South African Securitisation Programme (RF) Limited

(Registration number:1991/002706/06)

Annual Financial Statements for the year ended 30 June 2020

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 Angela Pillay 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

Country of incorporation and domicile	South Africa
Directors	D Govender DP Towers E Deiner B Harmse
Registered office	29 Scott Street Waverley Johannesburg 2090
Postal address	PO Box 95104 Grant Park Johannesburg 2051
Controlling entity	Sasfin Bank Limited
Ultimate holding entitiy	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 Maitland Group South Africa Limited. The Company is controlled, administered and managed by Sasfin Bank Limited in accordance with IFRS.
Auditor	PriceWaterhouseCoopers Inc
Company secretary	Maitland Group South Africa 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	30 September 2020

Contents

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

The following supplementary information does not form part of the annual financial statements and is unaudited:

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

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) 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 in accordance with IFRS. Consequently, the day-to-day management and oversight of SASP are the responsibility of Sasfin Bank Limited. The Board therefore place reliance on the management and governance by the Sasfin Group in the execution of its duties and obligations towards SASP.

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.

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 2020 were approved by the Board and are signed on its behalf by:

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D Govender
Director
30 September 2020

DocuSigned by:
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DP Towers
Director
30 September 2020

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 2020, and that all such returns and notices as required of a public company are true, correct and up to date.

DocuSigned by:
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Maitland Group South Africa Limited
Company secretary
30 September 2020

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 2020.

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) 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.

3. Directorate and Changes to the Board

The Directors of the Company are:		Changes:	
D Govender	Non-executive	Appointed	21 February 2019
DP Towers	Independent Non-executive	Appointed	01 November 2011
E Deiner	Independent Non-executive	Appointed	25 April 2017
B Harmse	Independent Non-executive	Appointed	31 January 2013

4. Company Secretary

Maitland Group South Africa Limited was appointed as Company Secretary on 1 October 2011.

Postal address	PO Box 781396 Sandton Johannesburg 2146
Business address	18 Fricker Road Illovo Johannesburg 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.

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 Maitland Group South Africa Limited.

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

7. Dividends

The company declared, and paid preference share dividends of R62 million (2019: R45 million) during the current financial year.

8. Events after the reporting date

The Company successfully re-financed Series 1 notes of R263 million in August 2020.

Directors' report *… continued*

9. Directors Emoluments

Three directors of the Board of the 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.

10. Covid-19 considerations

The outbreak of the COVID-19 pandemic had a severe impact on the Expected Credit Losses recognised on Loans and advances, given its forward looking nature and the current uncertain economic outlook. The Company continues to maintain a strong cash position.

11. Special Resolutions

Special resolutions passed during the year are available for inspection.

12. Corporate Governance

The principles of the King Code on Corporate Governance (King IV) 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 principles are applied in the Group can be found on the Sasfin website, www.sasfin.com/investor-relations/#results-and- reports.

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	Experience
B Harmse (Chairman)	Appointed: 17 April 2013
E Deiner	Appointed: 25 April 2017
DP Towers	Appointed: 17 April 2013

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 twice on 29 August 2019 and 21 April 2020.

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;
- 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;
- 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;
- 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
- Recommended for re-election PricewaterhouseCoopers Inc (PwC) as the audit firm, with Vincent Tshikhovhokhovho as the engagement partner, for shareholder approval.

Audit committee report … *continued*

- 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 Inc. 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 Sasfln Group.

Audit committee report ... continued

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

Financial control and financial reporting

The Committee reviews the annual financial statements, 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 2017 JSE 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.

The Committee noted the JSE amendments to the listing requirements (effective 2 December 2019) together with the JSE guidance note dated the 17 July 2020, as it pertains specifically to the responsibility of the CEO and FD (of the Controlling company) to affirm the accuracy and completeness of the annual financial statements and the adequacy and efficacy of internal financial controls. This latter regulation is effective for the Bank's year-ended June 2021 annual financial statements.

Consideration was given the Annual JSE Proactive Monitoring report to ensure the integrity of the financial information in the annual financial statements. In this regard, the committee notes that the JSE had issued the company with a letter on its review of the 2019 annual financial statements. The issues raised related to matters of clarification as well as disclosure. These have been addressed with the JSE and appropriately dealt with in the current year's annual financial statements.

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;
- Proper accounting records have been maintained;
- Controls have ensured that the company's assets are safeguarded;
- The skills, independence, audit plan, reporting and overall performance of the external auditor are acceptable, and it recommends their next appointment in 2021.

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 Chief Financial Officer and Financial Director of Sasfin Bank Limited, with which the day-to-day management and oversight of SASP resides.

On behalf of the audit committee

DocuSigned by:

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B Harmse
Audit Committee Chairman
30 September 2020

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Independent auditor's report

To the Shareholders 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 as at 30 June 2020 (the Company), and its financial performance and 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) financial statements set out on pages 16 to 70 comprise:

- the statement of financial position as at 30 June 2020;
- 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).*

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Our audit approach

Overview

Overall materiality

- *R5,7 million, which represents 1% of income, which comprise of interest and similar income, fee and commission income, gains on financial instruments and other income.*

Key audit matters

- *Expected credit losses on loans and advances.*

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	*R 5,7 million.*
How we determined it	*1% of income, which is the aggregate of interest and similar income, fee and commission income, gains on financial instruments and other income.*
Rationale for the materiality benchmark applied	*We chose income as the benchmark, as this is the most suitable benchmark for the Company, due to the fact that the Company has a history of volatile profit before tax numbers and has a higher cost to income ratio in comparison to other profit-oriented businesses. Furthermore, income has remained consistent based on year on year comparison. We chose 1% which is consistent with quantitative materiality thresholds used when using income as the benchmark.*

Key audit matters

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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*
Expected credit losses on loans and advances At 30 June 2020, gross loans and advances amounted to R3.2 billion against which an expected credit loss ("ECL") of R254 million was recognised. Refer to the following accounting policies and notes to the financial statements for details: • *Note 1.6 (Financial instruments - Policy under IFRS 9);* • *Note 2.1 (Impact of the COVID-19 pandemic);* • *Note 2.2 (Critical estimates and judgements and restatements - Credit impairment of loans and advances);* • *Note 7 (Loans and advances); and* • *Note 26 (Credit risk)* The computation of the allowance for ECL requires significant judgement and assumptions to be applied by management. The impact of COVID-19 across the Company and the South African sovereign downgrade resulted in additional judgements and assumptions being applied as at 30 June 2020. In calculating the ECL in terms of the International Financial reporting Standards (IFRS) 9 - Financial Instruments ('IFRS 9'), the key areas of significant management judgement and assumptions included the following: • Determining whether evidence exists that there has been a significant increase in credit risk (SICR) since initial recognition of loans and advances by considering whether the debtors are flagged as high care and the number of days in arrears, taking into account the impact of COVID-19. • Determining the inputs to be used in the ECL model such as Probability of	Our audit procedures addressed the key areas of significant judgement and assumptions in determining the ECL on loans and advances as follows: Through e.g. the inspection of documentation, we obtained an understanding of the following management implemented controls over the credit systems and processes: • Information technology controls supporting credit systems and processes. • Relevant credit risk assessment controls that facilitate the identification and measurement of credit risk across lending products. • Review of the high care clients, annual review of credit files, approval of external collateral valuation vendors and approval of significant individual impairments. Evaluation of SICR Making use of our valuations expertise, we assessed the reasonableness of the SICR thresholds and assumptions applied in the ECL model by performing the following procedures: • We recalculated the ageing for a sample of loans and advances. • We selected a sample of Stage 1 and Stage 2 exposures and assessed whether the stage classification of these exposures was appropriate in terms of the Company's accounting policy for SICR at reporting date since the origination date of these exposures. • For payment holidays we tested whether the risk rating given to clients was purely due to COVID-19, or due to the fact that the client was experiencing financial difficulties prior to COVID-19. • We tested the performance of SICR thresholds applied and the resultant transfer rate into Stage 2 for SICR. This

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Default (PD), Loss given default (LGD), Exposure at default (EAD) and Time to default (TDD) that are used to estimate the ECL for each of Stage 1, Stage 2 and Stage 3. • Determination of the write-off point. The Company considers that to be the point at which there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that there is no realistic prospect of recovering the monies owed. • Determining the impact of the forward-looking information on the ECL. The forward-looking nature of the ECL model requires estimates about the macro-economic outlook. In light of the changing economic environment brought about by the sovereign downgrade and the COVID-19 pandemic, the macro-economic factors considered as part of the forward-looking information included the Gross Domestic Product (GDP), Consumer Price Index (CPI), Gross Fixed Investment and Unemployment rates. We considered the ECL on loans and advances to be a matter of most significance to our current year audit due to the following: • The degree of judgement and estimation applied by management in determining the ECL; • the uncertainty related to the unprecedented global and local economic stress due to the COVID-19 pandemic; • the magnitude of the ECL recognised; and • the effect that ECL has on loans and advances and on the Company's credit risk management processes.	included benchmarking of the volume of up to date accounts transferred to Stage 2 based on historical data. • We evaluated management's processes for identifying Stage 3 exposures by selecting a sample of exposures not classified at Stage 3 to assess whether the stage classification was in line with the Company's accounting policy for the definition of default for Stage 3 exposures. Based on the procedures described above, our audit evidence supported the inputs in the ECL which were found to be within an acceptable range in the context of IFRS 9. Evaluation of write-off point Making use of our valuation expertise, we evaluated the reasonableness of the write-off point applied in the model by performing the following procedures: • We assessed the point at which there was no reasonable expectation of further recovery against the requirements of IFRS 9. • We tested the application of the IFRS 9 write-off principles, including the exclusion of post write-off recoveries from the LGD as determined by management and by obtaining the approved write-off schedules to inspect whether the write-offs were approved. Based on our work performed, we accepted the write-off point applied by management. Inclusion of forward-looking information and macro-economic variables in the ECL Making use of our valuation expertise, we assessed the reasonableness of the forward looking information and macro-economic variables in the ECL by performing the following procedures: • We inspected market and industry data, and assessed it for correlation with the loans and advances book. We then tested managment's scenarios by making use of the macro-economic variables to recompute the ECL. • We assessed the reasonableness of the economic stresses used by management in estimating the impact of COVID-19 on

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	forward-looking information by considering historic LGD and PD sensitivity to the stress, and the historic correlation of PDs to lower income and lower GDP, as evidenced by changes in client behaviour. • We independently recalculated the ECL taking into consideration our assessment of the expected impact of COVID-19 on PDs. • We independently assessed the performance and sensitivity of the forward-looking model in order to evaluate whether the chosen macro-economic factors and model provide a reasonable representation of the impact of macro-economic changes on the ECL results. Assessment of ECL raised for individual exposures Where ECL has been raised for individual exposures, we performed the following procedures to assess the reasonableness of management's assessment of the recoverability of the exposure, and the reasonableness of the valuation of the collateral held: • For a sample of Stage 3 exposures, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level. Our assessment included evaluation of the assumptions against the industry in which the client operates, as well as the client's financial information. • For collateral held, we inspected legal agreements and other underlying documentation to assess the existence and the Company's legal right to the collateral held, as well as the realisability thereof. We noted no material exceptions in this regard. • The collateral valuation techniques applied by management were evaluated against the Company's valuation guidelines. Based on our work performed, we accepted management's assessment of the recoverability of the exposure and collateral held.

