimate of expected credit losses on its loan portfolio. These credit losses impact the intercompany amount receivable. Refer accounting policy note 1.6 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 it is determined that these loans and securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's or issuer's financial position resulting in the borrower/issuer no longer being in a position to pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

***Credit risk measurement and determination***

The Company 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 Company 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:

| Classification of credit risk exposure | Categorisation of counterparty (IFRS 9) |
|---|---|
| A Good book | Stage 1[1] and Stage 2[2] |
| B Special mention | Stage 2[3] |
| C Substandard | Stage 3[4] |
| 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.
[4] Refer to Note 1.6, under heading default and curing, for the definition of credit-impaired

***Collateral for Intercompany loans from securitised assets***

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

***Concentration risk***

This is the risk of a material exposure by the Company to a small number of lenders, financial instruments, corporates, institutions or geographies. The Company did not consider there to be any significant concentration risk which has not been adequately provided for.

### 26.1 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's maximum exposure to credit risk on these assets, by credit quality.

## Notes to the financial statements *… continued*

### 26.1 Credit Risk Exposure Analysis … *continued*

| 2023 | Credit risk grading ECL staging | Net amount R'000 | Total exposure R'000 | Total ECL R'000 | Coverage ratio % | A Stage 1 12-month Exposure R'000 | ECL R'000 | Coverage ratio % | A and B Stage 2 Lifetime Exposure R'000 | ECL R'000 | Coverage ratio % | Default (C, D & E) Stage 3 Lifetime Exposure R'000 | ECL R'000 | Coverage ratio % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Maximum credit exposures of financial assets at amortised cost** | | | | | | | | | | | | | | |
| Cash and cash equivalents[1] | | 427 041 | 427 041 | - | - | 427 041 | - | - | - | - | - | - | - | - |
| Intercompany loans from securitised assets | | 4 073 075 | 4 313 097 | 240 022 | 5.55 | 3 947 193 | 37 478 | 0.95 | 67 403 | 8 812 | 13.07 | 298 501 | 193 733 | 64.90 |
| Equipment finance | | 3 347 926 | 3 579 852 | 231 926 | 6.46 | 3 240 966 | 34 853 | 1.07 | 56 354 | 8 261 | 14.66 | 282 532 | 188 813 | 66.83 |
| Capital equipment finance | | 725 149 | 733 245 | 8 096 | 1.10 | 706 227 | 2 625 | 0.37 | 11 049 | 551 | 4.99 | 15 969 | 4 920 | 30.81 |
| Trade and other receivables[2] | | 95 738 | 95 792 | 54 | 0.08 | 95 792 | 54 | 0.08 | - | - | - | - | - | - |
| Net carrying amount | | 4 595 854 | 4 835 930 | 240 076 | 5.64 | 4 470 026 | 37 532 | 1.03 | 67 403 | 8 812 | 13.07 | 298 501 | 193 733 | 64.90 |

| 2023 | | |
|---|---|---|
| **Maximum credit exposures on financial assets at FVTPL** | | |
| Trading assets | | 2 917 |
| **Total exposure to credit risk** | | 4 598 771 |

[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 would be immaterial. Refer to Note 4 for significant changes in the balance.
[2] Includes non-financial assets of R 86 252 million that is not subject to credit risk exposure.

# Notes to the financial statements *… continued*

### 26.1 Credit Risk Exposure Analysis … *continued*

| 2022 | Credit risk grading ECL staging | Net amount R'000 | Total exposure R'000 | Total ECL R'000 | Coverage ratio % | A Stage 1 12-month Exposure R'000 | ECL R'000 | Coverage ratio % | A and B Stage 2 Lifetime Exposure R'000 | ECL R'000 | Coverage ratio % | Default (C, D & E) Stage 3 Lifetime Exposure R'000 | ECL R'000 | Coverage ratio % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Maximum credit exposures of financial assets at amortised cost** | | | | | | | | | | | | | | |
| Cash and cash equivalents[1,2] | | 536 438 | 536 438 | - | - | 536 438 | - | - | - | - | - | - | - | - |
| Intercompany loans from securitised assets | | 3 246 720 | 3 475 503 | 228 783 | 6.59 | 3 149 630 | 50 211 | 1.60 | 41 220 | 6 171 | 14.97 | 284 653 | 172 402 | 60.57 |
| Equipment finance[1] | | 2 879 475 | 3 104 482 | 225 007 | 7.25 | 2 785 393 | 48 840 | 1.75 | 39 644 | 6 117 | 15.43 | 279 445 | 170 050 | 60.85 |
| Capital equipment finance | | 367 245 | 371 021 | 3 776 | 1.02 | 364 237 | 1 371 | 0.38 | 1 576 | 54 | 3.40 | 5 208 | 2 352 | 45.15 |
| Trade and other receivables[1,3] | | 79 126 | 79 126 | - | - | 79 126 | - | - | - | - | - | - | - | - |
| Net carrying amount | | 3 862 284 | 4 091 067 | 228 783 | 6.58 | 3 765 194 | 50 211 | 1.60 | 41 220 | 6 171 | 14.97 | 284 653 | 172 402 | 60.60 |

| | | |
|---|---|---|
| **Total exposure to credit risk** | | 3 862 284 |

[1] Prior periods by restatement, please refer to Note 30 for additional information.
[2] 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 would be immaterial. Refer to Note 4 for significant changes in the balance.
[3] Includes non-financial assets of R61 256 million that is not subject to credit risk exposure.

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.

# Notes to the financial statements *… continued*

**26.1 Credit Risk Exposure Analysis … *continued***

| Concentration risk of net advances | 2023 R'000 | Restated 2022 R'000 |
|---|---|---|
| *Sectorial analysis* | | |
| Agriculture | **128 635** | 85 449 |
| Community, social and personal services | **1 386 889** | 1 178 258 |
| Construction | **141 279** | 108 913 |
| Electricity and water | **29 752** | 22 460 |
| Finance, real estate and business services | **767 397** | 662 026 |
| Manufacturing | **537 581** | 424 905 |
| Mining | **99 364** | 66 081 |
| Trade and accommodation | **790 293** | 633 513 |
| Transport and communication | **401 253** | 272 756 |
| Other activities not adequately defined[1] | **30 654** | 21 142 |
| **TOTAL** | **4 313 097** | **3 475 503** |

[1] Prior periods by restatement, please refer to Note 30 for additional information.

