Annual Financial Statements for the year ended 30 June 2018

At Sasfin, we contribute to society by going Beyond a Bank to enable the growth in the business and global wealth of our clients.

sasfin beyond a bank | Holdings Limited

CONTENTS

Indicates additional information available online or from the Company Secretary.

OUR REPORTS

Annual Financial Statements 2018
This report is Sasfin's Annual Financial Statements and includes risk and capital management disclosures.

Integrated Report 2018
This is Sasfin's primary report which presents our strategy, performance and plans.

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

Banking Group: Sasfin Bank Limited and its subsidiaries

Bank: Sasfin Bank Limited

Wealth Group: Sasfin Wealth (Proprietary) Limited

Capital: Sasfin Capital (Pty) Ltd

Company: Sasfin Holdings Ltd

STATEMENT OF PREPARATION

In terms of section 29(1)(e)(ii) of the Companies Act, it is confirmed that these Consolidated and Separate Annual Financial Statements have been prepared under the supervision of Angela Pillay CA(SA), Group Financial Director and have been audited in compliance with the requirements of sections 29(1)(e)(i) and 30(2)(a) of the Companies Act.

DISCLAIMER

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

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

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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

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

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

Roy Andersen	Michael Sassoon	Angela Pillay
Chair	*Chief Executive Officer*	*Group Financial Director*

17 September 2018

COMPANY SECRETARY'S CERTIFICATION

I hereby certify, in terms of section 88(2)(e) of the Companies Act, that Sasfin Holdings Limited has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission, for the financial year ended 30 June 2018, and that all such returns and notices as are required of a public company are true, correct and up to date.

Howard Brown
Company Secretary

17 September 2018

GROUP AUDIT AND COMPLIANCE COMMITTEE REPORT

INTRODUCTORY COMMENTS

It has been a year of transition in Sasfin in many respects. Not only because of the change in leadership right at the top, at the Group CEO level, but also throughout the Group in senior positions in Finance, Internal Audit, Group Risk, Group Compliance as well as a change in External Auditors.

The King IV principles of good corporate governance, namely an ethical culture, sustainable value creation, effective controls and trust, a good reputation and legitimacy are our key objectives and drivers in making and navigating through this changing environment.

Such change is by no means a small undertaking. The depth of the change was not planned to take place within such a short space of time. However, we realised that we had to see these processes through in order to put Sasfin on a stronger footing for the future.

Such change inevitably also created the opportunity to have a fresh look at how we do things, from internal controls to a reporting perspective. To this end we have also restated the financial statements as set out in Note 2.8. These restatements had no effect on profit.

COMMITTEE COMPOSITION AND ASSESSMENT OF ITS PERFORMANCE

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

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

Members		*Appointed*	*Resigned*
Linda de Beer	Chair	1 July 2014	
Grant Dunnington		29 July 2013	
John Moses		21 December 2010	28 August 2017
Gugu Mtetwa		28 August 2017	
Richard Buchholz		7 March 2018	

The Committee holds private meetings with External Audit, the Chief Audit Executive, Group Chief Risk Officer, Head: Group Compliance. The Chair of the Board, Executive Directors comprising the Chief Executive Officer, Group Financial Director, and executive management are invitees to meetings of the Committee, but are excluded from the private meetings between the Committee and Internal and External Audit, as well as Group Risk and Group Compliance.

FUNCTIONS OF THE COMMITTEE

The statutory duties of the Committee of the Group are set out in the Companies Act and the Banks Act. In addition, the Sasfin Board has assigned additional responsibilities to the Committee.

The functions of the Committee are outlined in its Charter, which is available on the Sasfin website.

ANNUAL CONFIRMATIONS OF KEY FUNCTIONS FOR THE YEAR

Financial control, financial reporting and the Integrated Report

The Committee reviews the Interim Results, Annual Financial Statements, Integrated Report, dividend declarations and trading updates of the Group, and recommend 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 technical reporting matters. In doing so, the Committee also confirmed compliance of the Interim Results and Annual Financial Statements with IFRS and the JSE 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 also considered combined assurance in the Group and specific attestations from Internal Audit, External Audit, Group Risk and Group Compliance in order to consider the adequacy and effectiveness of the internal controls within the Group. Even though we are comfortable that both these aspects were in place, the improvement of internal controls will be a key focus area for the Committee in the year ahead in order to eliminate as far as possible manual controls, enhance integration between systems and obtain greater synergies between the various lines of defence, namely Finance, Group Risk, Group Compliance, Internal Audit and External Audit.

The External Audit

During the year we put the External Audit service out on tender and appointed PricewaterhouseCoopers Inc. (PwC) as our new auditors. The Committee went through a rigorous decision making process to ensure that audit quality and auditor independence are achieved in this appointment. The Committee has obtained the necessary assurance from the auditors that their independence was not impaired. We also have a strict non-audit services policy in place to guard against any threats to auditor independence.

We are satisfied with our decision and recommend PwC as audit firm, with Vincent Tshikhovhokhovho as engagement partner, for shareholder approval.

Internal Audit

During the current financial year we appointed Richard Warren-Tangney as Chief Audit Executive. Richard is extremely experienced not only in internal audit, but also in banking and his positive impact was felt almost immediately.

The Committee is very satisfied with his performance and the enhancements that he is making to his team, the internal audit plan and the role in general.

Compliance oversight

Similarly, the Committee was delighted with the appointment of Michael Blackbeard as our new Head: Group Compliance. Michael has a strong banking background from his previous role at the South African Reserve Bank. Even though he has only been in the position for a few months, we already see how he is professionalising and enhancing this function.

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

Angela Pillay was appointed as our new Group Financial Director on 1 March 2018 and had a baptism of fire, starting shortly before year end with a new set of auditors. She too has made significant inroads in enhancing the processes and structures within our finance function and the internal controls.

Further appointments need to be made in the Finance function and further enhancements will be done to processes and controls. The Committee is confident that, under her guidance, we will be achieving these objectives in due course.

KEY AUDIT MATTERS AS REPORTED BY THE EXTERNAL AUDITORS

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

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

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

Impairment of loans and advances

This is a matter that is also reviewed by the Credit and Large Exposures Committee of the Board, before consideration by the Committee. The Committee considered whether the levels of provisioning and credit impairment were appropriate. It was important for the Committee that a conservative approach is followed in this regard, considering strained economic conditions. In doing so, it accessed the methodologies and key judgements, as agreed to by the Credit and Large Exposures Committee which resulted in a tweaking of estimates to build in a sufficient overlay, considering the strained economy. The Committee also had a specific discussion with the external auditors in order to satisfy itself in this regard.

IFRS 9, Financial Instruments

In a year of transition from IAS 39 to IFRS 9, additional attention was given to the matter and the implementation of our new IFRS 9 expected loss impairment model has been a standing agenda item for the Committee and will remain to be one in the foreseeable future.

Also please refer to Note 2.9 on the Annual Financial Statements for further information with regard to the impact of the application of IFRS 9.

GROUP AUDIT AND COMPLIANCE COMMITTEE REPORT continued

Valuation of investment securities

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

Taxation

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

Assessment of the impairment of intangible assets and goodwill

The Group's intangible assets mainly comprise internally developed information technology software and supplier relationships acquired mainly as part of the Fintech (Pty) Ltd acquisition.

The Group performs an annual test on goodwill and intangible assets for impairment by considering the cash generating units related to the goodwill and intangible assets. The Committee is comfortable that goodwill and intangible assets as reflected on the Statement of Financial Position at 30 June 2018, are reasonably valued. Goodwill and intangible assets are further disclosed in Note 14 to the Annual Financial Statements.

IN CONCLUSION

The Committee is satisfied that it has complied with and discharged its legal, regulatory and governance responsibilities as set out in the Companies Act, the Banks Act, the JSE Listings Requirements and King IV.

We would also like to thank John Moses who retired from the Committee and the Board in the past financial year, for his invaluable contribution and insight.

Linda de Beer
Chair – Group Audit and Compliance Committee

17 September 2018

DIRECTORS' REPORT

1. NATURE OF BUSINESS

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

2. FINANCIAL RESULTS

The results of the Group and Company are set out in the Consolidated and Separate Annual Financial Statements and accompanying notes as well as in the Integrated Report 2018.

3. DIRECTORATE AND CHANGES TO THE BOARD

On 1 January 2018, Roland Sassoon stepped down as the Chief Executive Officer (CEO) of Sasfin Holdings Limited and was succeeded by Michael Sassoon. Roland Sassoon continues to fulfil the role as CEO of Sasfin Bank Limited as well as a Director of the Company, which allowed for a smooth transition.

Angela Pillay was appointed as Group Financial Director of Sasfin Holdings Limited, Sasfin Bank Limited and other subsidiaries in the Group on 1 March 2018.

Gloria Serobe and Gugu Dingaan were appointed as Non-Independent Directors of Sasfin Holdings Limited and Sasfin Bank Limited on 7 March 2018. The appointments were in accordance with the broad-based black economic empowerment transaction concluded during the year in terms of which Women Investment Portfolio Holdings Limited's (WIPHOLD) wholly-owned subsidiary Wipfin Investments Proprietary Limited subscribed for a 25.1% interest in Sasfin ordinary shares. At the same date, Shaun Rosenthal was appointed as an Alternate Director to Gloria Serobe at a Sasfin board level.

4. DIRECTORS AND COMPANY SECRETARY

Independent Non-Executive Directors		*Appointed*	*Resigned/Retired*
Roy Andersen	Chair	14 February 2011	
Linda de Beer		1 July 2014	
Grant Dunnington		25 February 2010	
Gugu Mtetwa		28 August 2017	
Shahied Rylands		21 May 2007	
Richard Buchholz		7 March 2018	
John Moses		21 December 2010	28 August 2017
Non-Independent, Non-Executive Directors (Representatives of WIPHOLD, Sasfin's BEE partner)			
Gloria Serobe		7 March 2018	
Gugu Dingaan		7 March 2018	
Shaun Rosenthal (Alternate)		7 March 2018	
Executive Directors			
Roland Sassoon (British)	Chief Executive Officer	21 August 1987	1 January 2018
Roland Sassoon (British)		1 January 2018	
Michael Sassoon*		9 October 2013	
Michael Sassoon	Chief Executive Officer	1 January 2018	
Angela Pillay	Group Financial Director	1 March 2018	
Alternate Executive Director			
Linda Fröhlich		9 October 2013	5 March 2018
Company Secretary			
Howard Brown		28 August 2011	

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

DIRECTORS' REPORT continued

5. SHARE CAPITAL

Ordinary share capital

To enable the broad-based black economic empowerment transaction with WIPHOLD, the Group issued 8 107 662 ordinary shares during the year at a price of R51 per share and simultaneously re-purchased the same number of ordinary shares, also at a price of R51 per share. As a result of this transaction, the number of treasury shares held by the Group reduced by 460 367 number of shares. There were no changes to the authorised ordinary share capital.