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	Calibrating of ECL statistical model components (PD, EAD, LGD) We assessed the reasonableness of the PD, EAD and LGD used in the ECL model by performing the following procedures: • We assessed the quality of the data used in the credit management, reporting and modelling process for completeness and accuracy through data analytics and substantive procedures, with specific focus on the appropriateness of assumptions made by management in determining the applicable macroeconomic inputs, credit ratings, EAD, PD, LGD and valuation of collateral in the current economic climate. • Through discussions and inspection of relevant documentation, we obtained an understanding of the methodologies and assumptions used by management in the various ECL model components and how these were calibrated to use historical information to estimate future cash flows. • We independently recalculated the ECL and derived a range of ECL values. Based on our work performed, we accepted the PD, EAD and LGD used in the ECL model.

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 2020"*, 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 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.

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

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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.

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 3 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Vincent Tshikhovhokhovho

Registered Auditor

Johannesburg

30 September 2020

Statement of financial position

at 30 June 2020

	Accounting Policy	Note	2020 R'000	2019 R'000
ASSETS				
Cash and cash balances	1.5	4	**334 302**	318 031
Trading assets	1.6	5.1	**877**	460
Trade and other receivables	1.6	6	**30 472**	76 696
Loans and advances	1.3	7	**2 968 245**	2 994 601
Current taxation asset	1.8		**8 134**	15 589
Total assets			**3 342 030**	3 405 377
LIABILITIES				
Trading liabilities	1.6	5.2	**12 278**	4 237
Trade and other payables	1.6	8	**64 273**	23 919
Debt securities issued	1.6	9	**2 743 823**	2 753 521
Long-term loans	1.6	10	**5 289**	5 500
Deferred tax liability	1.8	11	**58 661**	82 523
Loans from entities in the Group	1.6	22.2.1	**334 965**	345 109
Total liabilities			**3 219 289**	3 214 809
EQUITY				
Ordinary share capital	1.4	12	**100**	100
Reserves			**122 641**	190 468
Total equity			**122 741**	190 568
Total liabilities and equity			**3 342 030**	3 405 377

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2020

	Accounting Policy	Note	2020 R'000	2019 R'000
Interest and similar income	1.7.1	14	**447 938**	482 274
Interest and similar income calculated using the effective interest method			**451 943**	484 311
Other interest income			**(4 005)**	(2 037)
Interest and similar expense		15	**(270 674)**	(298 935)
Interest expense calculated using the effective interest method	1.7		**(270 674)**	(298 935)
Net interest income			**177 264**	183 339
Non-interest expense			**(55 503)**	(54 085)
Net fee and commission expense	1.7	16	**(170 320)**	(180 687)
Fee and commission income			**4 535**	2 992
Fee and commission expense	1.7		**(174 855)**	(183 679)
Gains and losses on financial instruments			**13 984**	25 045
Net gains or losses on the derecognition of financial instruments at amortised cost[1]	1.7	17	**13 984**	25 045
Other Income[1]		18	**100 833**	101 557
Total income			**121 761**	129 254
Credit impairment charges	1.6 & 2.2	26.3	**(120 759)**	(68 658)
Net income after impairments			**1 002**	60 596
Total operating costs			**(9 095)**	(5 619)
Other operating expenses		19	**(9 095)**	(5 619)
(Loss) / profit before income tax			**(8 093)**	54 977
Total income tax	1.8	20	**2 266**	(14 936)
(Loss) / profit for the year			**(5 827)**	40 041
Total comprehensive (loss) / income for the year			**(5 827)**	40 041
(Loss) / profit attributable to:			**(5 827)**	40 041
Preference shareholders			**62 000**	45 000
Ordinary shareholders			**(67 827)**	(4 959)

[1] *Refer to note 2.5 for information on the restatements.*

South African Securitisation Programme (RF) Limited

(Registration number: 1991/002706/06)
Annual financial statements for the year ended 30 June 2020

Statement of changes in equity

for the year ended 30 June 2020

	Ordinary share capital R'000	Distributable reserves R'000	Total ordinary shareholders' equity R'000	Preference share capital R'000	Total shareholders' equity R'000
2020					
Opening balance at 1 July 2019	100	190 468	190 568	-	190 568
Total comprehensive income for the year	-	(67 827)	(67 827)	62 000	(5 827)
Profit for the year	-	(67 827)	(67 827)	62 000	(5 827)
Transactions with owners recorded directly in equity					
Dividends to preference shareholders[1]	-	-	-	(62 000)	(62 000)
Balance at 30 June 2020	**100**	**122 641**	**122 741**	**-**	**122 741**
2019					
Opening balance at 1 July 2018	100	197 880	197 980	-	197 980
Changes on initial application of IFRS 9	-	(2 454)	(2 454)	-	(2 454)
Restated balance at 1 July 2018	100	195 426	195 526	-	195 526
Total comprehensive income for the year	-	(4 958)	(4 958)	45 000	40 042
Profit for the year	-	(4 958)	(4 958)	45 000	40 042
Transactions with owners recorded directly in equity					
Dividends to preference shareholders[1]	-	-	-	(45 000)	(45 000)
Balance at 30 June 2019	**100**	**190 468**	**190 568**	**-**	**190 568**

[1] Preference dividend per share of R26.667 million (2019: R15.000 million) were declared.

Statement of cash flows

for the year ended 30 June 2020

	Notes	2020 R'000	2019 R'000
Cash flows from operating activities			
Interest received		**447 938**	482 274
Interest paid		**(270 674)**	(298 935)
Fee and commission income received		**4 535**	2 992
Fee and commission expense paid		**(174 855)**	(183 679)
Net trading and other income		**110 812**	132 815
Cash payments to employees and suppliers		**(9 095)**	(5 619)
Cash inflow from operating activities	21.1	**108 661**	129 848
Taxation paid	21.2	**(14 140)**	(32 306)
Dividends paid	21.3	**(62 000)**	(45 000)
Cash flows from operating activities before changes in operating assets and liabilities		**32 521**	52 542
Changes in operating assets and liabilities		**(6 106)**	(173 547)
(Increase)/Decrease in loans and advances		**(94 403)**	299 097
(Increase)/Decrease in trading assets		**(417)**	11 586
Decrease/(Increase) in trade and other receivables		**46 223**	(109 408)
Increase in trading liabilities		**12 046**	4 237
Decrease in long-term funding		**(211)**	-
Decrease in debt securities		**(9 698)**	(361 911)
Increase/(Decrease) in trade and other payables		**40 354**	(17 148)
Net cash from operating activities		**26 415**	(121 005)
Cash flows from investing activities		**(10 144)**	(30 622)
Decrease in advances made from entities in the group[1]		**(10 144)**	(30 622)
Net increase/(decrease) in cash and cash balances		**16 271**	(151 627)
Cash and cash equivalents at the beginning of the year	4	**318 031**	469 658
Cash and cash balances at the end of the year		**334 302**	318 031

[1] Changes in funding under repurchase agreements and interbank in the prior year of R30.622 million are now disclosed as cash flows from investing activities as decreases in advances from group companies.

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 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.

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

The following standards, interpretations and amendments have been adopted without affecting the Company's previously reported financial results, disclosures or accounting policies and did not impact the Company's results upon transition:

- *Amendments to IFRS 9 - Prepayment Features with Negative Compensation* – In terms of IFRS 9, debt instruments can be measured at amortised cost or at fair value through other comprehensive income, subject to the contractual cash flows being "solely payments of principle and interest" on the principal amount outstanding (SPPI) and the instrument is held in an appropriate business model for that classification. This amendment to IFRS 9 clarifies that a financial asset passes the SPPI criteria irrespective of the event or circumstances that resulted in the early termination of the contracts and regardless of which party pays or receives the reasonable compensation for the early termination of the contract.

- *IFRIC 23 – Uncertainty over Income Tax Treatments* – This standard clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the annual financial statements.

  IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:
  - judgements made;
  - assumptions and other estimates used; and
  - the potential impact of uncertainties that are not reflected.

- *Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement* – This amendment addresses the accounting for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period.

- *Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures* – This amendment clarifies that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture, to which the equity method is not applied. It therefore implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

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.

Notes to the financial statements *… continued*

1.3 Leases

1.3.1 Company as the lessor

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

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

1.4 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.

1.4.2 Preference Share Capital as Equity

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

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

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

1.5 Cash and Cash Balances

Cash and cash balances are available for use by the Company unless otherwise stated and are accounted for at amortised cost in the annual financial statements.

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".

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; and
- the risks that affect the performance of each portfolio and the strategy for how those risks are managed.

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.

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;
- lease receivables; and
- loan commitments issued.