**26.2 Collateral and other security enhancements**

***26.2.1 Description of Collateral For Intercompany loans from securitised assets***

| *Intercompany loans from securitised assets* | *Security* |
|---|---|
| Equipment finance | While the Company retains full ownership of the assets and equipment financed throughout the duration of the contract, it generally does not take the value of the asset and equipment for collateral purposes. |
| Capital equipment finance | The primary collateral for Capital Equipment Finance is the plant/equipment being financed. However, other security such as general notarial bonds over other assets and continuous covering mortgage bonds over property are sometimes taken to increase the collateral cover. |

## Notes to the financial statements ... continued

**26.2.2 *Description of Collateral for Intercompany loans from securitised assets***

Given the nature of the finance lease rental agreement, whereby the underlying assets are legally owned by the Company, management is comfortable that at inception of the agreement, the value of the underlying asset equates to the amount due. The value of the asset is not subsequently reassessed unless there is default. An estimate of the fair value of collateral and other security enhancements held is shown below.

| | Gross exposure R'000 | Fixed assets R'000 | Total R'000 | Unsecured R'000 |
|---|---|---|---|---|
| **2023** | | | | |
| ***Intercompany loans from securitised assets*** | | | | |
| Equipment finance | **3 579 852** | **3 579 852** | **3 579 852** | **-** |
| Capital equipment finance | **733 245** | **733 245** | **733 245** | **-** |
| | **4 313 097** | **4 313 097** | **4 313 097** | **-** |

| | | | | |
|---|---|---|---|---|
| **2022** | | | | |
| ***Intercompany loans from securitised assets*** | | | | |
| Equipment finance[1] | 3 104 482 | 3 087 390 | 3 087 390 | 17 092 |
| Capital equipment finance | 371 021 | 371 021 | 371 021 | - |
| | 3 475 503 | 3 458 411 | 3 458 411 | 17 092 |

[1] Prior periods by restatement, please refer to Note 30 for additional information.

**26.2.3 *Collateral held against individually impaired assets***

| | Gross exposure R'000 | Fixed assets R'000 | Total R'000 | Unsecured R'000 |
|---|---|---|---|---|
| **2023** | | | | |
| ***Intercompany loans from securitised assets*** | | | | |
| Equipment finance | **282 532** | **282 532** | **282 532** | **-** |
| Capital equipment finance | **15 969** | **5 505** | **5 505** | **10 464** |
| | **298 501** | **288 037** | **288 037** | **10 464** |

| | | | | |
|---|---|---|---|---|
| **2022** | | | | |
| ***Intercompany loans from securitised assets*** | | | | |
| Equipment finance[1] | 279 445 | 279 445 | 279 445 | - |
| Capital equipment finance | 5 208 | 4 970 | 4 970 | 239 |
| | 284 653 | 284 415 | 284 415 | 239 |

## Notes to the financial statements *… continued*

### 26.3 Credit loss allowance analysis

#### 26.3.1 *Reconciliation of ECL on Intercompany loans from securitised assets at amortised cost by product*

| | Stage 1 R'000 | Stage 2 R'000 | Stage 3 R'000 | Total R'000 |
|---|---|---|---|---|
| **2023** | | | | |
| **Equipment Finance** | | | | |
| Credit loss allowance balance beginning of the year[1] | **48 841** | **6 119** | **170 047** | **225 007** |
| **Transfers between stages** | **(1 902)** | **2 413** | **33 955** | **34 466** |
| Stage 1 to Stage 2 | **(854)** | **-** | **-** | **(854)** |
| Stage 2 from Stage 1 | **-** | **7 916** | **-** | **7 916** |
| Stage 1 to Stage 3 | **(1 266)** | **-** | **-** | **(1 266)** |
| Stage 3 from Stage 1 | **-** | **-** | **31 035** | **31 035** |
| Stage 2 to Stage 1 | **-** | **(3 674)** | **-** | **(3 674)** |
| Stage 1 from Stage 2 | **171** | **-** | **-** | **171** |
| Stage 2 to Stage 3 | **-** | **(1 850)** | **-** | **(1 850)** |
| Stage 3 from Stage 2 | **-** | **-** | **5 594** | **5 594** |
| Stage 3 to Stage 1 | **-** | **-** | **(2 555)** | **(2 555)** |
| Stage 1 from Stage 3 | **47** | **-** | **-** | **47** |
| Stage 3 to Stage 2 | **-** | **-** | **(119)** | **(119)** |
| Stage 2 from Stage 3 | **-** | **21** | **-** | **21** |
| **Total Transfers** | **(12 085)** | **(270)** | **32 762** | **20 407** |
| ECL on new exposure raised | **12 398** | **2 102** | **3 682** | **18 182** |
| Subsequent changes in ECL | **(19 058)** | **(1 272)** | **37 643** | **17 313** |
| Change in ECL due to derecognition | **(5 425)** | **(1 100)** | **(8 563)** | **(15 088)** |
| Impaired accounts written off | **-** | **-** | **(47 954)** | **(47 954)** |
| **Credit loss allowance balance end of the year** | **34 854** | **8 262** | **188 810** | **231 926** |

[1] Prior periods by restatement, please refer to Note 30 for additional information.

# Notes to the annual financial statements *…continued*

### 26.3 Credit loss allowance analysis … *continued*

#### 26.3.1 *Reconciliation of ECL on Intercompany loans from securitised assets at amortised cost by product … continued*

| | Stage 1 R'000 | Stage 2 R'000 | Stage 3 R'000 | Total R'000 |
|---|---|---|---|---|
| **2022** | | | | |
| **Equipment Finance[1]** | | | | |
| Credit loss allowance balance beginning of the year | 49 922 | 10 765 | 181 732 | 242 419 |
| **Transfers between stages** | (1 237) | (5 169) | 23 330 | 16 924 |
| Stage 1 from Stage 2 | 330 | - | - | 330 |
| Stage 1 from Stage 3 | 96 | - | - | 96 |
| Stage 1 to Stage 2 | (654) | - | - | (654) |
| Stage 1 to Stage 3 | (1 009) | - | - | (1 009) |
| Stage 2 from Stage 1 | - | 3 537 | - | 3 537 |
| Stage 2 from Stage 3 | - | 29 | - | 29 |
| Stage 2 to Stage 1 | - | (4 697) | - | (4 697) |
| Stage 2 to Stage 3 | - | (4 038) | - | (4 038) |
| Stage 3 from Stage 1 | - | - | 17 915 | 17 915 |
| Stage 3 from Stage 2 | - | - | 10 467 | 10 467 |
| Stage 3 to Stage 1 | - | - | (4 911) | (4 911) |
| Stage 3 to Stage 2 | - | - | (141) | (141) |
| **Total Transfers** | **156** | **523** | **(4 907)** | **(4 228)** |
| ECL on new exposure raised | 17 128 | 1 548 | 2 226 | 20 902 |
| Subsequent changes in ECL | (11 283) | 409 | 3 455 | (7 419) |
| Change in ECL due to derecognition | (5 689) | (1 434) | (10 588) | (17 711) |
| Impaired accounts written off | - | - | (30 108) | (30 108) |
| **Credit loss allowance balance end of the year** | **48 841** | **6 119** | **170 047** | **225 007** |

[1] Prior periods by restatement, please refer to Note 30 for additional information.