Preference share capital

The Company repurchased and subsequently cancelled nil (2017: 23 318) preference shares during the financial year in terms of a shareholder resolution and SARB-approved repurchase programme.

Analysis of shareholders

The analysis of ordinary and preference shareholders is provided in the Shareholders' and Administrative Information Booklet included as part of the Integrated Report 2018.

6. SPECIAL RESOLUTIONS PASSED

Special resolutions passed during the year are available for inspection.

7. EVENTS AFTER THE REPORTING DATE

The Board is not aware of any further material events which occurred after the reporting date and up to the date of this report.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SASFIN HOLDINGS LIMITED

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sasfin Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2018 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Sasfin Holdings Limited's consolidated and separate financial statements set out on pages 18 to 99 comprise:

- the consolidated statement of financial position and the separate statement of financial position as at 30 June 2018;
- the consolidated statement of comprehensive income and the separate statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity and the separate statement of changes in equity for the year then ended;
- the consolidated statement of cash flows and the separate 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 consolidated and separate financial statements* section of our report.

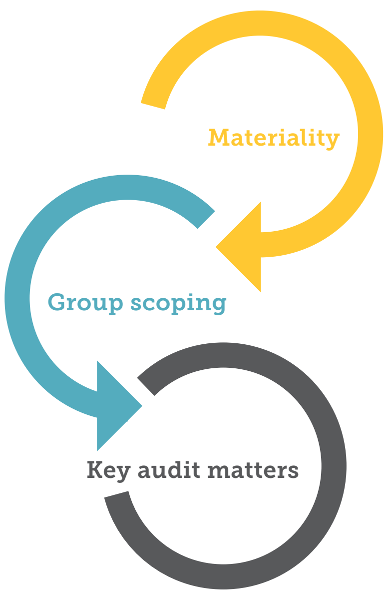
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall group materiality

- R20 million, which represents 1% of total consolidated income from continuing operations.

Group audit scope

- The group operates in two geographic regions namely Southern Africa (South Africa) and Asia-Pacific (Hong Kong).
- Full scope audits were performed for all four components of the Group (a component represents a pillar or a subgroup of subsidiaries) based on their financial significance.

Key audit matters

- Impairment of loans and advances
- Valuation of investment securities: Private and property equity investments
- IFRS 9 *Financial Instruments* (Issued but not effective accounting standard)
- Taxation
- Assessment of the capitalisation of information technology expenditure and impairment of software

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

Materiality

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

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

Overall group materiality	R20 million
How we determined it	1% of total consolidated income from continuing operations
Rationale for the materiality benchmark applied	We chose total consolidated income from continuing operations as the benchmark because, in our view, it is the most suitable benchmark for the Group, which is going through significant changes, has a history of volatile profit before tax numbers and has a higher cost to income ratio than other commercial banks. Furthermore, total consolidated income from continuing operations has remained consistent for the past three years. We chose 1% which is consistent with quantitative materiality thresholds used when using total consolidated income from continuing operations as the benchmark.

How we tailored our group audit scope

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

We conducted a full scope audit of all four components (a component represents a pillar or a subgroup of subsidiaries) within the Group. The Group operates in two geographic regions, namely Southern Africa (South Africa) and Asia-Pacific (Hong Kong).

Our involvement in the work performed by the component audit team included the following, among others:

- We attended the component's audit committee meetings; and
- We kept in regular communication with the component audit team throughout the audit and appropriately directed their audits.

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

Key audit matters

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

Level	Key audit matter	How the matter was addressed in the audit
Group – Consolidated financial statements	*Impairment of loans and advances (Refer to notes 1.12.4, 2.1, 9 and 36.1)*	
	The Group's credit impairments relating to loans and advances, disclosed in notes 1.12.4 *Accounting policies: Impairment of financial assets, 2.1 Critical estimates, judgements, re-classifications and errors: Credit impairment of loans and advances, 9 Loans and advances and 36.1 Financial risk management: Credit risk*, represent management's best estimate of the losses incurred within the loan portfolios as at 30 June 2018. Loans and advances are measured at amortised cost less impairment. Impairment is calculated as the difference between the carrying amount and the present value of estimated future cash flows. The impairment provisions on loans and advances are material to the Group in terms of their magnitude and because of the management judgement involved in the impairment calculations. For these reasons, we identified the impairment of loans and advances as a matter of most significance in the current year audit of the consolidated financial statements. Portfolio loan impairment The Group assesses its performing loan portfolio for impairment on a monthly basis using the incurred loss approach. The recoverable amount of performing loans is calculated on a portfolio basis, based on historical loss ratios, industry and Group-specific economic and other conditions. The Group has provided for incurred but not reported losses (IBNR) which recognise potential losses on its portfolio of loans and advances that have not yet been evidenced. The IBNR provision is calculated with reference to modelling parameters which include the probability of default, the loss given default and emergence period.	Our audit procedures included considering the appropriateness of the accounting policies implemented by management and we compared the loan impairment methodologies across the Group with the requirements of *IAS 39 Financial Instruments: Recognition and Measurement* (IAS 39). We found the accounting policies and impairment methodologies to be in line with IAS 39. We obtained an understanding of- and tested the relevant controls relating to the credit origination process, the approval of credit facilities, the subsequent monitoring and remediation of exposures including collateral management and the evaluation of credit risk ratings. Portfolio loan impairment We performed the following procedures with the assistance of our actuarial experts: • We evaluated the design and implementation of the models, including significant assumptions and the quality of the observable data used to derive model parameters in terms of our understanding of industry norms. • We compared the current business practice and data outputs in terms of collection strategy, write-off and rehabilitation to the Group's policy as well as to industry norms. • We assessed the reasonableness of the methodology used in the impairment model to determine the probability of default, loss given default and the emergence periods against our expectation based on the knowledge of the client and the industry. • We evaluated the appropriateness of assumptions underlying portfolio provisions recognised by management, in light of recent economic events and circumstances that would not be reflected by the model. • We evaluated the overall reasonableness of the portfolio provision by comparing it to our independent model calculation. This model independently estimates the modelled parameters using the same modelling data as that of the Group. • Our testing found the methodology for the identification and valuation of portfolio loan impairment and related judgement applied to be reasonable and in accordance with the requirements of IFRS.

INDEPENDENT AUDITORS' REPORT continued

Level	Key audit matter	How the matter was addressed in the audit
Group – Consolidated financial statements continued	*Impairment of loans and advances (Refer to notes 1.12.4, 2.1, 9 and 36.1)* continued	
	Specific loan impairments Loans and advances are individually impaired where the Group has identified objective evidence of a default event, such as being due but unpaid for a period of 90 days or more or where loan covenants have been breached. Estimates of future cash flows on individually impaired loans and advances are based on historical loss experience for assets with similar credit risk characteristics after considering the estimated recovery of security in the Group's possession.	Specific loan impairments We evaluated management's process for identifying specific impairment based on IAS 39 guidelines relating to impairment indicators, the current macro-economic and global environment, industry factors and client specific factors identified from the assessment of credit records. For specific impairments that were raised, we considered the impairment indicators, uncertainties and assumptions made by management in their assessment of the recoverability of the exposure. For a sample of impaired loans, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral. Our procedures did not indicate any significant differences. For a sample of collateral held, we inspected legal agreements and supporting documentation to assess the existence and legal right to the collateral. The collateral valuation techniques applied by management were evaluated against the Group's valuation guidelines, which we found to have been designed in accordance with the appropriate accounting standards. Our testing found the methodology for the identification and valuation of specific impairments and related judgement applied to be reasonable and in accordance with the requirements of IFRS.

Level	Key audit matter	How the matter was addressed in the audit
Group – Consolidated financial statements	*Valuation of investment securities: Private and property equity investments (Refer to notes 1.12, 2.2, 2.3 and 10)*	
	As set out in *Note 10 Investment Securities*, private and property equity investments amounted to R574 million as at 30 June 2018. The Group has adopted as its primary valuation model for private equity valuations a discounted cash flow or earnings methodology, which is compared to a price/earnings multiple valuation methodology for reasonability, and, where applicable, benchmarked to proxies of listed entities in similar industries. For property equity valuations, the Group obtains third party valuations from registered professional valuers with experience relevant to the types of properties being valued. The Group makes relevant adjustments to take into account financial assets and/or obligations associated with these risks. The valuations are reviewed and approved by Sasfin Holdings Limited's Group Investment Committee and are recommended to the board for approval. The valuation of the private and property equity investments was identified as a matter of most significance in the current year audit of the consolidated financial statements due to the judgement required in valuing these investments and due to the impact that these valuations have on the measurement of consolidated profit or loss and risk disclosures in the financial statements.	As part of our audit, we assessed the objectivity, independence and expertise of the registered professional valuers appointed by the Group by: • Inspecting the registered professional valuers' valuation reports for a statement of independence and compliance with valuation standards; and • Assessing the registered professional valuers' affiliation with the South African Council for the Property Valuers Profession. We obtained the latest valuation reports issued by the registered professional valuers and gained an understanding of and tested the following controls: • Detailed analyses of forecasts and trends are compared to actual results; and • The Group Investment Committee reviews and approves the external valuations and recommends the valuations to the board for approval. We evaluated whether the correct sources of external and internal data were used in the valuations and model's calculations. Our testing did not identify material differences. For a sample of valuations, we independently tested the calculations of the fair values by performing the following procedures: • Utilising our property valuation expertise we evaluated the appropriateness of the valuation methodology; • We compared the cash flows, market rental growth, vacancy factor and exit capitalisation rates to market related data; and • We independently recalculated the valuations. We evaluated the reasonableness of the terminal growth rates applied to the forecasted cash flows by benchmarking these against published sector growth rates, taking into account financial services industry benchmarks, regulatory reforms and landscape, political landscape and inflationary prospects within the country. We found the terminal growth rates to be within our determined reasonable range. We compared the cash flow forecasts with the most recent board-approved budgets. In addition, the current and previous years' forecasts were compared with actual performance, and our testing did not identify any significant differences.