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 lease receivables, 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'.

Notes to the financial statements *… continued*

Measurement of ECL

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) or
- Time to Default (TTD)
- 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)

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 7 days and up to and including 30 days.

Clients in High Care are those that have shown signs of financial pressure because of the industry in which they operate and/or based on the available financial information, are experiencing financial difficulty.

Notes to the financial statements *... continued*

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:

- the debtor's business is subject to labour disputes or unresolved management problems that may affect its business, production or profitability;
- the debtor is experiencing delays or other unplanned adverse events results in cost overruns likely to require loan restructuring;
- the increase in the debtor's borrowings is not in proportion to the growth of the debtor's business;
- the debtor is experiencing difficulty with repaying obligations with other creditors; and
- indications that a debtor would enter into provisional or final liquidation or business rescue.

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

- up to date, and
- 3 consecutive payments paid on or before due date.

Should the debtor be defined as a “High Care” account, it will cure to Stage 2 and not Stage 1. Also, should the client still represent a SICR, curing may only take place to Stage 2.

For Distressed Restructured loans that were in default, there must be at least 6 consecutive monthly payments under the revised terms, in order to cure.

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

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

Write Off

Loans and advances 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.

Recoveries of amounts previously written off are included in ‘impairment losses on financial instruments’ 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.

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.

Notes to the financial statements *… continued*

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 enters into transactions whereby it transfers assets recognised on its Statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

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

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.

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 Related Income

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.

Notes to the financial statements ... continued

1.7 Revenue

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 finance lease receivable measured at amortised costs 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 loans and advances.

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

1.7.2 Non-Interest Income

Non-interest income comprises evergreens, settlement profits and sundry 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 revenue when it transfers control over a service to the customer. Fee and commission income is determined with reference to a contractually specified percentage of the cost of the office automation equipment underlying the rental finance agreements, and therefore do not require significant estimation. This is a once-off administration fee at the commencement of the rental finance transaction for the maintenance of the equipment leases. The Company is not required to perform any further actions and monies can also not be forfeited upon cancellation and/or settlement of the rental finance agreement. The performance obligation is satisfied 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.

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.

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 dependant 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.

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

Sasfin Bank Limited and the Company have instituted a claim relating to an alleged breach of a counterparty's obligations under various equipment and software leases. Management is confident about the prospects of recovery and is satisfied that the debtor is adequately impaired. The counterparty is defending the claim and has raised a counter-claim of approximately R56 million in respect of money already paid, for which it seeks a refund.

The Company is vigorously defending this counter-claim and is also pursuing a conditional third party indemnification against the defendant's former managing director.

It is not yet possible to reliably estimate the possible outcome of this matter at this point in time.

Sasfin Bank Limited and the Company have instituted a claim of approximately R10 million for a refund of monies which was collected pursuant to a judgement which was subsequently rescinded and referred to trial. Management regards the money as having been owed and has successfully resisted this claim .

In addition, 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 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 the Covid-19 pandemic

The economic impact of the outbreak of the Covid-19 pandemic significantly increased the overall level or estimation uncertainty and judgement applied by management. This is evident in the calculation and determination of the following items, which are explained in more detail below:

- Credit impairment of loans and advances has increased significantly.

2.2 Credit Impairment of Loans and Advances (refer note 7 and note 26)

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

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

- Stage 1: 12-month 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.

Given the forward-looking nature of the ECL model, estimates are also made and included in the ECL model for the Company's macro-economic outlook. One of the key macro-economic elements are changes to the prime interest rate.

In addition, the Company applies “expert judgement”, as referred to in accounting policy 1.6, to further refine the credit loss allowance. The adjustments based on expert judgement is subject to CLEC review and oversight.

Given the forward-looking nature of the ECL model, estimates are also made and included in the ECL model for the Company's macro-economic outlook. In 2019 one of the key macro-economic elements was changes to the prime interest rate. For the scenarios listed below for 2019 (refer next page), the average values of the prime interest rate over the then next 12 months, and over the remaining forecast period are provided.

Notes to the financial statements *… continued*

	Best		Expected		Worst		Blended	
	12 months	Life time	12 months	Life time	12 months	Life time	12 months	Life time
2020			%	%	%	%	%	%
Factors								
Gross Domestic Product	(1.92)	1.65	(6.24)	0.27	(12.2)	1.53	(7.71)	(0.18)
Consumer Price Index	3.07		3.47		4.30		3.68	
Gross Fixed Investment	(2.86)		(9.66)		(22.29)		(12.81)	
Unemployment	8.79		15.57		25.18		17.97	
Scenario probability	-		75		25		Combination[1]	
	R'000		**R'000**		**R'000**		**R'000**	
Impact on ECL[2]	**(23 657)**		**(8 633)**		**5 706**		**-**	

[1] *Combination of the expected scenario (75% weighting) and the worst case scenario (25% weighting).*
[2] The impact of forward looking information on the IFRS 9 provision is R39 million. The percentage change of the total IFRS 9 provision is 9% downward adjustment in a 100% best case scenario, 3% downward adjustment in a 100% expected scenario and 2% upward adjustment in a 100% worst case scenario.

	Up case		Expected		Lite down		Severe down		Probability weighted	
	12 months	Life time	12 months	Life time	12 months	Life time	12 months	Life time	12 months	Life time
2019	%	%	%	%	%	%	%	%	%	%
Factors										
Change in prime interest rate	(0.75)	(0.75)	0.25	0.25	0.50	0.50	0.75	0.75	0.2725	0.2725
Probability of Default	1.60	23.48	1.68	27.13	1.83	28.05	2.26	28.96	1.79	27.21
	R'000		**R'000**		**R'000**		**R'000**		**R'000**	
Impact on ECL	**(2 876)**		**(1 601)**		**681**		**6 829**		**170 254**	

The Company further applies judgement when determining whether a specific loan and /or advance has to be written off due to it not being recoverable.

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.

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.

2.5 Restatements

Management applied judgement to determine whether changes in presentation and disclosure from 2019 to the current were re-classification adjustments, or whether it constituted a correction of a prior period error.

2.5.1 Correction of prior year error in disclosure: Gains on the derecognition of financial assets recognised at amortised cost

IAS 1 requires separate disclosure of gains and losses arising from the derecognition of financial assets measured at amortised cost as a line item in the statement of comprehensive income. Previously settlement profits of R25.045 million were included as part of other income. Settlement profits comprise of gains and losses on the derecognition of loans and advances at amortised cost.

This correction in disclosure did not impact the Company's profit for the year and earnings per share. It further had not impact on the total non-interest revenue. This correction in disclosure had no impact on the statement of financial position and consequently the statement of financial position at 30 June 2018 is not restated. The correction in disclosure also had no impact on the statement of cash flows. The impact of this correction on the statement of profit or loss and other comprehensive income is set out in the table below.

	2019		
	As previously reported R'000	**Disclosure correction increase/(decrease) R'000**	**Restated R'000**
Statement comprehensive income			
Non-interest income	(54 085)	-	(54 085)
Fee and commission income	2 992	-	2 992
Fee and commission expense	(183 679)	-	(183 679)
Gains and losses on financial instruments	-	25 045	25 045
Net gains and losses on the derecognition of financial instruments at amortised cost	-	25 045	25 045
Other Income	126 602	(25 045)	101 557

Notes to the 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 2020, 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* 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. Amongst 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 annual financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are further required to be measured based only on the obligations created by the contracts. An entity will also be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. These amendments are not expected to have an impact on the Company.	Annual periods beginning on or after 1 January 2023.
IFRS 10 and IAS 28	*Sale or contribution of assets between an investor and its associate or joint venture* The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a ‘business’ under IFRS 3 *Business Combinations*. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors’ interests in the associate or joint venture is recognised. The definition of business is key to determining the extent of the gain to be recognised. These amendments are not expected to have an impact on the Company.	The effective date is deferred by the IASB pending the outcome of its research project on the equity method of accounting.
IFRS 3 amendments	*Definition of a Business* The amendment elaborates on the definition of a business and is aimed at providing further guidance to better distinguish between the acquisition of a business or a group of assets. *This amendment is not expected to have an impact on the Company.*	Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.
Updated references to the Conceptual Framework	*Changes to the references to the Conceptual Framework* When the IASB published the revised 'Conceptual Framework' in March 2018, it also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. *These amendments are not expected to have an impact on the Company.*	Annual periods beginning on or after 1 January 2020.

Notes to the financial statements *… continued*

Pronouncement	Title and details:	Effective Date
IAS 1 and IAS 8 amendments	*Updated materiality definition* The definition of "material" has been clarified and aligned with the definition used in the Conceptual Framework and in the various standards. This amendment is not expected to have an impact on the Company.	Annual periods beginning on or after 1 January 2020.
IFRS 9, IAS 39 and IFRS 7 - Phase 1 Amendments	*Interest Rate Benchmark Reform* These amendments address the potential effects from IBOR reform on financial reporting. These amendments are not expected to have a significant impact on the Company.	Annual periods beginning on or after 1 January 2020.
IFRS 16 Amendment	*Covid-19-Related Rent Concessions* Lessees are provided with an exemption from assessing whether a Covid-19-related rent concession is a lease modification. This amendment is not expected to have an impact on the Company.	Annual periods beginning on or after 1 June 2020.
IFRS 3 amendments	*Updating a reference to the Conceptual Framework* An outdated reference in IFRS 3 to the Conceptual Framework has been updated without any significant changes to its requirements. This amendment is not expected to have an impact on the Company.	Annual periods beginning on or after 1 January 2022.
IAS 37 amendments	*Onerous Contracts — Cost of Fulfilling a Contract* This amendment indicates which costs an entity should include as the costs of fulfilling a contract, when assessing whether a contract is onerous. This amendment is not expected to have an impact on the Company.	Annual periods beginning on or after 1 January 2022.
2018-2020 annual improvements cycle	*Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41* Changes were made to IFRS 1, First-time adoption of International Financial Reporting Standards, and IAS 41, Agriculture, which will have no impact on the Company. An illustrative example has been removed from IFRS 16 to prevent potential confusion regarding the treatment of lease incentives. This amendment is not expected to have an impact on the Company. *IFRS 9 has been amended to clarify the fees that an entity includes when determining whether the terms or a new or modified financial liability are substantially different from the terms of the original financial liability. This amendment is not expected to have an impact on the Company.*	Annual periods beginning on or after 1 January 2022.