## Notes to the annual financial statements *…continued*

### 26.3 Credit loss allowance analysis … *continued*

#### 26.3.1 *Reconciliation of ECL on Intercompany loans from securitised assets at amortised cost by product … continued*

| | Stage 1 R'000 | Stage 2 R'000 | Stage 3 R'000 | Total R'000 |
|---|---|---|---|---|
| **2023** | | | | |
| **Capital equipment Finance** | | | | |
| Credit loss allowance balance beginning of the year | 1 372 | 55 | 2 348 | 3 775 |
| **Transfers between stages** | 19 | (446) | 2 233 | 1 806 |
| Stage 1 to Stage 2 | (19) | - | - | (19) |
| Stage 2 from Stage 1 | - | 320 | - | 320 |
| Stage 1 to Stage 3 | (26) | - | - | (26) |
| Stage 3 from Stage 1 | - | - | 1 836 | 1 836 |
| Stage 2 to Stage 1 | - | (754) | - | (754) |
| Stage 1 from Stage 2 | 64 | - | - | 64 |
| Stage 2 to Stage 3 | - | (12) | - | (12) |
| Stage 3 from Stage 2 | - | - | 397 | 397 |
| Stage 3 to Stage 1 | - | - | - | - |
| Stage 1 from Stage 3 | - | - | - | - |
| Stage 3 to Stage 2 | - | - | - | - |
| Stage 2 from Stage 3 | - | - | - | - |
| **Total Transfers** | 1 235 | 943 | 808 | 2 986 |
| ECL on new exposure raised | 1 062 | 355 | 247 | 1 664 |
| Subsequent changes in ECL | 406 | 588 | 666 | 1 660 |
| Change in ECL due to derecognition | (233) | - | (105) | (338) |
| Impaired accounts written off | - | - | (471) | (471) |
| **Credit loss allowance balance end of the year** | 2 626 | 552 | 4 918 | 8 096 |

### 26.3 Credit loss allowance analysis … *continued*

#### 26.3.1 *Reconciliation of ECL on Intercompany loans from securitised assets at amortised cost by product … continued*

| | Stage 1 R'000 | Stage 2 R'000 | Stage 3 R'000 | Total R'000 |
|---|---|---|---|---|
| **2022** | | | | |
| **Capital equipment Finance** | | | | |
| Credit loss allowance balance beginning of the year | 3 575 | 815 | 6 369 | 10 758 |
| **Transfers between stages** | **(39)** | **(543)** | **512** | **(70)** |
| Stage 1 from Stage 2 | 13 | - | - | 13 |
| Stage 1 from Stage 3 | 4 | - | - | 4 |
| Stage 1 to Stage 2 | (13) | - | - | (13) |
| Stage 1 to Stage 3 | (43) | - | - | (43) |
| Stage 2 from Stage 1 | - | 35 | - | 35 |
| Stage 2 from Stage 3 | - | - | - | - |
| Stage 2 to Stage 1 | - | (570) | - | (570) |
| Stage 2 to Stage 3 | - | (8) | - | (8) |
| Stage 3 from Stage 1 | - | - | 1 075 | 1 075 |
| Stage 3 from Stage 2 | - | - | 62 | 62 |
| Stage 3 to Stage 1 | - | - | (625) | (625) |
| Stage 3 to Stage 2 | - | - | - | - |
| **Total Transfers** | **(2 164)** | **(217)** | **245** | **(2 136)** |
| ECL on new exposure raised | 410 | 17 | 38 | 465 |
| Subsequent changes in ECL | (1 970) | (229) | 324 | (1 875) |
| Change in ECL due to derecognition | (604) | (5) | (117) | (726) |
| Impaired accounts written off | - | - | (4 776) | (4 776) |
| **Credit loss allowance balance end of the year** | **1 372** | **54** | **2 349** | **3 776** |

# Notes to the annual financial statements *…continued*

### 26.3 Credit loss allowance analysis … *continued*

#### 26.3.1 *Reconciliation of ECL on Intercompany loans from securitised assets at amortised cost by product … continued*

| | Stage 1 R'000 | Stage 2 R'000 | Stage 3 R'000 | Total R'000 |
|---|---|---|---|---|
| **2023** | | | | |
| **Total Intercompany loans from securitised assets** | | | | |
| Credit loss allowance balance beginning of the year | 50 212 | 6 172 | 172 399 | 228 783 |
| **Transfers between stages[10]** | (1 882) | 1 968 | 36 186 | 36 272 |
| Stage 1 to Stage 2 | (872) | - | - | (872) |
| Stage 2 from Stage 1 | - | 8 236 | - | 8 236 |
| Stage 1 to Stage 3[5] | (1 292) | - | - | (1 292) |
| Stage 3 from Stage 1[3] | - | - | 32 871 | 32 871 |
| Stage 2 to Stage 1 | - | (4 429) | - | (4 429) |
| Stage 1 from Stage 2[4] | 235 | - | - | 235 |
| Stage 2 to Stage 3[6] | - | (1 862) | - | (1 862) |
| Stage 3 from Stage 2 | - | - | 5 991 | 5 991 |
| Stage 3 to Stage 1 | - | - | (2 557) | (2 557) |
| Stage 1 from Stage 3 | 47 | - | - | 47 |
| Stage 3 to Stage 2[1] | - | - | (119) | (119) |
| Stage 2 from Stage 3[2] | - | 23 | - | 23 |
| **Total Transfers** | (10 850) | 671 | 33 570 | 23 391 |
| ECL on new exposure raised | 13 460 | 2 457 | 3 929 | 19 846 |
| Subsequent changes in ECL[7] | (18 652) | (685) | 38 309 | 18 972 |
| Change in ECL due to derecognition[8] | (5 658) | (1 101) | (8 668) | (15 427) |
| Impaired accounts written off[9] | - | - | (48 424) | (48 424) |
| **Credit loss allowance balance end of the year** | 37 480 | 8 811 | 193 731 | 240 022 |

[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 1.6.
[4] Customers classified as credit-impaired. For the definition refer to accounting policies note 1.6.
[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 1.6.
[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.
[10] It is the Company'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.