INDEPENDENT AUDITORS' REPORT continued

Level	Key audit matter	How the matter was addressed in the audit
Group – Consolidated financial statements	*IFRS 9 Financial Instruments (Issued but not effective accounting standard) (Refer to note 2.9)*	
	IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) requires disclosure of the known or reasonably estimable information relevant to assessing the possible impact of adopting new standards that are not yet effective at the reporting date. This year, these disclosures include a discussion of the impact that initial application of IFRS 9 *Financial Instruments* (IFRS 9) is expected to have on the Group's financial statements. IFRS 9 becomes effective for the Group and Company on 1 July 2018. The new standard will have a significant impact on the Group from the financial year ending 30 June 2019, particularly in the calculation of credit loss impairments and forward looking information. As disclosed in note 2.9 *Standards/ interpretations issued but not yet effective*, the Group does not anticipate any significant changes in the classification and measurement of its financial assets and financial liabilities. Management has built an expected credit loss model and established systems, processes, methodologies and controls during the year in preparation for the Group's implementation of IFRS 9. In addition, for the consolidated financial statements of the Group, management has disclosed the expected reduction of net assets at 1 July 2018 due to impairment reducing the opening reserves. Given management's focus on preparing for the IFRS 9 transition and the Group's state of readiness, we have expended significant audit effort in the current year in order to understand and test the systems and models that management have put in place in advance of IFRS 9 adoption. Accordingly, this disclosure was identified as a matter of most significance in the current year's audit of the consolidated financial statements.	In evaluating the required disclosures of the impact of the adoption of IFRS 9, we considered (as described below) the governance oversight and tested the approvals over the project, the expected credit loss model and the methodologies and controls applied by the Group. We tested the disclosures based on our understanding of the classification and measurement requirements of IFRS 9. From the performance of our procedures we agreed with management's assertion of limited changes regarding the classification and measurement of the Group's financial assets and liabilities in transitioning from IAS 39 to IFRS 9. Our audit work included all the audit procedures that we would usually perform when auditing credit impairment models, and included a consideration of governance oversight over the expected credit loss model development, validation and approval. From the performance of our procedures we found the model validations, classifications and measurements, and disclosure made by management in the current financial statements to be consistent with our understanding of the Group's readiness in advance of the IFRS 9 transition.

Level	Key audit matter	How the matter was addressed in the audit
Group – Separate and Consolidated financial statements	*Taxation (Refer to notes 1.15, 2.6, 29, and 39.11)*	
	Through its diverse financial services offerings and operations in South Africa and Hong Kong, the Group and Company are exposed to a wide range of taxation laws and judgements. These laws are constantly changing and are also subject to interpretation by management. These specifically relate to: • Tax treatment of leases, exacerbated by complex systems. • A deferred taxation asset previously raised on a capital loss in one of the Group's subsidiaries. • A revision of a deferred tax liability relating to investee entities as a result of a change from a blended rate to Capital Gains Tax rate. Current and deferred tax assets and liabilities for the Group and the Company were identified as a matter of most significance in the current year audit of the consolidated and separate financial statements due to the complexity of the calculation of the tax assets and accruals raised by management in the financial statements at year end.	As part of our audit, and using our tax specialists, we have evaluated whether the Group's and Company's tax risk management control framework were adequate with reference to their ability to identify tax issues and we have evaluated tax considerations applied to new or significant products and transactions. Our assessment of taxation specifically included the following procedures: • We analysed the judgements and principles applied by management in the income tax computations for leases. • We examined correspondence between the Group and the Company with the relevant tax authorities and considered matters in dispute to evaluate whether the provision made by management is adequate, in the context of any uncertainty. • We considered the appropriateness of the Group's and Company's tax disclosures regarding uncertain tax positions against the requirements of the relevant accounting standards. • We assessed the inputs and calculation of the tax computation for the Group and the Company, taking into account relevant tax legislation and the requirements of International Financial Reporting Standards. • We tested the tax payable/receivable accounts and reconciled this to the SARS supporting documents. • We performed an assessment of the controlled foreign companies of the Group to determine whether any imputation in terms of section 9D of the Income tax Act is required. • We assessed whether the movement on the deferred tax balances reconciles to the temporary differences in the tax computation, at the applicable tax rate. This included assessment of management's rationale for raising deferred taxation assets to determine whether the Group and Company will have sufficient capital gains in future to utilise against the current tax losses. Our procedures did not identify any significant exceptions.

INDEPENDENT AUDITORS' REPORT continued

Level	Key audit matter	How the matter was addressed in the audit
Group – Consolidated financial statements	*Assessment of the capitalisation of information technology expenditure and impairment of software (Refer to notes 1.4.2, 2.5 and 14)*	
	The Group's intangible assets include internally generated and purchased software. As disclosed in note 1.4.2 *Accounting Policies: Intangible assets: Internally developed software and distributor relationships* the Group capitalises its own unique and identifiable software (internally developed software) when it can reliably measure the cost to develop, is able to demonstrate its ability and intention to complete development and is satisfied that the internally developed software will generate future economic benefits. The Group recognised additions to software amounting to R82 million in the current year. The Group assesses software for indicators of impairment on an annual basis, taking into account matters such as technological advancement and the ability of the asset to generate future economic benefit. In determining whether or not software should be impaired, the relevant cash generating unit's carrying amount is compared to its estimated recoverable amount. The recoverable amounts of the Group's relevant cash generating units are based on value in use calculations. The Group recognised R9 million impairment on software in the current year.	As part of our audit, we assessed the Group's Project Management Officer Policy, which details the Group's capitalisation of information technology expenditure, assessment of future benefits and amortisation period to be used, against the requirements of IAS 38 *Intangible Assets* (IAS 38) and found them to be aligned. We obtained an understanding and tested the design and implementation of the relevant management controls relating to the monitoring of cost capitalisation of software intangible assets. These processes included controls over the approval and recognition of new intangible assets, ongoing monitoring and review of estimated and actual spend relating to system development, review and sign off of impairment assessments and the approval of transfers of assets from "under construction" to "in use". Furthermore, we tested the capitalisation of intangible assets in terms of IAS 38. Our testing did not identify any material differences. We inspected the cash projections of the cash generating units used in the value in use calculations to evaluate if they reflected the most recently approved management budgets. We evaluated the reasonableness of the key management assumptions, including comparing the project milestones to expenditure to date, used in the calculation in light of our understanding of the business and the economic conditions that are expected to exist over the remaining operational life of the software intangible assets.

Level	Key audit matter	How the matter was addressed in the audit
Group – Consolidated financial statements continued	*Assessment of the capitalisation of information technology expenditure and impairment of software (Refer to notes 1.4.2, 2.5 and 14)* continued	
	Significant judgements, estimates and assumptions have been made by management in respect of: • The ability and intention of the Group to complete development of software and the ability of internally developed software to generate future economic benefits; • Their assessment of impairment indicators in respect of software in the light of new technological developments, obsolescence and changes in the manner in which the software is used or expected to be used; • The expected future cash flows to be derived from the software and the related timing of the expected future cash flows; and • The determination of the appropriate discount rate to utilise in the impairment calculation. The extent of management's judgement relating to the capitalisation and impairment of software and the magnitude of the carrying value of this asset at year-end resulted in this matter being identified as a matter of most significance in the current year audit of the consolidated financial statements.	With the assistance of our experts, we evaluated the significant assumptions used in determining value in use which included an independent comparison to industry norms and an evaluation of the discount rates applied. We tested each significant project for impairment and that the recoverable amount of an intangible asset under construction was measured annually by management, irrespective of whether there is an indication that it may be impaired. We performed an independent value in use reasonability test and found that no further impairment was required. Based on the abovementioned testing performed, we found the methodology, inputs and related judgements applied by management in determining appropriate costs to be capitalised and the value in use of each significant project to be reasonable and in accordance with the requirements of IFRS.

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Sasfin Holdings Limited Annual Financial Statements for the year ended 30 June 2018*, which includes the Directors' Report, the Group Audit and Compliance Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa, and the disclosures set out on page 87 – 88 that have been presented in terms of the requirements of the Banks Act 1990 (as amended) and Regulation 43 (1)(e)(ii) of the Banking Regulations, which we obtained prior to the date of this report, and the other sections of the *Sasfin Holdings Limited Integrated Report for the year ended 30 June 2018*, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

INDEPENDENT AUDITORS' REPORT continued

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Sasfin Holdings Limited for 1 year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Vincent Tshikhovhokhovho
Registered Auditor
4 Lisbon Lane
Waterfall City
2090

17 September 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018

	Accounting policy	Note	2018 R'000	2017 Restated R'000	2016 Restated R'000
ASSETS					
Cash and cash balances	1.10	4	1 892 167	2 165 379	652 485
Trading assets	1.12	5	1 476 511	1 352 570	1 192 446
Negotiable securities	1.12	6	1 975 407	1 395 522	1 238 267
Other receivables	1.12	7	375 380	394 690	726 940
Non-current assets held for sale	1.3	8	–	69 500	69 900
Loans and advances	1.12	9	7 618 495	6 487 022	6 254 891
Taxation	1.15		19 809	36 560	31 135
Investment securities	1.12	10	628 493	494 213	586 359
Private Equity and Property Equity investments	1.12		586 497	447 233	510 479
Strategic investments	1.12		41 996	46 980	75 880
Deferred tax asset	1.15	11	30 568	26 995	22 135
Property, plant and equipment	1.5	12	88 206	103 856	87 229
Investment property	1.3	13	12 600	–	–
Intangible assets and goodwill	1.4	14	201 448	131 778	122 391
Total assets			14 319 084	12 658 085	10 984 178
LIABILITIES					
Funding under repurchase agreements and interbank	1.12	15	1 924 975	1 306 926	862 574
Trading liabilities	1.12	5	1 449 203	1 333 551	1 174 376
Current taxation liabilities	1.15		21 819	9 569	16 611
Other payables	1.12	16	801 745	743 267	1 078 046
Deposits from customers	1.12	17	4 449 344	4 551 990	3 226 129
Debt securities issued	1.12	18	3 115 432	2 496 718	2 470 428
Long-term loans	1.12	19	674 616	429 673	433 889
Deferred tax liability	1.15	11	140 179	127 166	125 576
Total liabilities			12 577 313	10 998 860	9 387 629
EQUITY					
Ordinary share capital	1.9	20	321	317	317
Ordinary share premium	1.9	21	166 945	144 010	144 010
Reserves			1 382 185	1 324 559	1 259 353
Preference share capital	1.9	22	18	18	18
Preference share premium	1.9	23	188 068	188 068	192 851
Non-controlling interest			4 234	2 253	–
Total equity			1 741 771	1 659 225	1 596 549
Total liabilities and equity			14 319 084	12 658 085	10 984 178

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Accounting policy	Note	2018 R'000	2017 R'000
Interest income	1.13	25	1 281 874	1 173 400
Interest expense	1.13	26	(809 095)	(730 864)
Net interest income			472 779	442 536
Non-interest income	1.13	27	746 437	724 630
Non-interest income excluding fair value adjustments to strategic investments			752 471	753 826
Fair value adjustments to strategic investments			(6 034)	(29 196)
Total income			1 219 216	1 167 166
Impairment charges on loans and advances	1.12.4	36.1	(144 178)	(81 436)
Net income after impairments			1 075 038	1 085 730
Operating costs			(871 274)	(840 152)
Staff costs	1.14	28.1	(453 741)	(414 463)
Other operating expenses		28.2	(408 097)	(411 326)
Goodwill and intangible asset impairments	1.11	28.3	(9 436)	(14 363)
Profit from operations			203 764	245 578
Share of associate income/(loss)	1.2.4		110	(2 156)
Profit before income tax			203 874	243 422
Income tax expense	1.15	29	(71 428)	(49 012)
Profit for the year			132 446	194 410
Other comprehensive income for the year, net of tax effects				
Items that may subsequently be reclassified to profit or loss				
Foreign exchange differences on translation of foreign operations			9 741	(27 544)
Total comprehensive income for the year			142 187	166 866
Profit attributable to:			132 446	194 410
Non-controlling interest			1 981	2 253
Preference shareholders			15 531	15 580
Equity holders of the Group			114 934	176 577
Total comprehensive income attributable to:			142 187	166 866
Non-controlling interest			1 981	2 253
Preference shareholders			15 531	15 580
Equity holders of the Group			124 675	149 033
Earnings per share:				
Basic and Diluted earnings per share (cents)			358.68	556.38