Notes to the financial statements *… continued*

Pronouncement	Title and details:	Effective Date
IAS 16 amendments	*Proceeds before intended use* This amendment prohibits an entity from reducing the cost of an item of property, plant and equipment through deducting the proceeds from the sale of items produced whilst bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling such items and the costs of producing them are to be recognised in profit or loss. This amendment is not expected to have an impact on the Company.	Annual periods beginning on or after 1 January 2022.
IAS 1 amendments on classification	*Classification of liabilities as current or non-current* The amendments specify the requirements for classifying liabilities as either current or non-current. The amendments clarify: • The meaning of a right to defer settlement • That a right to defer must exist at the end of the reporting period • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification These amendments are not expected to have a significant impact on the Company.	Annual periods beginning on or after 1 January 2023.

All standards and interpretations relevant to the Company will be adopted at their effective date.

Notes to the financial statements … continued

		2020 R'000	2019 R'000
4.	**CASH AND CASH BALANCES**		
	Funds on call	**116 778**	99 079
	Fixed deposits[1]	**217 524**	218 952
		334 302	**318 031**

[1] In 2019 fixed deposits of R218.952 million were included as notice deposits. Since fixed deposits have an agreed duration, these are now separately disclosed in their own sub-category.

		Financial Assets		Financial Liabilities	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
5.	**TRADING ASSETS AND LIABILITIES**				
	Derivatives	**877**	460	12 278	4 237
		877	**460**	**12 278**	**4 237**

5.1	**Total trading assets**		
	Financial assets	**877**	**460**

5.2	**Total trading liabilities**		
	Financial liabilities	**12 278**	**4 237**

		2020 R'000	2019 R'000
6.	**TRADE AND OTHER RECEIVABLES**		
	Sundry receivables	**22 446**	17 880
	Receivables from companies in the Group[1]	**8 026**	58 817
	Net other receivables	**30 472**	**76 697**

[1] The receivables are unsecured, bear no interest, have no fixed repayment terms and are repayable on demand subject to 30 days written notice.

South African Securitisation Programme (RF) Limited

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Annual financial statements for the year ended 30 June 2020

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. LOANS AND ADVANCES							
2020							
Gross investment in leases	3 888 393	1 658 106	1 093 159	676 459	372 999	86 786	884
Equipment finance	3 578 011	1 539 108	1 006 465	619 108	335 495	76 951	884
Capital Equipment finance	310 383	118 998	86 694	57 351	37 504	9 836	-
Less: Unearned finance income	(665 854)	(342 303)	(193 714)	(93 650)	(30 261)	(5 825)	(100)
Equipment finance	(613 537)	(317 352)	(177 846)	(85 542)	(27 396)	(5 300)	(100)
Capital Equipment finance	(52 317)	(24 951)	(15 868)	(8 108)	(2 865)	(525)	-
Net investment in leases	3 222 539	1 315 803	899 444	582 809	342 738	80 961	783
Equipment finance	2 964 473	1 221 756	828 619	533 565	308 099	71 651	783
Capital Equipment finance	258 066	94 047	70 826	49 243	34 639	9 311	-
Loans and advances before expected credit losses	3 222 539						
Credit loss allowance (Refer note Credit Risk - Credit loss allowance analysis)	(254 294)						
Net loans and advances[1]	2 968 245						

[1] Loans and advances with a carrying amount of R2.968 billion (2019: R2.995 billion) have been ceded as security for the debt securities issued. Refer to note 9.

Notes to the financial statements *... continued*

	Total R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
2019				
Gross investment in leases	3 658 408	1 677 474	1 980 934	-
Equipment finance	3 447 156	1 561 163	1 885 993	-
Capital Equipment finance	211 252	116 311	94 941	-
Less: Unearned finance income	(493 553)	(174 464)	(319 089)	-
Equipment finance	(464 191)	(161 629)	(302 562)	-
Capital Equipment finance	(29 362)	(12 835)	(16 527)	-
Net investment in leases	3 164 855	1 503 010	1 661 845	-
Equipment finance	2 982 965	1 399 534	1 583 431	-
Capital Equipment finance	181 890	103 476	78 414	-
Loans and advances before expected credit losses	3 164 855			
Credit loss allowance (Refer note 26.3 - Credit loss allowance analysis)	(170 254)			
Net loans and advances[1]	**2 994 601**			

[1] Loans and advances with a carrying amount of R2.968 billion (2019: R2.995 billion) have been ceded as security for the debt securities issued. Refer to note 9.

The Company purchases participating assets, comprising rental and capital equipment finance contracts, from Sasfin Bank Limited that are subject to the eligibility criteria and portfolio covenants. All the risks and rewards of ownership of the assets have been transferred to SASP. The underlying equipments pertaining to the contracts serve as security for the loans. The interest payable on the loan is equal to the interest payable on each individual contract, net of impairment on such underlying contracts charged per statement of comprehensive income.

	2020 R'000	2019 R'000
8. TRADE AND OTHER PAYABLES		
Value Added Taxation	**6 230**	9 271
Audit fees and other services	**510**	500
Accounts payable	**16 148**	2 050
Other payables	**2 703**	3 642
Payables to entities in the Group[1]	**38 682**	8 456
	64 273	23 919

[1] The payables are unsecured, bear no interest, have no fixed repayment terms and are repayable on demand subject to 30 days written notice.

Notes to the financial statements … continued

		2020 R'000	2019 R'000
9.	**DEBT SECURITIES ISSUED**		
	Category analysis		
	Rated[1]	**2 743 823**	2 753 521

[1] 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, 7 and 1.9.

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.

	2020 R'000	2019 R'000
Held at amortised cost		
Class A notes (SLRA 1)	**-**	261 965
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.7300%. Scheduled maturity date is 15 September 2019.		
Class A notes (SLRA 2)	**278 297**	279 248
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.9800%. Scheduled maturity date is 15 August 2021.		
Class A notes (SLRA 3)	**359 750**	360 980
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 November 2020.		
Class A notes (SLRA 4)	**126 003**	126 434
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.		
Class A notes (SLRA 5)	**260 997**	-
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.7300%. Scheduled maturity date is 15 August 2022.		
Class A notes (LRFA 2)	**-**	282 886
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 2019.		

Notes to the financial statements *... continued*

9. DEBT SECURITIES ISSUED *... continued*	2020 R'000	2019 R'000
Class A notes (LRFA 3)	**281 874**	-
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.		
Class A notes (ERS3A27)	**231 630**	-
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.		
Class A notes (ERSA21)	**156 202**	156 719
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.8400%. Scheduled maturity date is 17 August 2020.		
Class A notes (ERSA23)	**-**	232 526
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 17 August 2019.		
Class A notes (ERSA24)	**108 792**	109 153
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 17 August 2020.		
Class A notes (ERSA25)	**283 165**	284 103
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.		
Class A notes (ERSA26)	**179 288**	179 882
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.4200%. Scheduled maturity date is 17 May 2022.		
Class B notes (LRFB2)	-	53 074
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 20 November 2019.		
Class B notes (LRFB3)	**52 863**	-
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.		
Class B notes (SLRB1)	-	30 359
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.1300%. Scheduled maturity date is 15 September 2019.		

Notes to the financial statements *... continued*

9.	DEBT SECURITIES ISSUED *... continued*	2020 R'000	2019 R'000
	Class B notes (SLRB2)	**45 389**	45 544
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.2300%. Scheduled maturity date is 15 August 2021.		
	Class B notes (SLRB3)	**31 269**	31 376
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.2500%. Scheduled maturity date is 15 November 2020.		
	Class B notes (SLRB4)	**37 323**	37 451
	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 2020.		
	Class B notes (SLRB5)	**30 243**	-
	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.		
	Class B notes (ERS3B4)	**-**	100 099
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.8500%. Scheduled maturity date is 17 August 2019.		
	Class B notes (ERS3B6)	**16 122**	16 176
	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 17 May 2022.		
	Class B notes (ERS3B7)	**99 726**	-
	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 17 August 2022.		
	Class C notes (ERS3C4)	**-**	35 410
	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 August 2019.		
	Class C notes (ERS3C6)	**6 049**	6 069
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.1500%. Scheduled maturity date is 17 May 2022.		
	Class C notes (LRFC2)	**-**	17 704
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.3500%. Scheduled maturity date is 20 November 2019.		

Notes to the financial statements *... continued*

9. DEBT SECURITIES ISSUED *... continued*	2020 R'000	2019 R'000
Class C notes (LRFC3)	**17 624**	-
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.		
Class C notes (SLRC1)	**-**	35 455
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.9400%. Scheduled maturity date is 15 September 2019.		
Class C notes (SLRC2)	**20 197**	20 265
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 3.1500%. Scheduled maturity date is 15 August 2021.		
Class C notes (SLRC3)	**25 231**	25 317
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 2.6800%. Scheduled maturity date is 15 November 2020.		
Class C notes (SLRC4)	**25 238**	25 324
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.		
Class C notes (SLRC5)	**35 292**	-
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.		
Class C notes (ERS3C7)	**35 259**	-
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1 000 000 each. The notes bear interest at 3-month JIBAR plus 1.5500%. Scheduled maturity date is 17 August 2022.		
Total	**2 743 823**	**2 753 521**

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 equipments 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 independant 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.

Notes to the financial statements ... continued

			2020 R'000	2019 R'000
10.	**LONG-TERM LOANS**			
	Represented by:	**Repayment Date**		
	The Hollard Insurance Company Limited	17 August 2022	**5 289**	5 500
	Total		**5 289**	**5 500**

The long-term loan is unsecured, bears interest at JIBAR plus 7% and matures on the 17 August 2022.