# Notes to the annual financial statements *…continued*

### 26.3 Credit loss allowance analysis … *continued*

#### 26.3.1 *Reconciliation of ECL on Intercompany loans from securitised assets at amortised cost by product … continued*

| | Stage 1 R'000 | Stage 2 R'000 | Stage 3 R'000 | Total R'000 |
|---|---|---|---|---|
| **2022** | | | | |
| **Total Intercompany loans from securitised assets** | **53 496** | **11 580** | **188 101** | **253 177** |
| Credit loss allowance balance beginning of the year | | | | |
| **Transfers between stages[10]** | **(1 276)** | **(5 712)** | **23 842** | **16 854** |
| Stage 1 from Stage 2 | 343 | - | - | 343 |
| Stage 1 from Stage 3 | 100 | - | - | 100 |
| Stage 1 to Stage 2[5] | (667) | - | - | (667) |
| Stage 1 to Stage 3[3] | (1 052) | - | - | (1 052) |
| Stage 2 from Stage 1 | - | 3 572 | - | 3 572 |
| Stage 2 from Stage 3[4] | - | 29 | - | 29 |
| Stage 2 to Stage 1[6] | - | (5 267) | - | (5 267) |
| Stage 2 to Stage 3 | - | (4 046) | - | (4 046) |
| Stage 3 from Stage 1 | - | - | 18 990 | 18 990 |
| Stage 3 from Stage 2 | - | - | 10 529 | 10 529 |
| Stage 3 to Stage 1[1] | - | - | (5 536) | (5 536) |
| Stage 3 to Stage 2[2] | - | - | (141) | (141) |
| **Total Transfers** | **(2 008)** | **304** | **(4 661)** | **(6 365)** |
| ECL on new exposure raised | 17 538 | 1 565 | 2 265 | 21 368 |
| Subsequent changes in ECL[7] | (13 253) | 179 | 3 779 | (9 295) |
| Change in ECL due to derecognition[8] | (6 293) | (1 440) | (10 705) | (18 438) |
| Impaired accounts written off[9] | - | - | (34 883) | (34 883) |
| **Credit loss allowance balance end of the year** | **50 212** | **6 172** | **172 399** | **228 783** |

[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 1.6.
[4] Customers classified as credit-impaired. For the definition refer to accounting policies note 1.6.
[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 1.6.
[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.
[10] It is the Company’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.

# Notes to the annual financial statements *…continued*

**26.3.2** ***Credit impairment charges recognised in profit or loss***

| | 2023 R'000 | Restated[1] 2022 R'000 |
|---|---|---|
| Net ECL recognised | **60 302** | (11 751) |
| Intercompany loans from securitised assets | **60 248** | (11 751) |
| Trade and other receivables | **54** | - |
| Recoveries of Intercompany loans from securitised assets previously written off | **(7 586)** | (7 582) |
| | **52 716** | (19 333) |

[1] Prior periods by restatement, please refer to Note 30 for additional information.

## 27. 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 Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company'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 Company 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 Company believes that the management of liquidity should encompass an overall 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 Company'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 Company. 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 Company for managing liquidity risk are the Liquidity Coverage Ratio (LCR) which refers to the proportion of high quality liquid assets to meet the banks liquidity needs during a 30 calendar day liquidity stress. Also 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 Company'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 Company holds high-quality liquid assets comprising cash and cash equivalents.

# Notes to the financial statements … continued

### 27.1 Contractual maturity analysis

| 2023 | Carrying Amount R'000 | Gross Inflow/ Outflow R'000 | Less than 1 month R'000 | 1 – 3 months R'000 | 4 – 12 months R'000 | 1 – 2 years R'000 | 2 – 3 years R'000 | 3 – 4 years R'000 | 4 – 5 years R'000 | More than 5 years R'000 | Non contractual[1] R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Discounted maturity*** | | | | | | | | | | | | |
| **Assets** | | | | | | | | | | | | |
| Cash and cash equivalents | 427 041 | 427 041 | 427 041 | - | - | - | - | - | - | - | - | 427 041 |
| Trading assets | 2 917 | 2 917 | 2 917 | - | - | - | - | - | - | - | - | 2 917 |
| Trade and other receivables | 95 738 | 95 738 | 9 540 | - | - | - | - | - | - | - | 86 198 | 95 738 |
| Intercompany loans from securitised assets[2] | 4 073 075 | 4 118 054 | 30 212 | 15 353 | 224 889 | 703 841 | 1 097 440 | 1 105 286 | 935 148 | 5 887 | (44 981) | 4 073 075 |
| Current taxation asset | 42 052 | 42 052 | - | - | - | - | - | - | - | - | 42 052 | 42 052 |
| **Total assets** | **4 640 823** | **4 643 750** | **469 710** | **15 353** | **224 889** | **703 841** | **1 097 440** | **1 105 286** | **935 148** | **5 887** | **83 269** | **4 640 823** |
| ***Undiscounted maturity*** | | | | | | | | | | | | |
| **Liabilities** | | | | | | | | | | | | |
| Trading liabilities | - | - | - | - | - | - | - | - | - | - | - | - |
| Trade and other payables | 140 427 | 140 427 | 139 789 | - | - | - | - | - | - | - | 638 | 140 427 |
| Debt securities issued[2] | 3 720 138 | 4 613 989 | - | 266 570 | 429 253 | 974 818 | 1 077 379 | 629 882 | 1 236 087 | - | - | 4 613 989 |
| Long term loans | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred tax liability | 144 372 | - | - | - | - | - | - | - | - | - | 144 372 | 144 372 |
| Loans from entities in the group | 393 649 | 393 649 | 393 649 | - | - | - | - | - | - | - | - | 393 649 |
| **Total liabilities** | **4 398 586** | **5 148 065** | **533 438** | **266 570** | **429 253** | **974 818** | **1 077 379** | **629 882** | **1 236 087** | **-** | **145 010** | **5 292 437** |

The Company'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. The Company closely manages its liquidity positions by including various buffers into its daily liquidity monitoring reports.

[1] Non-contractual refers to non-financial instruments, the ECL on the financial instruments and non-performing loans on which legal proceedings have been initiated.

[2] The time bands previously reflected a 1-5 year bucket, however, this has been further disaggregated into a 1-2, 2-3, 3-4 and 4-5 year buckets to provide more useful information on maturity of items noted above.