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Ordinary share capital and premium R'000	Distri-butable reserves R'000	Foreign currency translation reserve R'000	Hedging reserve R'000	Total ordinary share-holders' equity R'000	Prefe-rence share capital and premium R'000	Non-controlling interest R'000	Total share-holders' equity R'000
Balance at 30 June 2016	144 327	1 270 085	96 367	(107 099)	1 403 680	192 869	–	1 596 549
Total comprehensive income for the year	–	192 157	(27 544)	–	164 613	–	2 253	166 866
Profit for the year	–	192 157	–	–	192 157	–	2 253	194 410
Other comprehensive income/(loss) net of income tax for the year	–	–	(27 544)	–	(27 544)	–	–	(27 544)
Transactions with owners recorded directly in equity								
Preference share buy-back and cancellation	–	2 919	–	–	2 919	(4 783)	–	(1 864)
Dividends to preference shareholders	–	(15 580)	–	–	(15 580)	–	–	(15 580)
Dividends to ordinary shareholders	–	(86 746)	–	–	(86 746)	–	–	(86 746)
Balance at 30 June 2017	144 327	1 362 835	68 823	(107 099)	1 468 886	188 086	2 253	1 659 225
Total comprehensive income for the year	–	114 934	9 741	–	124 675	15 531	1 981	142 187
Profit for the year	–	114 934	–	–	114 934	15 531	1 981	132 446
Other comprehensive income/(loss) net of income tax for the year	–	–	9 741	–	9 741	–	–	9 741
Transactions with owners recorded directly in equity								
Issued shares	413 491	–	–	–	413 491	–	–	413 491
Repurchase of shares	(390 552)	–	–	–	(390 552)	–	–	(390 552)
Dividends to preference shareholders	–	–	–	–	–	(15 531)	–	(15 531)
Dividends to ordinary shareholders	–	(67 049)	–	–	(67 049)	–	–	(67 049)
Balance at 30 June 2018	167 266	1 410 720	78 564	(107 099)	1 549 451	188 086	4 234	1 741 771

	2018 Cents per share	2017 Cents per share
Ordinary shares		
Interim dividend	46.89	80.00
Final dividend	104.37	160.42
Preference shares		
Dividend no 25	–	436.68
Dividend no 26	–	429.57
Dividend no 27	427.42	–
Dividend no 28	414.03	–

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Note	2018 Audited R'000	2017 Restated R'000
Cash flows from operating activities			
Cash receipts from customers	33.1	1 938 779	1 837 446
Cash paid to customers, employees and suppliers	33.2	(1 644 232)	(1 580 463)
Cash inflow from operating activities		294 547	256 983
Dividends received		22 185	14 753
Taxation paid	33.4	(32 987)	(64 749)
Dividends paid	33.5	(82 580)	(102 326)
Cash flows from operating activities before changes in operating assets and liabilities		201 165	104 661
Changes in operating assets and liabilities		802 743	1 337 618
Increase in loans and advances		(120 207)	(313 567)
Increase in trading assets		(123 348)	(160 125)
Increase in negotiable securities		(579 885)	(157 255)
Decrease in other receivables		63 252	324 762
(Decrease)/Increase in deposits		(102 646)	1 325 861
Increase in long-term funding		863 657	22 074
Increase in funding under repurchase agreements and interbank		618 049	444 352
Increase in trading liabilities		115 652	159 175
Increase/(Decrease) in other payables		68 219	(307 659)
Net cash from operating activities		1 003 908	1 442 279
Cash flows from investing activities		(1 281 352)	64 899
Proceeds from the disposal of property, plant and equipment		4 299	11 960
Proceeds from disposal of investment property		56 500	7 489
Proceeds from the disposal of investment securities		4 700	182 095
Acquisition of property, plant and equipment	12	(22 471)	(49 680)
Acquisition of intangible assets	14	(82 815)	(40 973)
Net cash paid on acquisition of businesses		(1 167 031)	–
Acquisition of investment securities		(108 145)	(34 549)
Repayments/(Advances) of investment securities		33 611	(11 443)
Net cash flows from financing activities		22 939	(1 864)
Proceeds from issue of ordinary shares		413 491	–
Repurchase of shares		(390 552)	–
Purchase and cancellation of preference shares		–	(1 864)
Net increase/(decrease) in cash and cash balances		(254 505)	1 505 314
Cash and cash equivalents at beginning of the year		2 165 379	652 485
Effect of exchange rate movements on cash and cash balances		(18 707)	7 580
Cash and cash balances at the end of the year	4	1 892 167	2 165 379

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation

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

The Group has, in the preparation of these Consolidated and Separate Annual Financial Statements, consistently applied the accounting policies with those applied in the previous financial year, unless otherwise stated. Refer to note 2.8 for reclassifications and correction of prior year errors.

1.1.1 Accounting policy elections

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

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

1.2 Basis of consolidation

1.2.1 Business combinations

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

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

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

1. ACCOUNTING POLICIES continued

1.2 Basis of consolidation continued

1.2.1 Business combinations continued

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

1.2.2 Subsidiaries

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

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

1.2.3 Structured entities

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

The Group, in substance, controls a structured entity where the Group:
- Controls the activities of the structured entity according to the Group's specific needs;
- Has the decision-making powers to control the activities of the structured entity;
- Has delegated decision-making powers by setting up an 'autopilot' mechanism;
- Has rights to obtain the majority of the benefits of the structured entity;
- Is exposed to risks incidental to the activities of the structured entity; and
- Retains the majority of the residual ownership risks related to the structured entity or its assets.

The assessment of whether the Group has control over a structured entity is carried out at inception. There is normally no further reassessment of control unless:
- There are changes to the structure of the relationship between the Group and the structured entity;
- There are additional transactions between the Group and the structured entity;
- Changes in market conditions alter the substance of the relationship between the Group and the structured entity; and
- The Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and the structured entity.

The structured entities consolidated are:
- South African Securitisation Programme (RF) Limited (SASP), controlled by Sasfin Bank Limited.
- Fintech Receivables 2 (RF) Limited (FR2), controlled by Fintech (Proprietary) Limited (Fintech), a subsidiary of Sasfin Bank Limited.
- Sunlyn (Pty) Ltd, controlled by Sasfin Bank Limited. Refer note 2.8.5.

1.2.4 Associates

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

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

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

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

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

1. ACCOUNTING POLICIES continued

1.2 Basis of consolidation continued

1.2.4 Associates continued

Associate companies held by Private Equity and Property Equity business units

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

1.2.5 Common control

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

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

1.3 Investment property

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

Investment properties are initially recognised at cost.

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

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

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

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

1.4 Intangible assets

1.4.1 Goodwill

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

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

1.4.2 Internally developed software and distributor relationships

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

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

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

1. ACCOUNTING POLICIES continued

1.4 Intangible assets continued

1.4.2 Internally developed software and distributor relationships continued

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

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

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

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

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

1.5 Property, plant and equipment

1.5.1 Owned assets

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

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

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

1.5.2 Depreciation

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

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

1.5.3 Profit or loss on disposal

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

1.6 Currencies

1.6.1 Functional and presentation currency

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

1. ACCOUNTING POLICIES continued

1.6 Currencies continued

1.6.2 Transactions and balances

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

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

Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency:
- exchange rate at the transaction date if measured at historical cost; or
- exchange rate at the date fair value was determined if measured at fair value.

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

1.7 Provisions

A provision is recognised when the Group has a present, legal or constructive obligation, as a result of a past event, from which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

1.8 Leases

1.8.1 Group as the lessor

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

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

1.8.2 Group as the lessee

Operating leases

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

1.9 Share capital

1.9.1 Ordinary share capital

Ordinary shares are classified as equity.

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

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

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

1.9.2 Preference share capital as equity

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

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

1. ACCOUNTING POLICIES continued

1.9 Share capital continued

1.9.2 Preference share capital as equity continued

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

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

1.10 Cash and cash balances

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

- Cash and cash balances on hand; and
- Balances with the SARB.

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

1.11 Impairment of non-financial assets

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

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

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units, and then to reduce the carrying amount of the other assets in the unit on a *pro rata* basis.

Calculation of recoverable amount

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

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

Impairment reversals

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

1.12 Financial instruments

Financial instruments, as reflected on the Statement of Financial Position, include all financial assets, financial liabilities and derivative instruments, excluding investments in subsidiaries, associated companies and joint ventures (refer accounting policy note 1.2).

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

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

Financial instruments are initially recognised at fair value.

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

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

Financial instruments at fair value through profit or loss

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

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

The Group has designated financial assets and liabilities at fair value through profit or loss for:

- Financial assets or liabilities that are managed, evaluated and reported internally on a fair value basis; or
- Where it eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- Financial assets or liabilities that contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

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

Loans and receivables

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

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

Measurement

Amortised cost

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

Borrowings

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

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

Measurement continued

Derecognition

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

The Group derecognises a financial asset when:

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

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

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

Offsetting financial instruments and related income

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

1.12.1 Repurchase agreements

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

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

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

1.12.2 Reverse repurchase agreements

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

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

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

1.12.3 Derivative financial instruments and hedge accounting

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

1.12.3 Derivative financial instruments and hedge accounting continued

Hedge accounting

Derivatives designated in a hedging relationship comprise:

- Fair value hedges – a hedge of fair value of financial assets or liabilities or firm commitments;
- Net investment hedge – a hedge of a net investment in a foreign operation.

Hedge accounting is applied to derivatives designated in a hedging relationship where:

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

Fair value hedges

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

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

Net investment hedges

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

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

Derivatives that do not qualify for hedge accounting

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

1.12.4 Impairment of financial assets

The Group annually assesses financial assets not at FVTPL for impairment. Impairment occurs where there is objective evidence that a loss event has occurred after the initial recognition of the financial asset(s) and that the loss event has an impact on the future cash flows of the financial asset(s) that can be measured reliably.

Financial assets carried at amortised cost

Impairment is calculated as the difference between the carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

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

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

1.12.4 Impairment of financial assets continued

Financial assets carried at cost

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

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

Impairment losses recognised on financial assets carried at cost are not reversed.

1.13 Revenue

1.13.1 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 are 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.

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

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

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

1.13.2 Non-interest income

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

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

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

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

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

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

1.14 Employee benefits

1.14.1 Short-term benefits

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

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

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

1. ACCOUNTING POLICIES continued

1.14 Employee benefits continued

1.14.2 Defined-contribution plan

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

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

1.15 Taxation

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

1.15.1 Current tax

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

1.15.2 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 Comprehensive Income are recognised in the Statement of Changes in Equity and Statement of Comprehensive Income respectively.