		2020 R'000	2019 R'000
11.	**DEFERRED TAX ASSETS AND LIABILITIES**		
	Deferred tax liability	**(58 661)**	(82 523)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2020		2019	
	Liabilities R'000	Net R'000	Liabilities R'000	Net R'000
Equipment finance	**(118 910)**	**(118 910)**	(118 035)	(118 035)
Provisions	**60 249**	**60 249**	35 512	35 512
Net tax assets/(liabilities)	**(58 661)**	**(58 661)**	**(82 523)**	**(82 523)**

Movements in temporary differences during the year

	Balance at 1 July R'000	IFRS 9 transition - day 1 R'000	Recognised in profit or loss R'000	Balance at 30 June R'000
2020				
Equipment finance	**(118 035)**	**-**	**(875)**	**(118 910)**
Provisions	**35 512**	**-**	**24 737**	**60 249**
	(82 523)	**-**	**23 861**	**(58 661)**

Movements in temporary differences during the year

	Balance at 1 July R'000	IFRS 9 transition - day 1 R'000	Recognised in profit or loss R'000	Balance at 30 June R'000
2019				
Equipment finance	(84 487)	-	(33 548)	(118 035)
Provisions	7 967	954	26 591	35 512
	(76 520)	**954**	**(6 957)**	**(82 523)**

Notes to the financial statements ... continued

		2020 R'000	2019 R'000
12.	**ORDINARY SHARE CAPITAL**		
	Authorised[1, 2]		
	100,000 (2019: 100,000) ordinary shares of R1 each	100	100
	Issued[2]		
	100,000 (2019: 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**

1 The number of authorised shares have been updated to agree with the Memorandum of Incorporation for both the current and prior reporting periods.
2 The par value of the authorised and issued shares have been updated to agree with the Memorundum of Incorporation for both the current and prior reporting periods.

		2020 R'000	2019 R'000
13.	**PREFERENCE SHARE CAPITAL**		
	Authorised preference share capital		
	100 (2019: 100) non-cumulative, redeemable preference shares of no par value[1]	-	-
	Issued preference share capital		
	3 (2019: 3) non-cumulative, redeemable preference shares of no par value[1]		
	Balance at the beginning of the year	1	1
	Balance at the end of the year	1	1

1 The description and number of the authorised and issued shares have been updated to agree with the Memorundum of Incorporation for both the current and prior reporting periods.

		2020 R'000	2019 R'000
14.	**INTEREST INCOME**		
	Interest income calculated using the effective interest method	**451 943**	484 311
	Deposits with banks	**18 529**	25 374
	Equipment finance	**406 151**	421 448
	Capital Equipment finance	**27 263**	37 489
	Other interest income	**(4 005)**	(2 037)
	Trading assets and other	**(4 005)**	(2 037)
		447 938	482 274

Notes to the financial statements ... continued

		2020 R'000	2019 R'000
14.	**INTEREST INCOME ... *continued***		
	Total interest income	**447 938**	482 274
	Interest income on items measured at amortised cost	**451 943**	476 062
	- Performing financial assets	**447 910**	460 385
	- Credit impaired financial assets	**4 033**	15 677
	Interest income on items measured at fair value through profit or loss	**(4 005)**	6 212

		2020 R'000	2019 R'000
15.	**INTEREST EXPENSE**		
	Interest expense calculated using the effective interest method	**270 674**	298 935
	Loans from entities in the Group	**46 039**	52 070
	Debt securities	**223 885**	246 087
	Long-term borrowings	**750**	778
		270 674	298 935

		2020 R'000	2019 R'000
16.	**NET FEE AND COMMISSION EXPENSE**		
	Fee and commission income	**4 535**	2 992
	Administration fees	**84**	-
	Other fee and commission income	**4 451**	2 992
	Fee and commission expense	**174 855**	183 679
	Fee and commission expense: Revenue share expense	**117 161**	119 602
	Other fee and commission expense	**-**	(13)
	Commission expense	**10 236**	13 527
	Administration fee expense	**47 458**	50 563
	Net fee and commission expense	**(170 320)**	(180 687)

		2020 R'000	2019 R'000
17.	**GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**		
	Net gains or losses on the derecognition of financial instruments at amortised cost		
	Settlement profits[1]	**13 984**	25 045
	Total gains and losses on financial instruments	**13 984**	**25 045**

[1] Settlement profits comprises gains or losses on the derecognition of Loans and advances and were previously disclosed and presented as part of Other income. Refer to note 18.

		2020 R'000	2019 R'000
18.	**OTHER INCOME[1]**		
	Income received on Evergreens	**100 559**	101 557
	Sundry income	**274**	-
		100 833	101 557

[1] Other income previously included Settlement profits. Settlement profits comprises gains or losses on the derecognition of Loans and advances and is now disclosed and presented as part of Gains and losses on financial instruments. Refer to note 17.

Notes to the financial statements *… continued*

		2020 R'000	2019 R'000
19.	**OTHER OPERATING EXPENSES**		
	The following items are included in operating expenses:		
	Fees paid to auditors	**533**	379
	Audit fees - Current year	**533**	379
	Consulting fees	**213**	93

		2020 R'000	2019 R'000
20.	**INCOME TAX EXPENSE**		
	Current tax expense	**21 595**	7 980
	Current year	**21 595**	8 438
	Over provision in prior years	**-**	(458)
	Deferred tax expense	**23 861**	6 956
	Current year	**23 861**	6 956
		(2 266)	14 936
	Reconciliation of taxation rate	**%**	**%**
	South African normal tax rate	**28,00%**	28,00%
	Adjusted for:		
	Over provision in prior years	**-**	(0,83%)
	EFFECTIVE RATE	**28,00%**	27,17%

		2020 R'000	2019 R'000
21.1	**Cash inflow from operating activities**		
	Reconciliation of operating profit to cash flows from operating activities		
	(Loss) / Profit before income tax	**(8 093)**	54 978
	Impairment charges on loans and advances	**120 759**	68 658
	Fair value adjustments on financial instruments	**(4 005)**	6 212
		108 661	**129 848**

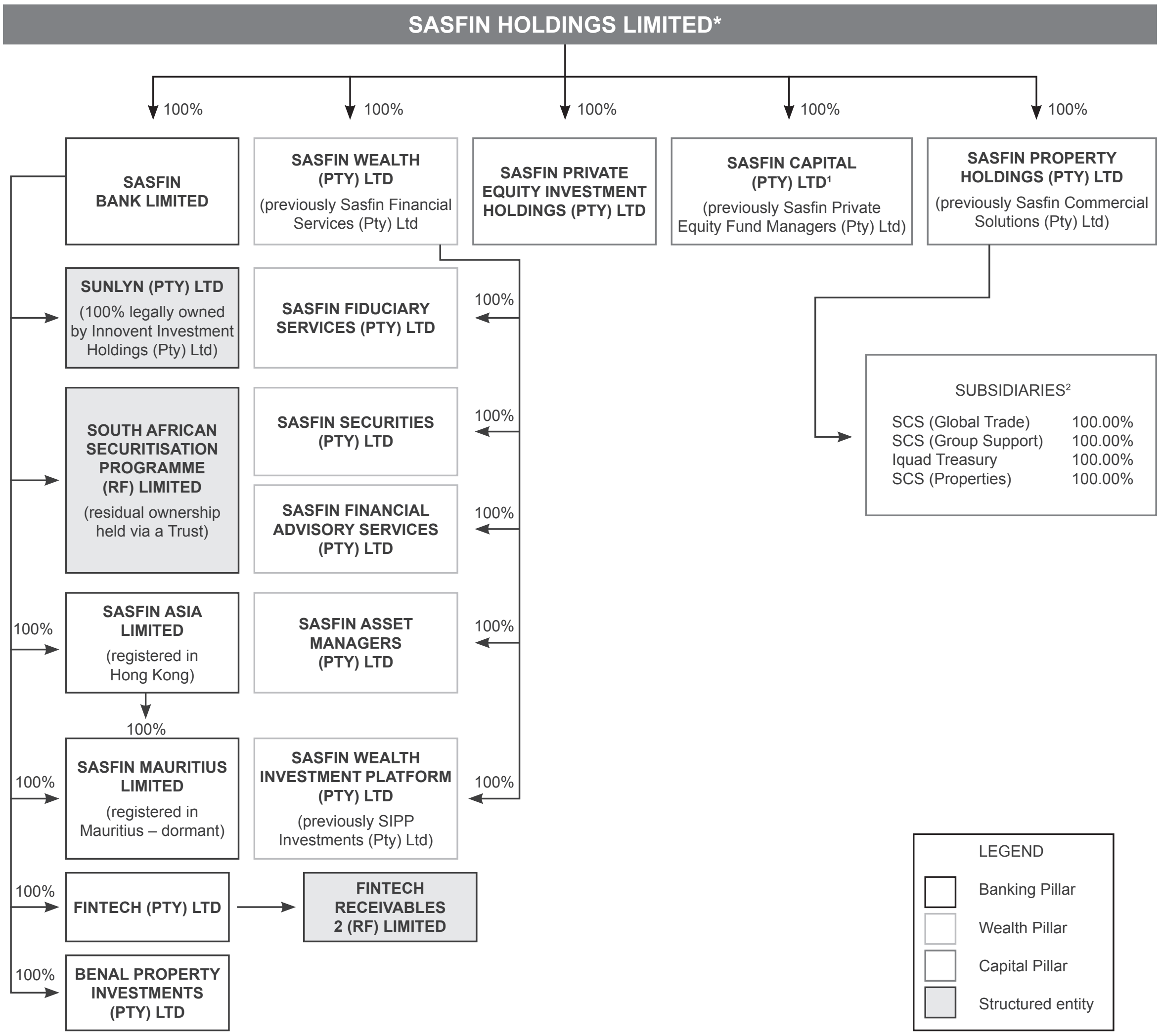
		2020 R'000	2019 R'000
21.2	**Taxation paid**		
	Unpaid at the beginning of the year	**15 589**	(8 737)
	Charge to the income statement	**(21 595)**	(7 980)
	Unpaid at the end of the year	**(8 134)**	(15 589)
		(14 140)	**(32 306)**

Notes to the financial statements *… continued*

		2020 R'000	2019 R'000
21.3	**Dividends paid**		
	Charge to distributable reserves	62 000	45 000
	Total dividends paid	62 000	45 000

22. RELATED PARTY TRANSACTIONS

Subsidiaries and controlled structured entities



[1] *Sasfin Capital (Pty) Ltd was unbundled to Sasfin Holdings Limited on 1 July 2017.*
* *Significant shareholders of Sasfin Holdings Limited*
– Unitas Enterprises Limited (2020: 42.36%; 2019: 42.36%), a wholly owned company of The Erwin Discretionary Settlement Trust, of which Roland Sassoon and Michael Sassoon are beneficiaries.
– Wipfin Investments (Pty) Limited (2020 and 2019: 25.1%), a wholly owned subsidiary of Women Investment Portfolio Holdings Limited (WIPHOLD)
[2] *HRS Administrators (Pty) Ltd was previously a subsidiary (51% owned) and became an associate on 1 April 2020. Refer to note 38.5.1.*
All entities are incorporated in South Africa unless otherwise indicated.