## Notes to the financial statements *… continued*

### 27.1 Contractual maturity analysis … *continued*

| 2022 – Restated[1] | Carrying Amount R'000 | Gross Inflow/ Outflow R'000 | Less than 1 month R'000 | 1 – 3 months R'000 | 4 – 12 months R'000 | 1 – 2 years R'000 | 2 – 3 years R'000 | 3 – 4 years R'000 | 4 – 5 years R'000 | More than 5 years R'000 | Non contractual[3] R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Discounted maturity*** | | | | | | | | | | | | |
| **Assets** | | | | | | | | | | | | |
| Cash and cash equivalents[1] | 536 438 | 536 438 | 536 438 | - | - | - | - | - | - | - | - | 536 438 |
| Trading assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Trade and other receivables[1,2,3] | 79 126 | 79 126 | 17 870 | - | - | - | - | - | - | - | 61 256 | 79 126 |
| Intercompany loans from securitised assets[1,4] | 3 246 720 | 3 473 847 | 116 577 | 21 867 | 199 562 | 645 540 | 929 809 | 805 470 | 754 346 | 2 332 | (228 783) | 3 246 720 |
| Current taxation asset | 36 703 | - | - | - | - | - | - | | - | - | 36 703 | 36 703 |
| **Total assets** | **3 898 987** | **4 089 411** | **670 885** | **21 867** | **199 562** | **645 540** | **929 809** | **805 470** | **754 346** | **2 332** | **(130 824)** | **3 898 987** |
| ***Undiscounted maturity*** | | | | | | | | | | | | |
| **Liabilities** | | | | | | | | | | | | |
| Trading liabilities | 2 783 | 2 783 | 2 783 | - | - | - | - | | - | - | - | 2 783 |
| Trade and other payables[1,2,3] | 186 607 | 186 607 | 185 687 | - | - | - | - | | - | - | 920 | 186 607 |
| Debt securities issued[4] | 2 991 426 | 3 321 350 | - | 472 328 | 550 265 | 732 539 | 975 718 | - | 590 500 | - | - | 3 321 350 |
| Long term loans | 5 500 | 10 657 | 28 | 160 | 422 | - | - | 3 713 | - | 6 874 | - | 10 657 |
| Deferred tax liability | 134 382 | | - | - | - | - | - | | - | - | 134 382 | 134 382 |
| Loans from entities in the group | 334 185 | 334 185 | 334 185 | - | - | - | - | | - | - | - | 334 185 |
| **Total liabilities** | **3 654 883** | **3 855 582** | **522 683** | **472 488** | **552 687** | **732 539** | **975 718** | **3 713** | **590 50** | **6 874** | **135 302** | **3 989 964** |

[1] Prior periods by restatement, please refer to Note 30 for additional information.
[2] The amount was amended to more accurately reflect contractual financial instruments. There has been no impact on the primary statements
[3] Non-contractual refers to non-financial instruments, the ECL on the financial instruments and non-performing loans on which legal proceedings have been initiated.
[4] The time bands previously reflected a 1-5 year bucket, however, this has been further disaggregated into a 1-2, 2-3, 3-4 and 4-5 year buckets to provide more useful information on maturity of items noted above.

## Notes to the financial statements *... continued*

### 27.2 Discounted maturity analysis: Current and non-current

| | 2023 Current R'000 | 2023 Non-current R'000 | 2023 Total R'000 | Restated[1] 2022 Current R'000 | Restated[1] 2022 Non-current R'000 | Restated[1] 2022 Total R'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents[1] | **427 041** | **-** | **427 041** | 536 438 | - | 536 438 |
| Trading assets | **2 917** | **-** | **2 917** | - | - | - |
| Trade and other receivables[1] | **95 738** | **-** | **95 738** | 79 126 | - | 79 126 |
| Intercompany loans from securitised assets[1] | **323 192** | **3 749 883** | **4 073 075** | 281 624 | 2 965 096 | 3 246 720 |
| Current taxation asset | **42 052** | **-** | **42 052** | 36 703 | - | 36 703 |
| **Total assets** | **890 940** | **3 749 883** | **4 640 823** | 933 891 | 2 965 096 | 3 898 987 |
| **Liabilities** | | | | | | |
| Trading liabilities | **-** | **-** | **-** | 2 783 | - | 2 783 |
| Trade and other payables[1] | **140 427** | **-** | **140 427** | 186 607 | - | 186 607 |
| Debt securities issued | **684 853** | **3 035 285** | **3 720 138** | 1 013 522 | 1 977 904 | 2 991 426 |
| Long term loans | **-** | **-** | **-** | - | 5 500 | 5 500 |
| Deferred tax liability | **-** | **144 372** | **144 372** | - | 134 382 | 134 382 |
| Loans from entities in the Group | **393 649** | **-** | **393 649** | 334 185 | - | 334 185 |
| **Total liabilities** | **1 218 929** | **3 179 657** | **4 398 586** | 1 537 097 | 2 117 786 | 3 654 883 |

[1] Prior periods by restatement, please refer to Note 30 for additional information.

## 28. 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 Company'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 Company's market risks are:

- Interest rate risk – the risk of difference in the repricing characteristics of assets and liabilities.

***Management of Market Risk***

*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 Company has exposure to interest rate risk in respect of non-trading portfolios.

Overall authority for market risk is vested with ALCO. Company 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 Company as approved by CLEC, GRCMC and ALCO respectively.

***Exposure to Interest Rate Risk***

*Non-trading portfolios*

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

### 28.1 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 Company in derivative contracts and not its exposure to market or credit risks arising from such contracts.

***Interest rate swaps***

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

## Notes to the financial statements … continued

### 28.1 MARKET RISKS

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

| | Up to 1 month R'000 | 1-3 months R'000 | 4-12 months R'000 | 1-5 Years[3] R'000 | More than 5 years[3] R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| ASSETS | | | | | | |
| ***Non-trading portfolios*** | | | | | | |
| Cash and cash equivalents | **427 041** | **-** | **-** | **-** | **-** | **427 041** |
| Intercompany loans from securitised assets | **3 866 543** | **1 925** | **21 310** | **229 586** | **-** | **4 119 364** |
| **TOTAL ASSETS** | **4 293 584** | **1 925** | **21 310** | **229 586** | **-** | **4 546 405** |
| LIABILITIES | | | | | | |
| *Non-trading portfolios* | | | | | | |
| Debt securities issued | **-** | **3 720 138** | **-** | **-** | **-** | **3 720 138** |
| Long-term loans | **-** | **-** | **-** | **-** | **-** | **-** |
| Loans from Entities in the Group | **-** | **393 649** | **-** | **-** | **-** | **393 649** |
| **TOTAL LIABILITIES** | **-** | **4 113 787** | **-** | **-** | **-** | **4 113 787** |
| **NET PRICING GAP[2]** | **4 293 584** | **(4 111 862)** | **21 310** | **229 586** | **-** | **432 618** |
| **CUMULATIVE REPRICING GAP** | **4 293 584** | **181 722** | **203 032** | **432 618** | **432 618** | **432 618** |
| A 400 basis point interest rate change will have the following effect on profit/loss[1] | | | | | | |
| 400 bp parallel shock interest rate increase | **14 312** | **1 211** | **6 091** | | | **21 614** |
| 400 bp parallel shock interest rate decrease | **(12 507)** | **2 399** | **10 157** | | | **49** |

[1] During 2023 the sensitivity analysis was modified due to regulatory requirements to use 400 bps as a parallel shock rate compared to 200 bps in prior years.
[2] Management is comfortable with the net pricing gap when the up to 1 month and 1-3 months are assessed together.
[3]The 400 basis point interest rate change has been performed for the net pricing gap up to 12 months.