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

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

1.16 Earnings per share (EPS)

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

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

1. ACCOUNTING POLICIES continued

1.17 Commitments and contingent liabilities

Commitments represent the Group's commitment to future transactions.

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

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

1.18 Funds under administration, advisement and management

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

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

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

1.19 Segment reporting

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

The operating segments represents the Group's three pillars, i.e. Bank, Wealth and Capital, according to which its business is aligned. The Bank pillar includes Business Banking as well as Transactional Banking and Treasury. The Wealth pillar incorporates all divisions related to wealth management, amongst other asset management, portfolio management and stockbroking as well as wealth advisory and asset consulting. The Capital pillar comprises of Private Equity and Property Equity investments.

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

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

Geographical

The Group operates in two geographic regions being:
- Southern Africa (South Africa); and
- Asia-Pacific (Hong Kong).

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

2. CRITICAL ESTIMATES, JUDGEMENTS, RE-CLASSIFICATIONS AND ERRORS

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

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

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

2.1 Credit impairment of loans and advances (refer note 9 and note 36.1)

2.1.1 Performing loans and advances

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

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

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

2.1.2 Non-performing loans and advances

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

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

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

2.2 Private Equity investment valuations (refer note 10)

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

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

- Estimates of local and global macro-economic performance, including factors such as expected interest and exchange rates;
- Estimates of future operating cash flows of investees’ businesses;
- Estimates of long-term underlying operational performance of investees’ businesses;
- Expected capital expenditure and working capital needs of investees’ businesses;
- Assessment of long-term viability of investees’ business models; and
- The inherent risks specific to the investees’ businesses and the industries and countries in which these entities operate.

The valuations are reviewed and approved by the Group Investment Committee and recommend to the Board for approval.

2. CRITICAL ESTIMATES, JUDGEMENTS, RE-CLASSIFICATIONS AND ERRORS continued

2.3 Property Equity investment valuations (refer note 10)

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

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

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

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

The valuations are reviewed and approved by the Group Investment Committee and recommend to the Board for approval.

2.4 Fair value (refer note 35)

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

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

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

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

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 Group on demand, discounted from the first date on which the amount could be required to be paid.

2. CRITICAL ESTIMATES, JUDGEMENTS, RE-CLASSIFICATIONS AND ERRORS continued

2.4 Fair value (refer note 9 and note 36.1) continued

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

The Group's valuation methodologies comprise:
- Price/earnings multiple valuation methodology;
- Recent transaction prices and comparison with similar instruments;
- Net asset value;
- Discounted cash flow or earnings; and
- Black-Scholes.

Assumptions and inputs used in the valuation methodologies comprise:
- Risk-free interest rate;
- Benchmark interest rates;
- Credit spreads; and
- Liquidity and other *premia* used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices, and expected price volatilities and correlations.

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

Fair value hierarchy

Valuation models

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

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

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

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

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

2.5 Intangible assets and goodwill (refer note 14)

2.5.1 Intangible assets

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

The costs associated with internally developed software are only capitalised once the research phase has been concluded and the requirements for the development phase have been met, namely:
- It is technically feasible to complete the software for use;
- The Group is committed to complete the software for use;
- It will be possible to use the software and the Group intends to use the software to increase efficiencies and/or support the business;
- There are sufficient resources available to complete the software; and
- The costs can be reliably measured.

2. CRITICAL ESTIMATES, JUDGEMENTS, RE-CLASSIFICATIONS AND ERRORS continued

2.5 Intangible assets and goodwill (refer note 14) continued

2.5.1 Intangible assets continued

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

On an annual basis, the Group assesses impairment indicators relating to purchased information technology software such as technology advancement and the ability of the asset to continue to generate future economic benefit. Should an impairment indicator be triggered, the related software is assessed for impairment. Internally developed software, that is still in the development phase, is assessed annually for impairment.

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

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

2.5.2 Goodwill

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

2.6 Current and deferred taxation (refer note 11 and note 29)

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

2.7 Assessment of significant influence and control of entities (refer note 34.1)

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

2.8 Re-classifications and correction of prior year errors

2.8.1 Re-classifications of certain assets and liabilities

During the year under review, the Group re-assessed the nature of the items included in Other receivables and Other payables to better align the underlying items with the business model of the Group. Based on this assessment, certain items were re-classified from Other Receivables to Trading Assets and from Other payables to Trading liabilities. These re-classifications are disclosed overleaf. The re-classifications did not have any impact on the retained earnings or the profit for the year in the separate and consolidated financial statements.

2.8.2 Re-classification correction

Management reviewed the nature of the detailed accounts included in the respective asset and liability line items on the face of the Statement of Financial Position. As part of this review, management identified that certain accounts were linked to the incorrect line items on the face of the Statement of Financial Position. Consequently, re-classifications were made between Cash and cash balances, Funding under repurchase agreements and interbank as well as Deposits from customers. These re-classifications are disclosed below. The re-classifications did not have any impact on the retained earnings or the profit for the year in the separate and consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

2. CRITICAL ESTIMATES, JUDGEMENTS, RE-CLASSIFICATIONS AND ERRORS continued

2.8.3 Correction of prior year error – Offsetting of interdivisional balances

Whilst performing the consolidation procedures for 2018, management determined that not all interdivisional interest, deposits and bank accounts held by divisions of Sasfin Bank Limited, with Sasfin Bank Limited, had been offset appropriately in the Consolidated Financial Statements of the Group. The appropriate line items have been corrected in the Consolidated Statement of Financial Position, as indicated below. The correction did not have any impact on the separate Statement of Financial Position of the Company. The correction also did not have any impact on the retained earnings or the profit for the year in the Separate and Consolidated Financial Statements. Hence there is also no impact on the basic and diluted earnings per share, or on the headline earnings per share.

2.8.4 Impact on financial statement line items

	30 June 2017				
	As previously reported R'000	Re-classification Increase/ (Decrease) R'000	Re-classification error Increase/ (Decrease) R'000	Prior period error Increase/ (Decrease) R'000	Restated R'000
Statement of financial position					
Assets					
Cash and cash balances	2 129 896	–	(5 674)	41 157	2 165 379
Trading assets	1 280 093	72 477	–	–	1 352 570
Other receivables	467 208	(72 477)	–	(41)	394 690
Liabilities					
Funding under repurchase agreements and interbank	1 381 240	–	(74 314)	–	1 306 926
Trading liabilities	1 266 745	66 806	–	–	1 333 551
Other payables	768 957	(66 806)	–	41 116	743 267
Deposits from customers	4 483 350	–	68 640	–	4 551 490
Statement of comprehensive income					
Interest income	1 291 555	–	–	(9 681)	1 281 874
Interest expense	(818 776)	–	–	9 681	(809 095)
Net interest income	472 779	–	–	–	472 779

	30 June 2016				
	As previously reported R'000	Re-classification Increase/ (Decrease) R'000	Re-classification error Increase/ (Decrease) R'000	Prior period error Increase/ (Decrease) R'000	Restated R'000
Statement of financial position					
Assets					
Cash and cash balances	672 317	–	(97 780)	77 948	652 485
Trading assets	1 147 227	45 219	–	–	1 192 446
Other receivables	772 209	(45 219)	–	(50)	726 940
Liabilities					
Funding under repurchase agreements and interbank	999 184	–	(112 456)	(24 154)	862 574
Trading liabilities	1 131 942	42 434	–	–	1 174 376
Other payables	1 023 354	(42 434)	–	97 126	1 078 046
Deposits from customers	3 206 527	–	14 676	4 926	3 226 129

2. CRITICAL ESTIMATES, JUDGEMENTS, RE-CLASSIFICATIONS AND ERRORS continued

2.8.4 *Impact on financial statement line items continued*

30 June 2017	As previously reported R'000	(Re-classification Increase/ (Decrease) R'000	Re-classification error Increase/ (Decrease) R'000	Prior period error Profit Increase/ (Decrease) R'000	Restated R'000
Statement of cash flows					
Cash received from customers	1 850 341	–	–	(12 895)	1 837 446
Cash paid to customers, employees and suppliers	(1 593 358)	–	–	12 895	(1 580 463)
Increase in trading assets	(132 866)	(27 259)	–	–	(160 125)
Decrease in other receivables	297 512	27 259	–	(9)	324 762
Increase in funding under repurchase agreements and interbank	382 056	–	38 142	24 154	444 352
Increase/(Decrease) in deposits	1 276 823	–	53 964	(4 926)	1 325 861
Increase in trading liabilities	134 803	24 372	–	–	159 175
Decrease in other payables	(227 277)	(24 372)	–	56 010	(307 659)
Cash and cash balances at the beginning of the year	672 317	–	(97 780)	77 948	652 485
Cash and cash balances at the end of the year	2 129 896	–	(5 674)	41 157	2 165 379

These changes did not have any impact on the consolidated statement of comprehensive income.

These re-classifications further impacted some of the amounts disclosed in notes 4, 5, 7, 15, 16 and note 17.

These corrections further impacted some of the amounts disclosed in notes 4, 7, 15, 16 and note 17.

2.8.5 *Correction of prior year error: Consolidation of Sunlyn (Pty) Ltd*

Sunlyn (Pty) Ltd (Sunlyn) was established as an orginator of the Group to obtain equipment lease rentals. Sunlyn is 100% legally owned by Innovent Investment Holdings (Pty) Ltd, in which the Group has a 33.6% shareholding. Given the nature of the origination business, the operations of Sunlyn gradually integrated into the Group. Furthermore, the manner in which the acquisition of the Absa Technology Finance Solutions (ATFS) business was structured (Sunlyn being the purchaser), is evidence that the Group has power to direct the operations of Sunlyn, which contributes to the income of the Group. Sunlyn is therefore considered to be controlled by the Group and has been consolidated. Sunlyn has been consolidated by the Group from 2018, since the impact on the consolidated prior year numbers is immaterial from a quantitative and qualitative perspective, as disclosed below:

Summarised consolidation impact of Sunlyn (Pty) Ltd

Consolidated Statement of Comprehensive Income

	2017 R'000	2016 R'000
No impact on Profit for the year:		
Re-allocation of "Other operating expenses" to "Staff costs"	46 190	31 958
Consolidated Statement of Financial Position		
Assets		
Other receivables	86	6
Property, plant and equipment	174	88
	260	94
Liabilities		
Deposits from customers	(315)	(208)
Other payables	575	302
	260	94

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

2. CRITICAL ESTIMATES, JUDGEMENTS, RE-CLASSIFICATIONS AND ERRORS continued

2.9 Standards/interpretations issued but not yet effective

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective for the year ended 30 June 2018, and have not been applied in preparing these Consolidated and Separate Annual Financial Statements. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated. These include the following Standards and Interpretations that have been issued, with an indication of the estimated impact on the future financial statements of the Group:

Pronouncement	Title and details	Effective date
IFRS 9	*Financial Instruments* IFRS 9 Financial Instruments was approved and issued by the IASB in July 2014. IFRS 9 is effective for annual periods commencing on or after 1 January 2018. IFRS 9 is replacing IAS 39 Financial Instruments: Recognition and Measurement and will direct the accounting treatment by entities of their financial instruments going forward. Sasfin Holdings Limited and Sasfin Bank Limited and its respective subsidiaries (hereafter referred to as 'Sasfin') have elected to adopt IFRS 9 retrospectively without restating comparatives i.e. restating opening retained income on 1 July 2018, from the effective date. The year ending 30 June 2019 is the first year in which IFRS 9 will be applied by Sasfin. The following is a summary of the main differences between IFRS 9 and IAS 39: • Changes to the classification and measurement of financial assets. The classification and measurement of financial assets are determined by the business model applied by Sasfin in managing its financial assets and the contractual cash flow characteristics of the financial assets; • Moving from an incurred loss impairment model under IAS 39, to an expected credit loss (ECL) impairment model under IFRS 9; and • Changes in the hedge accounting requirements and the application thereof Sasfin has reviewed all its current financial assets and financial liabilities against the revised classification and measurement criteria introduced by IFRS 9. Based on this review, Sasfin does not anticipate any significant changes in the classification and measurement of its financial assets and financial liabilities. The classification and measurement as well as the impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Group does not intend to restate comparatives. The change from an "incurred loss" model to an "expected loss" in accordance with IFRS 9, caused Sasfin to embark on an extensive project to update and build a new model to incorporate these changes. We anticipate that this model will continue to be enhanced and refined over time, as more data is being incorporated and analysed. Based on the initial results from the new model, we anticipate an increase of R114.700 million (with a deferred tax impact of R32.116 million) in the provision for credit (impairment) losses, when first applying IFRS 9. The consequential impact on Sasfin's capital adequacy levels is a reduction of 0.40%, from 16.089% to 15.689%. Sasfin currently does not apply hedge accounting and hence the changes in IFRS 9 with regards to hedge accounting are not expected to have any impact.	Annual periods beginning on or after 1 January 2018.

2. CRITICAL ESTIMATES, JUDGEMENTS, RE-CLASSIFICATIONS AND ERRORS continued

2.9 Standards/interpretations issued by not yet effective continued

Pronouncement	Title and details	Effective date
Amendment to IFRS 9	*Prepayment Features with Negative Compensation – Amendments to IFRS 9* 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. This amendment to IFRS 9 is not expected to have a significant impact on the recognition and measurement of financial assets recognised by the Group in accordance with IFRS 9.	Annual periods beginning on or after 1 January 2019.
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 financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are further required to be measured based only on the obligations created by the contracts. An entity will also be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2021.
Amendments to IFRS 4 and IFRS 9	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* This amendment is intended to address concerns arising from implementing IFRS 9 Financial Instruments prior to implementing IFRS 17 Insurance Contracts, which is replacing IFRS 4 *Insurance Contracts*. The amendments introduce two options for entities issuing insurance contracts, namely a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2018.
IFRS 15	*Revenue from Contracts with Customers* IFRS 15 *Revenue from Contracts with Customers* replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*. This standard contains a single model that applies to all contracts with customers and two approaches to recognising revenue: at a point in time or over time. IFRS 15 details a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The requirements of IFRS 15 are not expected to have a material impact on revenue recognition by the Group.	Annual periods beginning on or after 1 January 2018.

2. CRITICAL ESTIMATES, JUDGEMENTS, RE-CLASSIFICATIONS AND ERRORS continued

2.9 Standards/interpretations issued by not yet effective continued

Pronouncement	Title and details	Effective date
IFRS 16	*Leases* IFRS 16 replaces IAS 17 *Leases* and related interpretations. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract – the customer or lessee and the supplier or lessor. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes new disclosure requirements for both lessees and lessors. In those instances where the Group is the lessor, no significant impact is expected. In those instances where the Group is the lessee, an increase in leased assets (i.e. right of use of the leased asset) and lease liabilities is expected, accompanied by additional disclosure.	Annual periods beginning on or after 1 January 2019.
IFRS 10 and IAS 28	*Sale or contribution of assets between an investor and its associate or joint venture* The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of business is key to determining the extent of the gain to be recognised. These amendments are not expected to have an impact on the Group.	Effective date is deferred by the IASB indefinitely. Adoption is still permitted.
IFRIC 22	*Foreign Currency Transactions and Advance Considerations* When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 *The Effects of Changes in Foreign Exchange Rates* is not clear on how to determine the transaction date for translating the related item. This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The Group does not expect a significant impact on the recognition of foreign currency transactions as a result of IFRIC 22.	Annual periods beginning on or after 1 January 2018.

2. CRITICAL ESTIMATES, JUDGEMENTS, RE-CLASSIFICATIONS AND ERRORS continued

2.9 Standards/interpretations issued by not yet effective continued

Pronouncement	Title and details	Effective date
IFRIC 23	*Uncertainty over Income Tax Treatments* This standard clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the Annual Financial Statements. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about: • judgements made; • assumptions and other estimates used; and • the potential impact of uncertainties that are not reflected. The Group does not expect IFRIC 23 to have a significant impact on the measurement of tax in the Annual Financial Statements.	Annual periods beginning on or after 1 January 2019.
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions* Clarifications in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled have been included. These amendments are not expected to have a significant impact on the Group.	Annual periods beginning on or after 1 January 2018.
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. The amendment is not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2019.
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. The extent of this amendment is not reasonably estimable at the reporting date.	Annual periods beginning on or after 1 January 2019.
Amendments to IAS 40	*Transfers of Investment Property* This amendment clarifies when an entity should transfer property from or into Investment Property, i.e. transfers can only be made when there is evidence of a change in use. A mere change in management's intentions for the use of a property will not suffice. This amendment is not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2018.

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

3. FINANCIAL RISK MANAGEMENT (Refer notes 35 and 36)

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

3.1 Risk management framework

Governance

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls 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 Group, through its training and management of standards and procedures, has developed a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group uses the following lines of defence:

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

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

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

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

3. FINANCIAL RISK MANAGEMENT continued

3.2 Risk types, definitions, governance standards, policies and procedures continued

3.2.1 Credit risk

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

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

Management of credit risk

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

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits, as approved and reviewed regularly by the Board, are allocated to business unit credit officers. Larger facilities may require approval by Group Credit, Head: Group Credit, CLEC or the Board;
- Reviewing and assessing credit risk. Group Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned;
- Limiting concentrations of exposure to counterparties, geographies and industries for loans and advances, deposits with banks and investment securities (refer note 36.1);
- Developing and maintaining the Group's risk indicators in order to categorise exposures according to the degree of risk of financial loss faced, and to focus management on the attendant risks. The risk system is used in determining where impairment provisions may be required against specific credit exposures. The current risk framework consists of four grades reflecting varying degrees of risk of default, availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee. Risk grades are subject to regular reviews by Group Risk;
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit on the credit quality of local portfolios and appropriate corrective action is taken; and
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

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

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

Securitisation

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

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

Deposits with other banks or money market funds

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

Financial assets held for trade facilitation and reverse repurchase agreements

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

3. FINANCIAL RISK MANAGEMENT continued

3.2 Risk types, definitions, governance standards, policies and procedures continued

3.2.1 Credit risk continued

Impaired loans and securities

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

Past due but not impaired loans

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

Loans with renegotiated terms

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

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

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

Credit impairment

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

Write-off policy

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

Credit risk measurement and determination

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

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

3. FINANCIAL RISK MANAGEMENT continued

3.2 Risk types, definitions, governance standards, policies and procedures continued

3.2.1 Credit risk continued

Collateral for loans and advances

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

Concentration risk

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

3.2.2 Liquidity risk

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

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

Management of liquidity risk

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

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

Liquidity risk measurement

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

Exposure to liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

3. FINANCIAL RISK MANAGEMENT continued

3.2 Risk types, definitions, governance standards, policies and procedures continued

3.2.3 Market risk

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

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

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

Settlement risk

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

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

Management of market risk

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

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

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

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

Exposure to interest rate risk

Trading portfolios

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

Non-trading portfolios

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

3. FINANCIAL RISK MANAGEMENT continued

3.2.3 *Market risk continued*

Market risk on equity investments

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

Currency risk

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

3.2.4 *Derivative financial instruments*

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

Notional principal

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

Exchange rate contracts

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

Interest rate swaps

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

Net investment hedge

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

		2018 R'000	2017 R'000 Restated
4.	**CASH AND CASH BALANCES**		
	Funds on call	1 277 639	1 573 385
	Notice deposits	473 119	457 458
	Balance with the SARB	141 409	134 536
		1 892 167	2 165 379
	The balance with the SARB is for minimum reserve requirements and not available for use.		

5. TRADING ASSETS AND LIABILITIES

5.1 Trading assets and liabilities

	Financial assets		Financial liabilities	
	2018 R'000	2017 R'000 Restated	2018 R'000	2017 R'000 Restated
Financial assets and liabilities held for trade facilitation relate to the Fixed Income trading business in SasSec. Long and short bond positions are not set off. Financial assets held for trade facilitation are hedged by financial liabilities held for trade facilitation, minimising the Group's exposure to interest rate risk. Financial assets held for trade facilitation comprise the following categories of rated bond positions all of which are traded through the JSE:				
Government	66 076	30 585	591 619	562 280
Government-owned entities	221 015	174 345	–	–
Municipalities	–	9 113	–	–
Corporate bonds	359 850	454 624	–	–
Derivatives	179 417	72 477	155 672	66 806
	826 358	741 144	747 291	629 086

5.2 Reverse repurchase and repurchase agreements

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

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

		2018 R'000	2017 R'000 Restated
	Reverse repurchase agreements (assets)	650 153	611 426
	Repurchase agreements (liabilities)	701 912	704 465
5.3	**Total trading assets**	1 476 511	1 352 570
	Financial assets	826 358	741 144
	Reverse repurchase agreements (assets)	650 153	611 426
5.4	**Total trading liabilities**	1 449 203	1 333 551
	Financial liabilities	747 291	629 086
	Repurchase agreements (liabilities)	701 912	704 465

	2018 R'000	2017 R'000
6. NEGOTIABLE SECURITIES		
Treasury bills	1 611 657	936 470
Landbank bills	363 750	459 052
	1 975 407	1 395 522

Landbank bills and Treasury bills to the value of R1.456 billion (2017: R555 million) have been pledged for the SARB refinancing auction.

	2018 R'000	2017 R'000 Restated
7. OTHER RECEIVABLES		
Stockbroking receivable	77 135	91 386
Insurance asset	50 535	48 617
Value added taxation	39 499	63 437
Prepaid expenses	10 725	10 680
Dividend receivable	7 392	–
Other receivables	190 094	180 570
	375 380	394 690

Amounts due to and from market represent unsettled transactions in terms of the trading rules applicable to the specific exchange where the deal was booked. For further details on amounts due to market, refer to note 5.