Notes to the financial statements ... continued

22.1 Key management personnel and related remuneration

Directors' and Prescribed officers remuneration	Cash package[1] R'000	Other benefits[2] R'000	Incentive bonus[3] R'000	Total R'000
2020				
Non-executive directors				
D Govender	2 110 743	324 033	355 000	2 789 776
	2 110 743	**324 033**	**355 000**	**2 789 776**
Maitland Group South Africa Limited				
Board of director fees[4]	374 324	-	-	374 324
	374 324	**-**	**-**	**374 324**
Prescribed officers				
A Pillay	3 641 471	630 865	915 000	5 187 336
M Sassoon	2 780 927	563 915	705 500	4 050 342
	6 422 398	**1 194 780**	**1 620 500**	**9 237 678**

[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 2019 financial year.
[4] Director fees for DP Towers, D Deiner and B Harmse are paid to an independent service provider (Maitland Group South Africa). These directors are employed by Maitland Group South Africa on a separate basis.

Directors' and Prescribed officers remuneration				
2019				
Non-executive directors				
D Govender	1 695 376	253 306	-	1 948 682
	1 695 376	**253 306**	**-**	**1 948 682**

[1] The remuneration of the Director is paid by the Controlling Company.
[2] Other benefits comprise: provident fund, medical aid, group life, company car, cash-settled share options and sign-on bonuses.

22.2 Related party transactions

22.2.1 Loans from entities in the group

	2020 R'000	2019 R'000
Loans from controlling company		
Sasfin Bank Limited	(334 965)	(345 109)
Total loans from entities in the Group	**(334 965)**	**(345 109)**

The loans are subordinated, secured and bear interest at rates 3 month JIBAR plus a percentage agreed upon. These loans are repayable on the maturity date of the respective financing of the notes.

Notes to the financial statements *... continued*

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

	2020 R'000	2019 R'000
(Payables to) / receivables from controlling company		
Sasfin Bank Limited	(29 782)	31 740
(Payables to) / receivables from fellow subsidiaries		
Fintech (Pty) Ltd	(874)	19 081
Total (Payables) / receivables with entities in the Group	**(30 656)**	50 822

22.2.3 Trading assets with entities in the group

	2020 R'000	2019 R'000
Trading assets/ (liabilities) with Controlling company		
Sasfin Bank Limited	877	460
Total trading assets with entities in the Group	**877**	460

* The company has a prime/JIBAR interest rate swap with Sasfin Bank Limited. This swap is measured at arms length.

22.2.4 Transactions with holding companies, subsidiaries and fellow subsidiaries

	2020 R'000	2019 R'000
Controlling company		
Interest received	18 529	25 371
Interest paid	(46 040)	(50 567)
Administration fees paid*	(47 458)	(47 960)
Dividends paid	(62 000)	(45 000)
Interest received on interest rate swaps	6 611	4 176
Management fees*	(1 907)	(2 129)
Revenue share*	(117 161)	(119 602)
	(249 426)	**(235 711)**
Fellow subsidiaries		
Fintech (Pty) Ltd		
Fee and Commission Expense	(10 236)	(13 500)

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

22.2.5 Cash and cash balances with entities in the Group

	2020 R'000	2019 R'000
Cash and cash balances with controlling company		
Sasfin Bank Limited	322 203	315 485
Total cash and cash balances with entities in the Group	**322 203**	315 485

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
2020						
Cash and cash balances	334 302	-	-	334 302	-	334 302
Trading assets	877	877	877	-	-	877
Trade and other receivables	30 472	-	-	30 472	-	30 472
Loans and advances	2 968 245	-	-	2 968 245	-	2 968 245
Current taxation asset	8 134	-	-	-	8 134	8 134
Total Assets	**3 342 030**	**877**	**877**	**3 333 019**	**8 134**	**3 342 030**
LIABILITIES						
2020						
Trading liabilities	12 278	12 278	12 278	-	-	12 278
Trade and other payables	64 273	-	-	64 273	-	64 273
Debt securities issued	2 743 823	-	-	2 743 823	-	2 743 823
Long term loans	5 289	-	-	5 289	-	5 289
Deferred tax liability	58 661	-	-	-	58 661	58 661
Loans form entities in the Group	334 965	-	-	334 965	-	334 965
Total liabilities	**3 219 289**	**12 278**	**12 278**	**3 148 350**	**58 661**	**3 219 289**

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
2019						
Cash and cash balances	318 031	-	-	318 031	-	318 031
Trading assets	460	460	460	-	-	460
Trade and other receivables	76 696	-	-	76 696	-	76 696
Loans and advances	2 994 601	-	-	2 994 601	-	2 994 601
Current taxation asset	15 589	-	-	-	15 589	15 589
Total Assets	**3 405 377**	460	460	3 389 328	15 589	**3 405 377**

LIABILITIES						
2019						
Trading liabilities	4 237	4 237	4 237	-	-	4 237
Trade and other payables	23 919	-	-	23 919	-	23 919
Debt securities issued	2 753 521	-	-	2 753 521	-	2 753 521
Long term loans	5 500	-	-	5 500	-	5 500
Deferred tax liability	82 523	-	-	-	82 523	82 523
Loans form entities in the Group	345 109	-	-	345 109	-	345 109
Total liabilities	**3 214 809**	**4 237**	**4 237**	**3 128 049**	**82 523**	**3 214 809**

Notes to the financial statements *... continued*

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

24.1 Financial assets and liabilities measured at fair value

	2020		2019	
	Level 2 R'000	Fair value R'000	Level 2 R'000	Fair value R'000
Recurring fair value measurements				
Financial Assets	877	877	460	460
Trading assets	877	877	460	460
Trading liabilities	12 278	12 278	4 237	4 237
Trading liabilities	12 278	12 278	4 237	4 237

24.2 Financial assets and financial liabilities not measured at fair value

2020	Fair Value Level 1 R'000	Level 2 R'000	Level 3 R'000	Total Fair Value R'000	Amortised Cost R'000
Financial assets	**-**	**334 302**	**2 998 717**	**3 333 019**	**3 333 019**
Cash and cash balances	**-**	**334 302**	**-**	**334 302**	**334 302**
Trade and other receivables	**-**	**-**	**30 472**	**30 472**	**30 472**
Loans and advances	**-**	**-**	**2 968 245**	**2 968 245**	**2 968 245**
Financial liabilities	**2 743 823**	**-**	**404 527**	**3 148 350**	**3 148 350**
Trade and other payables	**-**	**-**	**64 273**	**64 273**	**64 273**
Debt securities issued	**2 743 823**	**-**	**-**	**2 743 823**	**2 743 823**
Long-term loans	**-**	**-**	**5 289**	**5 289**	**5 289**
Loans from entities in the Group	**-**	**-**	**334 965**	**334 965**	**334 965**

2019	Fair Value Level 1 R'000	Level 2 R'000	Level 3 R'000	Total Fair Value R'000	Amortised Cost R'000
Financial assets	-	318 031	3 071 297	3 389 328	3 389 328
Cash and cash balances	-	318 031	-	318 031	318 031
Trade and other receivables	-	-	76 696	76 696	76 696
Loans and advances	-	-	2 994 601	2 994 601	2 994 601
Financial liabilities	2 753 521	-	374 528	3 128 049	3 128 049
Trade and other payables	-	-	23 919	23 919	23 919
Debt securities issued	2 753 521	-	-	2 753 521	2 753 521
Long-term loans	-	-	5 500	5 500	5 500
Loans from entities in the Group	-	-	345 109	345 109	345 109

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.

Notes to the financial statements … *continued*

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

The 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 Company 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"), the Board Sub-committee and the Board.
- Third line: The GIA function provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and reports directly to the GACC. The GACC is responsible for monitoring compliance with the 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 GACC is assisted in these functions by GIA, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the GACC.

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

The Company 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. The implementation of IFRS 9 lead to the refinement of certain of the risk governance principles related to credit risk. Refer note 26 for more information.

Notes to the financial statements *… continued*

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.

Credit risk arises principally from the Company's loans and advances and deposits placed with other banks. 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).

Management of Credit 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 Company Credit, Head: Company Credit, CLEC or the Board;
- Reviewing and assessing credit risk. Company 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 Company 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.