# Notes to the financial statements … continued

### 28.1 MARKET RISKS … *continued*

| | 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 |
|---|---|---|---|---|---|---|
| **2022 – Restated[1]** | | | | | | |
| ASSETS | | | | | | |
| ***Non-trading portfolios*** | | | | | | |
| Cash and cash equivalents[1] | 536 438 | - | - | - | - | 536 438 |
| Intercompany loans from securitised assets[1] | 3 163 167 | 1 338 | 10 168 | 72 047 | - | 3 246 720 |
| **TOTAL ASSETS** | **3 699 605** | **1 338** | **10 168** | **72 047** | **-** | **3 783 158** |
| LIABILITIES | | | | | | |
| ***Non-trading portfolios*** | | | | | | |
| Debt securities issued | - | 2 991 426 | - | - | - | 2 991 426 |
| Long-term loans | - | 5 500 | - | - | - | 5 500 |
| Loans from Entities in the Group[1] | - | 334 185 | - | - | - | 334 185 |
| **TOTAL LIABILITIES** | **-** | **3 331 111** | **-** | **-** | **-** | **3 331 111** |
| **NET PRICING GAP[2]** | 3 699 605 | (3 329 773) | 10 168 | 72 047 | - | 452 047 |
| **CUMULATIVE REPRICING GAP** | 3 699 605 | 369 832 | 380 000 | 452 047 | 452 047 | 452 047 |
| A 200 basis point interest rate change will have the following effect on profit/loss: | | | | | | |
| 200 bp parallel shock interest rate increase | 6 166 | (11 099) | 102 | 720 | - | (4 111) |
| 200 bp parallel shock interest rate decrease | (3 101) | 11 099 | (102) | (720) | - | 7 176 |

[1] Prior periods by restatement, please refer to Note 30 for additional information.
[2] Management is comfortable with the net pricing gap when the up to 1 month and 1-3 months are assessed together.

## Notes to the financial statements *… continued*

**28.2 Currency risk**

| *Analysis of Assets and Liabilities by Currency* | South African Rand R'000 | Total R'000 |
| --- | --- | --- |
| **2023** | | |
| **Assets** | | |
| Cash and cash equivalents | **427 041** | **427 041** |
| Trading assets | **2 917** | **2 917** |
| Trade and other receivables | **95 738** | **95 738** |
| Intercompany loans from securitised assets | **4 073 075** | **4 073 075** |
| Current Taxation Asset | **42 052** | **42 052** |
| **Total assets** | **4 640 823** | **4 640 823** |
| **Liabilities** | | |
| Trading liabilities | | |
| Trade and other payables | **140 427** | **140 427** |
| Debt securities issued | **3 720 138** | **3 720 138** |
| Long-term loans | **-** | **-** |
| Deferred tax liability | **144 372** | **144 372** |
| Loans from entities in the Group | **393 649** | **393 649** |
| **Total liabilities** | **4 398 586** | **4 398 586** |
| **2022 – Restated[1]** | | |
| **Assets** | | |
| Cash and cash equivalents[1] | 536 438 | 536 438 |
| Trading assets | - | - |
| Trade and other receivables[1] | 79 126 | 79 126 |
| Intercompany loans from securitised assets[1] | 3 246 720 | 3 246 720 |
| Taxation | 36 703 | 36 703 |
| **Total assets** | **3 898 987** | **3 898 987** |
| **Liabilities** | | |
| Trading liabilities | 2 783 | 2 783 |
| Trade and other payables[1] | 186 607 | 186 607 |
| Debt securities issued | 2 991 426 | 2 991 426 |
| Long-term loans | 5 500 | 5 500 |
| Deferred tax liability | 134 382 | 134 382 |
| Loans from entities in the Group | 334 185 | 334 185 |
| **Total liabilities** | **3 654 883** | **3 654 883** |

[1] Prior periods by restatement, please refer to Note 30 for additional information.

**28.3 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 |
| --- | --- | --- | --- | --- | --- |
| **2023** | | | | | |
| Interest rate swaps | **2 917** | **2 917** | **2 917** | **-** | **1 931 939** |
| **Total derivatives** | **2 917** | **2 917** | **2 917** | **-** | **1 931 939** |
| **2022** | | | | | |
| Interest rate swaps | (2 783) | (2 783) | - | (2 783) | 1 473 962 |
| **Total derivatives** | **(2 783)** | **(2 783)** | **-** | **(2 783)** | **1 473 962** |

## 29. 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 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.

## 30. CORRECTION OF PRIOR PERIOD ERRORS

Reconciliation and balance sheet substantiation processes were a key focus for management during the year under review. Through enhancements made to the financial control processes, amendments to certain disclosures and the year end review, the following material prior period errors were identified and adjusted for. The cash flow impacts of these adjustments have been included in the restatement of cash flows table below.

**Asset Finance balance sheet substantiation**

Through the balance sheet substantiation process, it was identified that certain balances and transactions were incorrectly accounted for in prior financial years.

The material errors identified related to the following:

***Legal costs in trade and other receivables***

Incorrect system entries resulted in the capitalisation of legal fees to trade and other receivables instead of these fees being expensed as credit impairment charges on write off of these loans. As a result, trade and other receivables to the value of R4.9 million were written off (R2.8 million relating to the 2022 statement of profit or loss and other comprehensive income and R2.1 million relating to the 2022 opening retained earnings).

In addition, in cases where legal fees had been capitalised on loans and advances that were already written off and subsequent legal fees were incurred to attempt to recover the outstanding balances; these legal fees were incorrectly capitalised to trade and other receivables, instead of being expensed as incurred. In correcting the error, these legal fees have now been expensed.

Further to the above, other unsubstantiated individually immaterial credit balances included in trade and other receivables have also been written off and included in the related column in the table below.

# Notes to the financial statements *... continued*

***Creditors control and sundry creditors in trade and other payables***

Unsubstantiated reconciling items were identified on the creditors control and on the sundry creditors control accounts, respectively.

Sundry creditors

Unsubstantiated reconciling items were identified on the sundry creditors account, this resulted in an increase in trade payables and a write off to statement of profit or loss and other comprehensive income of R8 million in 2022.

Creditors control

Unsubstantiated reconciling items were identified in the creditors control account (classified within trade payables), which resulted in an increase in trade payables of R6 million and a decrease in opening reserves in 2022 of R6 million.

In addition, the creditors control balance included debit balances related to trade and other receivables to the value of R3 million in 2022, of which R1 million relates to opening balances in 2022, which has subsequently been restated.

Additional items impacting trade and other payables have been restated. These items are individually immaterial and specific descriptions of the items have not been included in the narrative.

Refer to the section below titled "Capitalised Commissions included in trade and other payables" for additional items impacting trade and other payables.

***Cash and cash equivalents***

A misstatement was identified in the cash and cash equivalent balances as a result of incorrect reversals and processing of certain transactions. This resulted in the overstatement of R11.6 million in the cash and cash equivalents and retained earnings line items, respectively, on the statement of financial position for the 2022 opening balances. The errors were corrected through writing off the amounts to retained earnings as these errors impacted profit or loss in the years prior to the 2022 financial period.