	2018 R'000	2017 R'000
8. NON-CURRENT ASSET HELD FOR SALE		
Fair value at the beginning of the year	69 500	69 900
Disposals	(56 500)	–
Fair value adjustment	(400)	(400)
Transfer to Investment property	(12 600)	–
Fair value at the end of the year	–	69 500

Investment properties obtained through the acquisition of Benal (included in the Capital business segment) was presented as Non-Current Assets held for sale. The majority of the properties have been sold during 2018. The intention for the remaining properties is to sell but Sasfin is currently not actively marketing the properties and has been transferred to Investment property.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

9. LOANS AND ADVANCES

	Total R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
30 June 2018				
Gross Investment in leases	7 717 059	3 181 038	4 527 024	8 997
Equipment Finance	6 406 526	2 587 869	3 817 226	1 431
Capital Equipment Finance	1 310 533	593 169	709 798	7 566
Less: Unearned finance income	(1 137 705)	(432 629)	(701 273)	(3 803)
Equipment Finance	(923 320)	(358 126)	(564 442)	(752)
Capital Equipment Finance	(214 385)	(74 503)	(136 831)	(3 051)
Net investment in leases	6 579 354	2 748 409	3 825 751	5 194
Equipment Finance	5 483 206	2 229 743	3 252 784	679
Capital Equipment Finance	1 096 148	518 666	572 967	4 515
Trade and Debtor Finance	1 141 275			
Other secured loans	183 630			
Loans and advances before impairments	7 904 259			
Impairments	(285 764)			
Impairments for non-performing loans and advances	(234 625)			
Impairments for performing loans and advances	(51 139)			
Net loans and advances	7 618 495			

9. LOANS AND ADVANCES continued

	Total R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
30 June 2017				
Gross Investment in leases	6 679 736	2 917 450	3 751 180	11 106
Equipment Finance	5 496 119	2 313 119	3 180 415	2 585
Capital Equipment Finance	1 183 617	604 331	570 765	8 521
Less: Unearned finance income	(1 295 037)	(376 452)	(713 649)	(4 936)
Equipment Finance	(1 104 790)	(500 928)	(602 485)	(1 377)
Capital Equipment Finance	(190 247)	(75 524)	(111 164)	(3 559)
Net investment in leases	5 384 699	2 340 998	3 037 531	6 170
Equipment Finance	4 391 329	1 812 191	2 577 930	1 208
Capital Equipment Finance	993 370	528 807	459 601	4 962
Trade and Debtor Finance	1 127 438			
Other secured loans	198 593			
Loans and advances before impairments	6 710 730			
Impairments	(223 708)			
Impairments for non-performing loans and advances	(191 836)			
Impairments for performing loans and advances	(31 872)			
Net loans and advances	6 487 022			

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

		2018 R'000	2017 R'000
10.	**INVESTMENT SECURITIES**		
	Designated at fair value through profit or loss	616 319	491 798
	– Listed Equity investments	309	280
	– Private and Property Equity investments	574 014	444 538
	– Strategic investments*	41 996	46 980
	Investment in associate companies	12 174	2 415
		628 493	494 213
	Summarised financial information for non-material associates:		
	Post-tax (loss)/profit from continued operations	42	(146)
	Total comprehensive (loss)/income	42	(146)
	Total assets	5 742	4 893
	Total liabilities	917	585

** Comprises the Group's listed equity investment in Efficient Group Limited.*

		2018 R'000	2017 R'000
11.	**DEFERRED TAX ASSETS AND LIABILITIES**		
	Deferred tax assets	30 568	26 995
	Deferred tax liabilities	(140 179)	(127 166)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2018			2017		
	Assets R'000	Liabilities R'000	Net R'000	Assets R'000	Liabilities R'000	Net R'000
Equipment Finance	–	(193 324)	(193 324)	–	(152 875)	(152 875)
Tax losses*	10 593	48 574	59 167	8 828	21 119	29 947
Fair value adjustments	(4 812)	(52 221)	(57 033)	(8 952)	(33 550)	(42 502)
Prepayments	(698)	(539)	(1 237)	(267)	(1 300)	(1 567)
Impairments	12 405	19 264	31 669	15 134	17 024	32 158
Provisions	14 045	44 715	58 760	11 109	35 184	46 293
Investment property	362	(1 524)	(1 162)	11	(8 340)	(8 329)
Intangible assets	–	(8 750)	(8 750)	(14)	(10 085)	(10 099)
Other temporary differences	(1 327)	3 626	2 299	1 146	5 657	6 803
Net tax assets/(liabilities)	30 568	(140 179)	(109 611)	26 995	(127 166)	(100 171)

** Management is of the view that the deferred tax asset relating to the assessed tax losses will reverse in the future periods and therefore the asset will be recovered through future taxable income.*

11. DEFERRED TAX ASSETS AND LIABILITIES continued

Movements in temporary differences during the year

	Balance at 1 July R'000	Acquisition of subsidiary R'000	Recognised in profit or loss R'000	Balance at 30 June R'000
2018				
Equipment Finance	(152 875)	–	(40 449)	(193 324)
Tax losses	29 947	1 086	28 134	59 167
Fair value adjustments	(42 502)	–	(14 531)	(57 033)
Prepayments	(1 567)	(2)	332	(1 237)
Impairments	32 158	–	(489)	31 669
Provisions	46 293	6	12 461	58 760
Investment property	(8 329)	–	7 167	(1 162)
Intangible assets	(10 099)	–	1 349	(8 750)
Other temporary differences	6 803	(1 931)	(2 573)	2 299
	(100 171)	(841)	(8 599)	(109 611)

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

12. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Total R'000
2018					
Cost at the beginning of the year	159 145	44 926	3 361	50 528	257 960
Acquisition of subsidiary	20	17	–	–	37
Additions	17 606	4 201	457	207	22 471
Disposals	(12 834)	(207)	(581)	(1 121)	(14 743)
Re-classification to computer software	(4 883)	–	–	–	(4 883)
Impairments	(4 129)	(10 454)	–	–	(14 583)
Cost at the end of the year	154 925	38 483	3 237	49 614	246 259
Accumulated depreciation and impairment losses at the beginning of the year	116 090	33 517	2 426	2 071	154 104
Depreciation charge for the year	19 935	3 666	383	4 534	28 518
Disposals	(10 940)	837	(441)	109	(10 435)
Re-classification to computer software	(520)	–	–	–	(520)
Impairments	(3 914)	(9 700)	–	–	(13 614)
Accumulated depreciation at the end of the year	120 651	28 320	2 368	6 714	158 053
Carrying amount at the beginning of the year	43 055	11 409	935	48 457	103 856
Carrying amount at the end of the year	34 274	10 163	869	42 900	88 206

12. PROPERTY, PLANT AND EQUIPMENT continued

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Total R'000
2017					
Cost at the beginning of the year*	125 088	51 908	8 421	46 044	231 461
Acquisition of subsidiary	214	212	–	–	426
Additions	38 894	1 394	473	8 919	49 680
Disposals	(5 051)	(8 588)	(5 533)	–	(19 172)
Impairments	–	–	–	(4 435)	(4 435)
Cost at the end of the year	159 145	44 926	3 361	50 528	257 960
Accumulated depreciation and impairment losses at the beginning of the year*	103 262	34 368	5 432	1 170	144 232
Acquisition of subsidiary	9	–	–	–	9
Depreciation charge for the year	17 116	3 810	328	73	21 327
Disposals	(4 297)	(4 661)	(3 334)	828	(11 464)
Accumulated depreciation and impairment losses at the end of the year	116 090	33 517	2 426	2 071	154 104
Carrying amount at the beginning of the year	21 826	17 540	2 989	44 874	87 229
Carrying amount at the end of the year	43 055	11 409	935	48 457	103 856

Land and buildings comprising R24.1 million (2017: R25.5 million) have been ceded as security to Absa Bank Limited in respect of a R13.5 million Access Bond facility.

** Reclassifications were made between asset classes disclosed in prior years.*

	2018 R'000	2017 R'000
13. INVESTMENT PROPERTY		
Transfer from non-current assets held for sale (refer note 8)	12 600	–
Fair value at the end of the year	12 600	–

	Distributor relationships R'000	Software[1] R'000	Goodwill[3] R'000	Total R'000
14. INTANGIBLE ASSETS AND GOODWILL				
2018				
Carrying amount at the beginning of the year	22 249	76 920	32 609	131 778
Re-classification from Computer Equipment	–	4 364	–	4 364
Additions[2]	–	82 815	–	82 815
Acquisition of subsidiary	895	6 878	3 777	11 550
Amortisation	(4 768)	(14 855)	–	(19 623)
Impairment	–	(9 050)	(386)	(9 436)
Carrying amount at the end of the year	18 376	147 072	36 000	201 448
2017				
Carrying amount at the beginning of the year	32 578	45 800	44 013	122 391
Additions	–	38 014	–	38 014
Acquisition of subsidiary	–	–	2 959	2 959
Disposals	–	(116)	–	(116)
Amortisation	(10 329)	(6 778)	–	(17 107)
Impairment	–	–	(14 363)	(14 363)
Carrying amount at the end of the year	22 249	76 920	32 609	131 778

[1] *Software consists of capitalised development costs, being an internally generated intangible asset, as well as ready-to-use purchased software.*

[2] *41% (2017: 91%) of the Software additions relate to the capitalisation of internally developed software.*

[3] *The Group assesses the recoverable amount of the cash-generating unit (CGU) to which the goodwill relate, taking into account the current and estimated future profitability of the CGU, to determine whether it is at least equal to the carrying amount of the related goodwill. Should the carrying amount exceed the recoverable amount, an impairment is recognised. The CGU is in most cases the subsidiary to which the goodwill relate.*

Value-in-use was applied to determine the recoverable amount of goodwill. It was assumed that the profits of the CGU will grow very conservatively at 1% per annum for the next five years, with a profit based terminal value at the end of year five. These estimated profits were deemed to equal the cash flows over this period and have been discounted using the Group's weighted average cost of capital of 17%.

	2018 R'000	2017 R'000 Restated
15. FUNDING UNDER REPURCHASE AGREEMENTS AND INTERBANK		
Short-term interbank loans and funding under repurchase agreements	1 924 975	1 306 926

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

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

	2018 R'000	2017 R'000 Restated
16. OTHER PAYABLES		
Accounts payable	687 395	594 569
Leave pay	18 652	15 437
Management incentives	19 053	46 324
Value added taxation	9 435	13 137
Stockbroking payables	57 223	67 466
Audit fees and other services	9 987	6 334
	801 745	743 267

		2018 R'000	2017 R'000 Restated
17.	**DEPOSITS FROM CUSTOMERS**		
	Demand deposits	2 046 847	2 303 078
	Notice deposits	657 342	557 793
	Fixed deposits	1 745 155	1 691 119
		4 449 344	4 551 990

		2018 R'000	2017 R'000
18.	**DEBT SECURITIES ISSUED**		
	Category analysis		
	Rated*	3 115 432	2 496 718

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.