Management of Credit Risk

Deposits with other banks and money market funds

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

At the reporting date the 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. 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:

SARB risk bucket/ Credit risk grade	counterparty (IFRS 9)
A	Stage 1 and Stage 2
B	Stage 2
C	Stage 3
D	Stage 3
E	Stage 3

Collateral for loans and advances

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

Concentration risk

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

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*

2020	Credit risk grading / ECL staging	Total R'000	A Stage 1 12-month ECL R'000	A Stage 2 Lifetime ECL R'000	B Stage 2 Lifetime ECL R'000	Default (C, D & E) Stage 3 Lifetime ECL R'000
Maximum credit exposures of financial assets at amortised cost						
Cash and cash balances		334 302	-	-	-	-
Loan and advances		3 222 539	2 857 715	59 669	56 760	248 395
Equipment finance		2 964 473	2 628 520	58 772	51 635	225 546
Capital equipment finance		258 066	229 195	897	5 125	22 849
Trade and other receivables		30 472	30 472	-	-	-
Gross carrying amount		3 587 313	2 888 186	59 669	56 760	248 395
Less: Credit loss allowance		(254 294)	(58 812)	(7 635)	(5 526)	(182 321)
Net carrying amount		3 333 019	2 829 374	52 034	51 234	66 074

2020	
Maximum credit exposures on financial assets at FVTPL	
Trading assets	877
Total exposure to credit risk	3 333 896

Notes to the financial statements *… continued*

26.1 Credit Risk Exposure Analysis … *continued*

2019	Credit risk grading / ECL staging	Total R'000	A Stage 1 12-month ECL R'000	A Stage 2 Lifetime ECL R'000	B Stage 2 Lifetime ECL R'000	Default (C, D & E) Stage 3 Lifetime ECL R'000
Maximum credit exposures of financial assets at amortised cost						
Cash and cash balances		318 031	-	-	-	-
Current Tax Asset		15 589	-	-	-	-
Loan and advances		3 164 856	3 036 163	78 148	50 358	187
Equipment finance		2 982 966	2 864 653	68 255	49 880	178
Capital equipment finance		181 890	171 510	9 893	478	9
Trade and other receivables		76 696	-	-	-	-
Gross carrying amount		3 575 172	3 036 163	78 148	50 358	187
Less: Credit loss allowance		(170 254)	-	-	-	-
Net carrying amount		3 404 918	3 036 163	78 148	50 358	187

2019	
Maximum credit exposures on financial assets at FVTPL	
Trading assets	460
Total exposure to credit risk	3 405 377

26.1 Credit Risk Exposure Analysis … *continued*

Concentration risk of advances	2020 R'000	2019 R'000
Sectorial analysis		
Agriculture	37 117	39 268
Community, social and personal services	830 416	987 729
Construction	115 243	92 264
Electricity and water	12 968	16 439
Finance, real estate and business services	785 807	780 793
Manufacturing	419 654	374 773
Mining	120 027	57 294
Trade and accommodation	626 896	167 306
Transport and communication	274 410	648 989
TOTAL	**3 222 538**	**3 164 855**

26.2 Collateral and other security enhancements

26.2.1 *Description of Collateral For Loans and Advances*

Loans and advances	***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 Loans and Advances***

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
2020				
Loans and advances				
Equipment finance	**2 964 473**	**2 484 462**	**2 484 462**	**480 011**
Capital equipment finance	**258 066**	**216 309**	**216 309**	**41 757**
	3 222 539	**2 700 771**	**2 700 771**	**521 768**

2019				
Loans and advances				
Equipment finance	2 982 965	2 131 971	2 131 971	850 994
Capital equipment finance	181 890	128 550	128 550	53 340
	3 164 855	2 260 521	2 260 521	904 334

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

		Security		
	Gross exposure R'000	Fixed assets R'000	Total R'000	Unsecured
2020				
Loans and advances				
Equipment finance	**225 546**	**-**	**-**	**225 546**
Capital equipment finance	**22 849**	**16 393**	**16 393**	**6 456**
	248 395	**16 393**	**16 393**	**232 002**

2019				
Loans and advances				
Equipment finance	2 982 965	2 131 971	2 131 971	850 994
Capital equipment finance	181 890	128 550	128 550	53 340
	3 164 855	2 260 521	2 260 521	904 334

Notes to the financial statements *... continued*

26.3 Credit loss allowance analysis

26.3.1 *Reconciliation of ECL on Loans and Advances*

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2020				
Credit loss allowance on 1 July 2019	**19 720**	**5 480**	**145 054**	**170 254**
Transfers between stages[1]	**(1 095)**	**(18 253)**	**46 071**	**26 723**
Transfer to stage 1	**-**	**(17 290)**	**(5 508)**	**(22 798)**
Transfer from stage 1	**-**	**6 845**	**35 759**	**42 604**
Transfer to stage 2	**(853)**	**-**	**(508)**	**(1 361)**
Transfer from stage 2	**435**	**-**	**16 328**	**16 763**
Transfer to stage 3	**(716)**	**(7 868)**	**-**	**(8 584)**
Transfer from stage 3	**39**	**60**	**-**	**99**
Net expected credit losses (released)/raised	**40 187**	**25 934**	**24 879**	**91 000**
ECL on new exposure raised	**7 815**	**2 419**	**8 379**	**18 613**
Subsequent changes in ECL	**34 460**	**28 364**	**20 953**	**83 777**
Change in ECL due to derecognition	**(2 088)**	**(4 849)**	**(4 453)**	**(11 390)**
Impaired accounts written off	**-**	**-**	**(33 682)**	**(33 682)**
Credit loss allowance on 30 June 2020	**58 812**	**13 161**	**182 322**	**254 295**
2019				
Credit loss allowance on 1 July 2018	20 155	3 662	98 008	121 825
Transfers between stages	(4 924)	(2 340)	78 493	71 229
Transfer to stage 1	(4 924)	-	-	(4 924)
Transfer to stage 2	-	(2 340)	-	(2 340)
Transfer to stage 3	-	-	78 493	78 493
Net expected credit losses (released)/raised	4 489	4 158	(9 565)	(918)
ECL on new exposure raised	6 571	4 710	2 945	14 226
Change in ECL due to derecognition	(2 082)	(552)	(12 510)	(15 144)
Impaired accounts written off	-	-	(21 882)	(21 882)
Credit loss allowance on 30 June 2019	19 720	5 480	145 054	170 254

Notes to the financial statements *... continued*

26.3 Credit loss allowance analysis ... *continued*

26.3.2 *Reconciliation of ECL on Loans and Advances at amortised cost by product*

	Credit loss allowance on 1 July 2019	Transfers between stages	Stage 1	Stage 2	Stage 3	Net expected credit losses (released)/ raised	ECL on new exposure raised	Subsequent changes in ECL	Change in ECL due to derecognition	Impaired accounts written off	Credit loss allowance on 30 June 2020
2020											
Equipment finance	**161 518**	**23 663**	**16 869**	**15 136**	**(8 342)**	**84 664**	**13 835**	**81 537**	**(10 708)**	**(29 899)**	**239 946**
Stage 1	18 627	(927)	-	(359)	(568)	38 207	7 350	32 597	(1 740)	-	55 907
Stage 2	5 172	(18 660)	(10 886)	-	(7 774)	26 091	2 405	28 527	(4 841)	-	12 603
Stage 3	137 719	43 250	27 755	15 495	-	20 366	4 080	20 413	(4 127)	(29 899)	171 436
Capital equipment finance	**8 736**	**3 058**	**2 937**	**265**	**(144)**	**6 337**	**4 778**	**2 241**	**(682)**	**(3 783)**	**14 348**
Stage 1	1 092	(169)	-	(59)	(110)	1 982	467	1 863	(348)	-	2 905
Stage 2	309	407	441	-	(34)	(159)	12	(163)	(8)	-	557
Stage 3	7 335	2 820	2 496	324	-	4 514	4 299	541	(326)	(3 783)	10 886
Total	**170 254**	**26 721**	**19 806**	**15 401**	**(8 485)**	**91 000**	**18 613**	**83 777**	**(11 390)**	**(33 682)**	**254 293**
Stage 1	19 720	(1 096)	-	(418)	(678)	40 189	7 817	34 460	(2 088)	-	58 813
Stage 2	5 480	(18 253)	(10 445)	-	(7 808)	25 932	2 417	28 364	(4 849)	-	13 159
Stage 3	145 054	46 070	30 251	15 819	-	24 879	8 379	20 953	(4 453)	(33 682)	182 321

Notes to the financial statements *… continued*

26.3 Credit loss allowance analysis … *continued*

26.3.2 *Reconciliation of ECL on Loans and Advances at amortised cost by product*

2019	Credit loss allowance on 1 July 2018 R'000	Total transfers between stages R'000	Net ECL raised/ (released) R'000	Impaired accounts written off R'000	Credit loss allowance on 30 June 2019 R'000
Equipment finance	**115 383**	**69 418**	**(1 401)**	**(21 882)**	**161 518**
Stage 1	18 308	(3 687)	4 007	-	18 628
Stage 2	3 661	(2 647)	4 157	-	5 171
Stage 3	93 414	75 752	(9 565)	(21 882)	137 719
Capital equipment finance	**6 442**	**1 811**	**483**	**-**	**8 736**
Stage 1	1 847	(1 237)	482	-	1 092
Stage 2	1	307	1	-	309
Stage 3	4 594	2 741	-	-	7 335
Total	**121 825**	**71 229**	**(918)**	**(21 882)**	**170 254**
Stage 1	20 155	(4 924)	4 489	-	19 720
Stage 2	3 662	(2 340)	4 158	-	5 480
Stage 3	98 008	78 493	(9 565)	(21 882)	145 054

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

	2020 R'000	2019 R'000
Net ECL recognised	**123 984**	71 732
Loans and advances	**130 930**	71 732
Trade and other receivables	**(6 946)**	-
Recoveries of loans and advances previously written off	**(3 224)**	(3 074)
	120 760	68 658

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 balances and investment grade debt securities for which there is an active and liquid market, less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. ALCO monitors the 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 balances.