As part of the reversal of the above entries in the 2022 reporting period, incorrect journal entries were processed which resulted in an overstatement of trade and other receivables and an understatement of the credit impairment charge of R5.8 million. These have been restated.

***Capitalised commissions included in trade and other payables***

Errors in relation to capitalised commissions arose from the incorrect allocation of evergreen income to capitalised commissions as opposed to other income in the statement of profit or loss; and the incorrect allocation of unrelated expenses to the capitalised commission account as opposed to being expensed in profit or loss.

This resulted in the overstatement of trade and other payables of R4 million, the understatement of opening retained earnings balances of R3.8 million and the understatement of other income of R0.2 million for the 2022 reporting period.

**Restatement of interest in suspense**

Interest on arrears balances or “late fee interest” was incorrectly excluded from the calculation of interest in suspense (ISP), which resulted in overstatements of interest income calculated using the effective interest method and credit impairment charges in the statement of profit or loss and other comprehensive income. Both the interest charged and related credit impairment charges were incorrectly overstated by R8.2 million in 2022.

Interest income on stage 3 assets was also incorrectly reversed to interest income calculated using the effective interest method for deals that have been cured or written off. This resulted in a misstatement of both the interest income calculated using the effective interest method and credit impairment charges line items which were both overstated by R7.1 million in 2022.

**System value-added tax**

In prior years, the system created erroneous VAT entries upon the transfer of loans between Sasfin Bank Limited and SASP as part of securitisations of capital equipment finance instalment deals. This resulted in the VAT receivable/payable balance being overstated in SASP and understated in Sasfin Bank Limited. The intercompany payable and receivable balances in Sasfin Bank Limited and SASP have also been overstated and understated respectively as a result of this error. The resulting VAT and intercompany company balances have been restated.

# Notes to the financial statements … continued

**Intercompany loans from securitised assets**

In the ordinary course of business, Sasfin Bank Limited sells equipment finance assets (previously recognised as part of loans and advances) to the Company. These sales are regarded as ‘true sales’ from a legal perspective.

An assessment performed in terms of IFRS 9 derecognition principles indicated that Sasfin Bank Limited retains substantially all the risks and rewards of ownership from an accounting perspective. As such it was an error that these loans and advances were derecognised in Sasfin Bank Limited and recognised in SASP.

The error in the accounting treatment resulted in prior periods (2022 and 2021) being retrospectively restated for the statement of financial position by reclassifying loans and advances to intercompany loans from securitised assets. This has no impact on the earnings, balances or underlying loans and advances.

**Statement of cash flows**

*Incorrect classification of loans from entities in the Group*

Loans from entities in the Group were incorrectly classified as cash flows from investing activities instead of cash flows from financing activities in the prior year.

These cash flows have been appropriately classified in financing activities on a gross basis as repayments of loans from entities in the group of R19 million and advances from loans from entities in the group of R11 million for the 2022 financial period.

*Incorrect classification of debt securities*

Settlement of and proceeds from the issuance of debt securities were incorrectly netted off and classified as cash flows from operating activities instead of being presented on a gross basis in cash flow from financing activities in the prior year. These cash flows have been appropriately classified in financing activities on a gross basis as settlement of debt securities of R1 billion and proceeds from issuance of debt securities of R1.3 billion for the 2022 financial period.

*Non-cash items*

Interest paid was amended to accurately reflect the cash interest paid. Furthermore, in calculating the cash inflow from operating activities the settlement profits (R16 million in 2022) was omitted. These errors have been corrected by restating each of the affected financial statement line items for the prior periods affected.

# Notes to the financial statements *... continued*

These errors have been corrected by restating each of the affected financial statement line items for the prior periods affected. The following tables summarise the impacts on the financial statements.

**Statement of Financial Position at 30 June 2022**

| | As previously reported R'000 | Asset finance reconciliation R'000 | Restatement of interest in suspense R'000 | System value-added tax correction R'000 | Intercompany loans from securitised assets R'000 | Cashflow restatement R'000 | Restated R'000 |
|---|---|---|---|---|---|---|---|
| **Statement of financial position** | | | | | | | |
| **ASSETS** | | | | | | | |
| Cash and cash balances | 548 064 | (11 626) | - | - | - | - | 536 438 |
| Trade and other receivables | 55 230 | (14 166) | - | 38 062 | - | - | 79 126 |
| Intercompany loans from securitised assets | - | - | - | - | 3 246 720 | - | 3 246 720 |
| Loans and advances | 3 245 063 | 1 657 | - | - | (3 246 720) | - | - |
| **Total assets** | **3 885 060** | **(24 135)** | **-** | **38 062** | **-** | **-** | **3 898 987** |
| **LIABILITIES** | | | | | | | |
| Trade and other payables | 144 265 | 4 280 | - | 38 062 | - | - | 186 607 |
| **Total liabilities** | **3 612 541** | **4 280** | **-** | **38 062** | **-** | **-** | **3 654 883** |
| **EQUITY** | | | | | | | |
| Reserves | 272 419 | (28 415) | - | - | - | - | 244 004 |
| **Total equity** | **272 519** | **(28 415)** | **-** | **-** | **-** | **-** | **244 104** |
| **Total liabilities and equity** | **3 885 060** | **(24 135)** | **-** | **38 062** | **-** | **-** | **3 898 987** |

## Notes to the financial statements *… continued*

***Statement of Profit or loss and other comprehensive income for the year ended 30 June 2022***

| | As previously reported R'000 | Asset finance reconciliation R'000 | Reallocation of interest income and interest expense R'000 | Restatement of interest in suspense R'000 | System value-added tax correction R'000 | Intercompany loans from securitised assets R'000 | Cashflow restatement R'000 | Restated R'000 |
|---|---|---|---|---|---|---|---|---|
| **Statement of comprehensive income** | | | | | | | | |
| **Continuing operations** | | | | | | | | |
| Interest income | 427 338 | - | - | (15 423) | - | - | - | 411 915 |
| **Net interest income** | 233 741 | - | - | (15 423) | - | - | - | 218 318 |
| **Other income** | 122 194 | 2 039 | - | - | - | - | - | 124 233 |
| **Total income** | 165 463 | 2 039 | - | (15 423) | - | - | - | 152 079 |
| Credit impairment charges | 12 286 | (8 372) | - | 15 423 | - | - | - | 19 337 |
| **Net income after impairments** | 177 749 | (6 333) | - | - | - | - | - | 171 416 |
| **Total operating costs** | (10 176) | (11 796) | - | - | - | - | - | (21 972) |
| Other operating expenses | (10 176) | (11 796) | - | - | - | - | - | (21 972) |
| **Profit for the year before income tax** | 167 573 | (18 129) | - | - | - | - | - | 149 444 |
| Income tax expense | (41 535) | - | - | - | - | - | - | (41 535) |
| **Profit for the year** | 126 038 | (18 129) | - | - | - | - | - | 107 909 |
| **Total comprehensive income for the year** | 126 038 | (18 129) | - | - | - | - | - | 107 909 |

## Notes to the financial statements *... continued*

***Statement of Financial Position at 1 July 2021***

| | As previously reported R'000 | Asset finance reconciliation R'000 | Restatement of interest in suspense R'000 | System value-added tax correction R'000 | Intercompany loans from securitised assets R'000 | Cashflow restatement R'000 | Restated R'000 |
|---|---|---|---|---|---|---|---|
| **Statement of financial position** | | | | | | | |
| **ASSETS** | | | | | | | |
| Cash and cash balances | 345 698 | (11 626) | - | - | - | - | 334 072 |
| Trade and other receivables | 115 054 | (3 719) | - | 21 722 | - | - | 133 057 |
| Intercompany loans from securitised assets | - | - | - | - | 3 083 318 | - | 3 083 318 |
| Loans and advances | 3 079 587 | 3 731 | - | - | (3 083 318) | - | - |
| **Total assets** | **3 559 657** | **(11 614)** | **-** | **21 722** | **-** | **-** | **3 569 765** |
| **LIABILITIES** | | | | | | | |
| Trade and other payables | 191 949 | (1 328) | - | 21 722 | - | - | 212 343 |
| **Total liabilities** | **3 373 176** | **(1 328)** | **-** | **21 722** | **-** | **-** | **3 393 570** |
| **EQUITY** | | | | | | | |
| Reserves | 186 381 | (10 286) | - | - | - | - | 176 095 |
| **Total equity** | **186 481** | **(10 286)** | **-** | **-** | **-** | **-** | **176 195** |
| **Total equity and liabilities** | **3 559 657** | **(11 614)** | **-** | **21 722** | **-** | **-** | **3 569 765** |

## Notes to the financial statements *… continued*

**Statement of cash flows for the period ended 30 June 2022**

| | As previously reported R'000 | Asset finance reconciliation R'000 | Restatement of interest in suspense R'000 | System value-added tax correction R'000 | Intercompany loans from securitised assets R'000 | Cashflow restatement R'000 | Restated R'000 |
|---|---|---|---|---|---|---|---|
| **Statement of cashflow** | | | | | | | |
| **Cash flows from operating activities** | | | | | | | |
| Interest received | 388 933 | - | (15 423) | - | - | - | 373 510 |
| Interest paid | (193 597) | - | - | - | - | 13 157 | (180 440) |
| Net trading and other income/(expense) | 142 239 | 2 039 | - | - | - | (15 980) | 128 298 |
| Cash payments to suppliers | (10 176) | (11 797) | - | - | - | - | (21 973) |
| **Cash inflow from operating activities** | 120 947 | (9 758) | (15 423) | - | - | (2 823) | 92 943 |
| **Cash flows from operating activities before changes in operating assets and liabilities** | 63 970 | (9 758) | (15 423) | - | - | (2 823) | 35 966 |
| **Changes in operating assets and liabilities** | 138 186 | 9 758 | 15 423 | - | - | (233 864) | (70 496) |
| Increase/decrease in loans and advances | (114 784) | (6 298) | 15 423 | - | 89 677 | 15 980 | - |
| Increase/decrease in intercompany loans from securitised assets | - | - | - | - | (89 677) | - | (89 677) |
| Increase/decrease in trade and other receivables | 59 822 | 10 449 | - | (16 340) | - | - | 53 931 |
| Increase/decrease in debt securities | 249 844 | - | - | - | - | (249 844) | - |
| Decrease in trade and other payables | (47 684) | 5 607 | - | 16 340 | - | - | (25 737) |
| **Net cash from operating activities** | 202 156 | - | - | - | - | (236 687) | (34 530) |

## Notes to the financial statements *… continued*

**Statement of cash flows for the period ended 30 June 2022 … *continued***

| | As previously reported R'000 | Asset finance reconciliation R'000 | Restatement of interest in suspense R'000 | System value-added tax correction R'000 | Intercompany loans from securitised assets R'000 | Cashflow restatement R'000 | Restated R'000 |
|---|---|---|---|---|---|---|---|
| **Cash flows from investing activities** | 210 | - | - | - | - | (210) | - |
| Decrease in advances made from entities in the group | 210 | - | - | - | - | (210) | - |
| **Cash flow from financing activities** | | | | | | 236 896 | 236 896 |
| Settlement of debt securities | - | - | - | - | - | (1 041 260) | (1 041 260) |
| Proceeds from issuance of debt securities | - | - | - | - | - | 1 286 000 | 1 286 000 |
| Repayments of loans from entities in the group | - | - | - | - | - | (18 773) | (18 773) |
| Advances from loans from entities in the group | - | - | - | - | - | 10 929 | 10 929 |
| **Net change in cash and cash equivalents** | **202 366** | - | - | - | - | - | **202 366** |
| Cash and cash equivalents at the beginning of the year | 345 698 | (11 626) | - | - | - | - | 334 072 |
| **Cash and cash equivalents at the end of the year** | **548 064** | **(11 626)** | **-** | **-** | **-** | **-** | **536 438** |

## 31. SUBSEQUENT EVENTS AND GOING CONCERN

### Subsequent events

The Company successfully re-financed R263 million in August 2023 in Class A notes. During November 2023, the Company did another successful re-financing of R323 million in Class A notes, R31 million in Class B notes and R25 million in Class C notes resulting in a total re-financing of R379 million.

### Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in sound financial position and that it has access to sufficient cash resources and borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or any pending changes to legislation which may affect the company.

## Glossary

| | |
|---|---|
| ALCO | Asset, and Liability and Investment Committee |
| CLEC | Credit and Large Exposures Committee |
| DANC | Directors Affairs and Nominations Committee |
| GAC | Group Audit and Committee |
| GIA | Group Internal Audit |
| GRCMC | Group Risk and Capital Management Committee |
| Priority of Payment | The order in which payments will be made to the company’s creditors and the holders of debt securities |
| REMCO | Human Resource and Remuneration Committee |
| Series guarantee | Series guarantee is the written deed executed by Series Security SPV Incorporated in favour of Series Secured Creditors |
| Series Indemnity | This is the written agreement entered between the issuer and the Series Security SPV incorporated in |
| Series Issuer | South African Securitisation Programme (RF) Limited |
| Series Secured Creditors | Creditors of the issuer as set out in the Priority of Payments that are party to Series Transaction Agreement |
| Series Security SPV | Security SPV Propriety Limited is the SPV incorporated in respect of SASP for the benefit of the noteholders |
| Series Transaction Agreement | Agreements entered between, among others, the issuer and one or more parties |
| Treasury | Sasfin Bank Limited's Treasury |