Notes to the financial statements *… continued*

27.1 Contractual maturity analysis

2020	Carrying Amount R'000	Gross Outflow R'000	Less than 1 month R'000	1 - 3 months R'000	4 - 12 months R'000	1 - 5 years R'000	More than 5 years R'000	Non contractual R'000	Total R'000
Discounted maturity									
Assets									
Cash and cash balances	**334 302**	**334 302**	**334 302**	**-**	**-**	**-**	**-**	**-**	**334 302**
Trading assets	**877**	**877**	**877**	**-**	**-**	**-**	**-**	**-**	**877**
Trade and other receivables	**30 472**	**30 472**	**30 472**	**-**	**-**	**-**	**-**	**-**	**30 472**
Loans and advances	**2 968 245**	**3 222 539**	**125 415**	**205 338**	**984 950**	**1 906 053**	**783**	**(254 294)**	**2 968 245**
Current taxation asset	**8 134**	**8 134**	**8 134**	**-**	**-**	**-**	**-**	**-**	**8 134**
Total assets	**3 342 030**	**3 596 324**	**499 200**	**205 338**	**984 590**	**1 906 053**	**783**	**(254 294)**	**3 342 030**
Undiscounted maturity									
Liabilities									
Trading liabilities	**12 278**	**12 278**	**12 278**	**-**	**-**	**-**	**-**	**-**	**12 278**
Trade and other payables	**64 273**	**64 273**	**64 273**	**-**	**-**	**-**	**-**	**-**	**64 273**
Debt securities issued	**2 743 823**	**3 034 334**	**-**	**312 415**	**531 828**	**2 190 091**	**-**	**-**	**3 034 334**
Long term loans	**5 289**	**5 289**	**5 289**	**-**	**-**	**-**	**-**	**-**	**5 289**
Deferred tax liability	**58 661**	**-**	**-**	**-**	**-**	**-**	**-**	**58 661**	**58 661**
Loans from entities in the group	**334 965**	**334 965**	**334 965**	**-**	**-**	**-**	**-**	**-**	**334 965**
Total liabilities	**3 219 289**	**3 451 140**	**416 805**	**312 415**	**531 828**	**2 190 091**	**-**	**58 661**	**3 509 800**

[1] 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.

Notes to the financial statements *… continued*

27.1 Contractual maturity analysis … *continued*

2019	Carrying Amount R'000	Gross Outflow R'000	Less than 1 month R'000	1 - 3 months R'000	4 - 12 months R'000	1 - 5 years R'000	More than 5 years R'000	Non contractual R'000	Total R'000
Discounted maturity									
Assets									
Cash and cash balances	318 031	318 031	318 031	-	-	-	-	-	318 031
Trading assets	460	460	460	-	-	-	-	-	460
Trade and other receivables	76 696	76 696	76 696	-	-	-	-	-	76 696
Loans and advances	2 994 601	2 994 601	148 373	255 473	1 004 478	1 751 970	4 068	(169 761)	2 994 601
Current taxation asset	15 589	15 589	15 589	-	-	-	-	-	15 589
Total assets	**3 405 377**	**3 405 377**	**559 149**	**255 473**	**1 004 478**	**1 751 970**	**4 068**	**(169 761)**	**3 405 377**
Undiscounted maturity									
Liabilities									
Trading liabilities	4 237	4 237	4 237	-	-	-	-	-	4 237
Trade and other payables	23 919	23 919	23 919	-	-	-	-	-	23 919
Debt securities issued	2 753 521	2 753 521	-	695 814	1 226 419	831 288	-	-	2 753 521
Long term loans	5 500	5 500	-	-	-	-	-	5 500	5 500
Deferred tax liability	82 523	82 523	-	-	-	-	-	82 523	82 523
Loans from entities in the group	345 109	345 109	-	-	-	-	-	345 109	345 109
Total liabilities	**3 214 809**	**3 214 809**	**28 156**	**695 814**	**1 226 419**	**831 288**	**-**	**433 132**	**3 214 809**

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.

Notes to the financial statements *… continued*

27.2 Discounted maturity analysis: Current and non-current

	2020			2019		
	Current R'000	Non-current R'000	Total R'000	Current R'000	Non-current R'000	Total R'000
Assets						
Cash and cash balances	**334 302**	**-**	**334 302**	318 031	-	318 031
Trading assets	**877**	**-**	**877**	460	-	460
Trade and other receivables	**30 472**	**-**	**30 472**	76 696	-	76 696
Loans and advances	**1 061 409**	**1 906 836**	**2 968 245**	-	2 994 601	2 994 601
Current taxation asset	**8 134**	**-**	**8 134**	15 589	-	15 589
Total assets	**978 595**	**2 363 435**	**3 342 030**	410 776	2 994 601	3 405 377
Liabilities						
Trading liabilities	**12 278**	**-**	**12 278**	4 237	-	4 237
Trade and other payables	**64 273**	**-**	**64 273**	23 919	-	23 919
Debt securities issued	**553 732**	**2 190 091**	**2 743 823**	1 922 233	831 288	2 753 521
Long term loans	**-**	**5 289**	**5 289**	-	5 500	5 500
Deferred tax liability	**58 661**	**-**	**58 661**	82 523	-	82 523
Loans from entities in the Group	**334 965**	**-**	**334 965**	-	345 109	345 109
Total liabilities	**469 195**	**2 750 094**	**3 219 289**	2 032 912	1 181 897	3 214 809

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 loans and advances attributable to changes in market interest rates. Interest rate swaps are matched to specific issuance of notes or loans and advances.

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 R'000	More than 5 years R'000	Total R'000
2020						
ASSETS						
Non-trading portfolios						
Cash and cash balances	**334 302**	**-**	**-**	**-**	**-**	**334 302**
Loans and advances	**1 556 936**	**26 312**	**86 516**	**1 551 895**	**880**	**3 222 539**
TOTAL ASSETS	**1 891 238**	**26 312**	**86 516**	**1 551 895**	**880**	**3 556 841**
LIABILITIES						
Non-trading portfolios						
Debt securities issued	**-**	**2 743 823**	**-**	**-**	**-**	**2 743 823**
Long-term loans	**-**	**5 289**	**-**	**-**	**-**	**5 289**
Loans from Entities in the Group	**216 979**	**-**	**-**	**117 986**	**-**	**334 965**
TOTAL LIABILITIES	**216 979**	**2 749 112**	**-**	**117 986**	**-**	**3 084 077**
NET PRICING GAP	**1 674 259**	**(2 722 800)**	**86 516**	**1 433 909**	**880**	**472 764**
CUMULATIVE REPRICING GAP	**1 674 259**	**(1 048 541)**	**(962 025)**	**471 884**	**472 764**	**472 764**
A 200 basis point interest rate change will have the following effect on profit/loss:						
200 bp parallel shock interest rate increase	90	(5 415)	225	593	593	(4 507)
200 bp parallel shock interest rate decrease	(90)	5 415	(225)	(593)	(593)	4 507

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	Total R'000
2019					
ASSETS					
Non-trading portfolios					
Cash and cash balances	318 031	-	-	-	318 031
Loans and advances	2 800 902	19 617	75 973	98 109	2 994 601
TOTAL ASSETS	**3 118 933**	**19 617**	**75 973**	**98 109**	**3 312 632**
LIABILITIES					
Non-trading portfolios					
Debt securities issued	-	2 753 521	-	-	2 753 521
Long-term loans	5 500	-	-	-	5 500
TOTAL LIABILITIES	**5 500**	**2 753 521**	**-**	**-**	**2 759 021**
NET PRICING GAP	3 113 433	(2 733 904)	75 973	98 109	553 611
CUMULATIVE REPRICING GAP	3 113 433	379 529	455 502	553 611	553 611
A 200 basis point interest rate change will have the following effect on profit/loss:					
200 bp parallel shock interest rate increase	5 198	(9 131)	141	477	(3 315)
200 bp parallel shock interest rate decrease	(2 831)	9 131	(141)	(477)	5 682

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
2020		
Assets		
Cash and cash balances	**334 302**	**334 302**
Trading assets	**877**	**877**
Trade and other receivables	**30 472**	**30 472**
Loans and advances	**2 968 245**	**2 968 245**
Taxation	**8 134**	**8 134**
Total assets	**3 342 030**	**3 342 030**
Liabilities		
Trading liabilities	**12 278**	**12 278**
Trade and other payables	**64 273**	**64 273**
Debt securities issued	**2 743 823**	**2 743 823**
Long-term loans	**5 289**	**5 289**
Deferred tax liability	**58 661**	**58 661**
Loans from entities in the Group	**334 965**	**334 965**
Total liabilities	**3 219 289**	**3 219 289**
2019		
Assets		
Cash and cash balances	318 031	318 031
Trading assets	460	460
Trade and other receivables	76 696	76 696
Loans and advances	2 994 601	2 994 601
Taxation	15 589	15 589
Total assets	3 405 377	3 405 377
Liabilities		
Trading liabilities	4 237	4 237
Trade and other payables	23 919	23 919
Debt securities issued	2 753 521	2 753 521
Long-term loans	5 500	5 500
Deferred tax liability	82 523	82 523
Loans from entities in the Group	345 109	345 109
Total liabilities	3 214 809	3 214 809

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
2020					
Interest rate swaps	(11 401)	(11 401)	877	(12 278)	(1 265 675)
Total derivatives	**(11 401)**	**(11 401)**	**877**	**(12 278)**	**(1 265 675)**
2019					
Interest rate swaps	(3 777)	(3 777)	460	(4 237)	(1 414 193)
Total derivatives	**(3 777)**	**(3 777)**	**460**	**(4 237)**	**(1 414 193)**

Notes to the financial statements *… continued*

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.

Capital adequacy (unaudited)

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

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

30. SUBSEQUENT EVENTS

The COVID-19 pandemic had a significant impact on the global economy. The South African economy has been struggling over the last few years, culminating in the sovereign downgrade in March 2020 and Covid-19 exacerbated this position with GDP falling by 51% in the last quarter of our financial year. The Company posted a loss of R5.8m for the full year to June 2020. This is largely due to the significant increase in IFRS9 credit impairments. Despite the overall poor performance, management are of the view that the Company is a going concern. The Company has a healthy liquidity and capital position. The directors believe that the Company has adequate financial resources to continue 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 a sound financial position. The directors are not aware of any material changes that may adversely impact the Company.

Glossary

ALCO	Asset and Liability Committee
CLEC	Credit and Large Exposures Committee
GACC	Group Audit and Compliance 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	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 Serles 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