** There are various ratings on the debt securities. These ratings are available, on request, at the registered address of the Group.*

			2018 R'000	2017 R'000
19.	**LONG-TERM LOANS**			
	Represented by:	Repayment date		
	European DFI loan facility	February 2014 – November 2018	36 096	108 288
	European DFI loan facility	August 2018 – May 2021	349 080	–
	IFC		39 440	71 385
	– Cleantech funding	September 2014 – September 2019	16 954	33 908
	– Subordinated loan	September 2014 – March 2020	22 486	37 477
	Absa Bank Limited – Redeemable preference shares	30 August 2019	250 000	250 000
	Total		674 616	429 673

Long-term loans are interest bearing and these rates are individually negotiated.

		2018 R'000	2017 R'000
20.	**ORDINARY SHARE CAPITAL**		
	Authorised		
	100 000 000 (2017: 100 000 000) ordinary shares of 1 cent each	1 000	1 000
	Issued		
	31 736 515 (2017: 31 736 515) fully paid up ordinary shares		
	Balance at the beginning of the year	317	317
	Issue of shares	81	–
	Shares repurchased	(77)	–
	Balance at the end of the year	321	317
	Reconciliation of the number of shares issued		
	Total shares in issue (number)	32 301 441	32 301 441
	Less: Treasury shares held by the Sasfin Share Incentive Trust (number)	(12 017)	(64 926)
	Less: Treasury shares held by SasSec (number)	(92 542)	(500 000)
		32 196 882	31 736 515

On 30 October 2017, WIPHOLD SPV has subscribed for 8 107 662 ordinary shares in SHL for an aggregate subscription consideration of R413 490 762 in terms of a specific issue of shares for cash, and SHL has made an offer to repurchase 8 107 662 all or some of the shares held by Shareholders for R413 490 762 in compliance with all of the applicable requirements for a scheme of arrangement in terms of section 114 of the Companies Act, 71 of 2008 (Companies Act) read with section 115 of the Companies Act.

		2018 R'000	2017 R'000
21.	**ORDINARY SHARE PREMIUM**		
	Balance at the beginning of the year	144 010	144 010
	Issued shares	413 410	–
	Repurchase of shares	(390 475)	–
	Balance at the end of the year	166 945	144 010

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

		2018 R'000	2017 R'000
22.	**PREFERENCE SHARE CAPITAL**		
	Authorised		
	5 000 000 (2017: 5 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each.	50	50
	Issued		
	1 797 226 (2017:1 797 226) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each	18	18
	Preference shares are listed under the "Specialist Securities – Preference Shares" sector of the JSE. Dividends are paid semi-annually at a rate of 82.5% of the ruling prime rate.		
23.	**PREFERENCE SHARE PREMIUM**		
	Balance at the beginning of the year	188 068	192 851
	Share buy-back and cancellation	–	(4 783)
		188 068	188 068
24.	**COMMITMENTS AND CONTINGENT LIABILITIES**		
	Letters of credit	48 406	76 628
	Guarantees	26 432	21 429
	Carry facilities	12 652	38 008
	Capital expenditure	5 225	4 773
	Non-cancellable operating lease rentals for premises	132 913	165 588
	– One year	37 973	35 451
	– One to five years	94 940	130 137
		225 628	306 426

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

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

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

Legal proceedings
The Bank and SASP have instituted action for the recovery of approximately R20 million in the aggregate. The claim is in respect of a breach of a counterparty's obligations under various equipment and software leases. 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 Group is vigorously defending this counter-claim.

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

In addition, the Group is exposed to certain actual and potential claims in the ordinary course of its business, none of which are individually material. Based on information presently available and an assessment of the probability of these claims, the Directors are satisfied that the Group has adequate provisions and/or insurance cover to meet such claims. As such, management it is not expecting any of these to have a material adverse effect on the Group.

24. COMMITMENTS AND CONTINGENT LIABILITIES continued

Anti-money laundering and SARB inspections

SARB performed a Section 42B inspection on Sasfin in terms of the Financial Intelligence Centre Act and raised findings which management have committed to remediate over the coming year and, which they have already commenced. There is nonetheless a possibility that a fine or penalty may be levied by the regulator based on the other banks' past experiences.

Taxation

The South African Revenue Authority, in the ordinary course of its business, commenced a tax audit on the Bank in August 2017. The process has yet to be concluded and the outcome is therefore not yet known. Having regard that there are elements of uncertainty and resultant judgement included in the determination of the taxes, should the final outcome differ to that initially calculated, a provision will be recognised if it becomes probable that further taxes will be raised. The appropriate carrying amount of any resulting provisions will be informed by the manner in which they are expected to be resolved.

		2018 R'000	2017 R'000
25.	**INTEREST INCOME**		
	Deposits with other banks	134 527	133 984
	Negotiable securities	127 282	103 750
	Equipment Finance	657 086	624 792
	Capital Equipment Finance	143 889	115 330
	Trade and Debtor Finance	115 064	105 705
	Other secured loans	27 147	37 190
	Trading assets and other	76 879	52 649
		1 281 874	1 173 400
26.	**INTEREST EXPENSE**		
	Deposits from other banks	99 495	70 560
	Demand deposits	134 419	150 320
	Notice deposits	65 639	47 651
	Fixed deposits	289 033	132 267
	Debt securities	120 986	225 033
	Long-term borrowings	40 307	20 115
	Subordinated debt	3 542	–
	Trading liabilities and other	55 674	84 918
		809 095	730 864
27.	**NON-INTEREST INCOME**		
	Fee income	615 670	611 256
	Dividend income	22 185	14 753
	Fair value adjustments on financial instruments held at fair value through profit or loss	(6 951)	(19)
	Fair value adjustments on financial instruments designated at fair value	80 451	73 172
	Fair value adjustments on strategic listed investments	(6 034)	(29 196)
	Net gains and losses on derivative instruments and foreign exchange gains and losses	41 116	54 664
		746 437	724 630

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

		2018 R'000	2017 R'000
28.	**OPERATING COSTS**		
28.1	Staff costs		
	Salaries and wages	391 302	331 118
	Executive Directors', Alternate Directors and Prescribed Officers' remuneration	36 043	48 873
	Non-Executive Directors' remuneration	3 531	3 693
	Contributions to defined-contribution plans and other	22 865	30 779
		453 741	414 463
28.2	Other operating expenses		
	The following items are included in operating expenses		
	Fees paid to auditors	14 119	13 230
	Audit fees – Current year	13 964	12 473
	– Underprovision prior year	–	9
	Other services	155	748
	Consulting fees	13 148	21 827
	Depreciation	28 518	21 327
	Amortisation of intangible assets	19 623	17 107
	Operating lease charges	49 075	45 913
28.3	Goodwill and intangible asset impairments		
	Internally developed software	9 050	–
	Benal goodwill	386	–
	SCS goodwill	–	14 363
		9 436	14 363
29.	**INCOME TAX EXPENSE**		
	Current tax expense	62 829	55 726
	Current year	66 410	56 274
	Overprovision in prior years	(3 581)	(548)
	Deferred tax expense	8 599	(6 714)
	Current year	(3 867)	(6 714)
	Underprovision in prior years	12 466	–
		71 428	49 012

	2018 R'000	2017 R'000
29. INCOME TAX EXPENSE continued		
Reconciliation of taxation rate	%	%
South African normal tax rate	28.0	28.0
Adjusted for:	7.04	(7.88)
Exempt income	(1.47)	(1.71)
Non-deductible expenses*	4.98	0.57
Capital gains	1.86	(1.91)
Effect of tax rates in foreign entity	1.92	(1.11)
Underprovision in prior years**	4.36	2.83
Fair value adjustments***	(3.87)	(6.69)
Other***	(0.74)	0.14
Effective rate	35.04	20.12

* *Non-deductible expenditure comprises of interest paid on the preference shares in SPEIH (deemed dividends for tax purposes), legal fees incurred on the acquisition of ATFS and other capital investments, as well as a all donations being non-deductible due to the Bank being in an assessed tax loss position.*

** *The underprovision of taxes in 2018 relates primarily to the increase in the deferred tax liability, given a change in the anticipated manner of realisation of a specific equity investment. The tax rate increased from a blended rate to the Capital Gains tax rate.*

*** *Fair value adjustments were included in "other" in prior years.*

	2018 R'000	2017 R'000
Losses, balance of allowances and credits for which a deferred tax asset has been raised:		
Estimated tax losses available to offset future taxable income	179 041	92 646

30. SECURITISATION

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

	2018 R'000	2017 R'000
Carrying and fair value of transferred assets	4 358 759	2 822 344
Carrying and fair value of associated liabilities	(3 115 432)	(2 496 718)
Net carrying amount and fair value	1 243 327	325 626

The Group has sold office automation rental agreements to SASP and FR2 but has retained residual ownership of SASP and FR2, and continues to recognise these assets within loans and advances. The Group refinanced a further R389 million (2017: R580 million) worth of rental agreements during the year and placed a further R600 million (2017: R665 million) of notes during the year.

31. FUNDS UNDER ADVISEMENT AND MANAGEMENT*

The Group administers client funds in a fiduciary capacity which comprise:

	2018 R'000	2017 R'000
Assets under management	31 628 163	29 854 245
Assets under advisement	8 034 552	8 443 627
Assets under administration	56 914 610	53 693 890
	96 577 325	91 991 762

* *Refer to note 1.18.*

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

32. EARNINGS PER SHARE

32.1 Reconciliation between basic and headline earnings

	Gross R'000	Direct tax R'000	Non-controlling and preference shareholders R'000	Profit attributable to ordinary shareholders R'000
2018				
Basic earnings	203 874	(71 428)	(17 512)	114 934
Headline adjustable items:	9 845	(2 627)	–	7 218
Investment property – fair value loss	400	(90)	–	310
Profit on disposal of assets	9	(3)	–	6
Goodwill and intangible impairments	9 436	(2 534)	–	6 902
	213 719	(74 055)	(17 512)	122 152
2017				
Basic earnings	243 422	(49 012)	(17 833)	176 577
Headline adjustable items:	17 596	(22)	–	17 574
Investment property – fair value loss*	400	(90)	–	310
Profit on disposal of assets	(244)	68	–	(176)
Profit on disposal of subsidiary	(1 359)	–	–	(1 359)
Impairment of leasehold improvements	4 436	–	–	4 436
Goodwill and intangible impairments	14 363	–	–	14 363
	261 018	(49 034)	(17 833)	194 151

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

32.2 Summary of earnings and headline earnings per share

	Earnings attributable		Weighted average number of shares		Cents per share	
	2018 R'000	2017 R'000	2018	2017	2018 Cents	2017 Cents
Earnings per ordinary share	114 934	176 577	32 043 426	31 736 515	358.68	556.38
Diluted earnings per ordinary share	114 934	176 577	32 043 426	31 736 515	358.68	556.38
Headline earnings per ordinary share	122 152	194 151	32 043 426	31 736 515	381.21	611.76
Diluted headline earnings per ordinary share	122 152	194 151	32 043 426	31 736 515	381.21	611.76

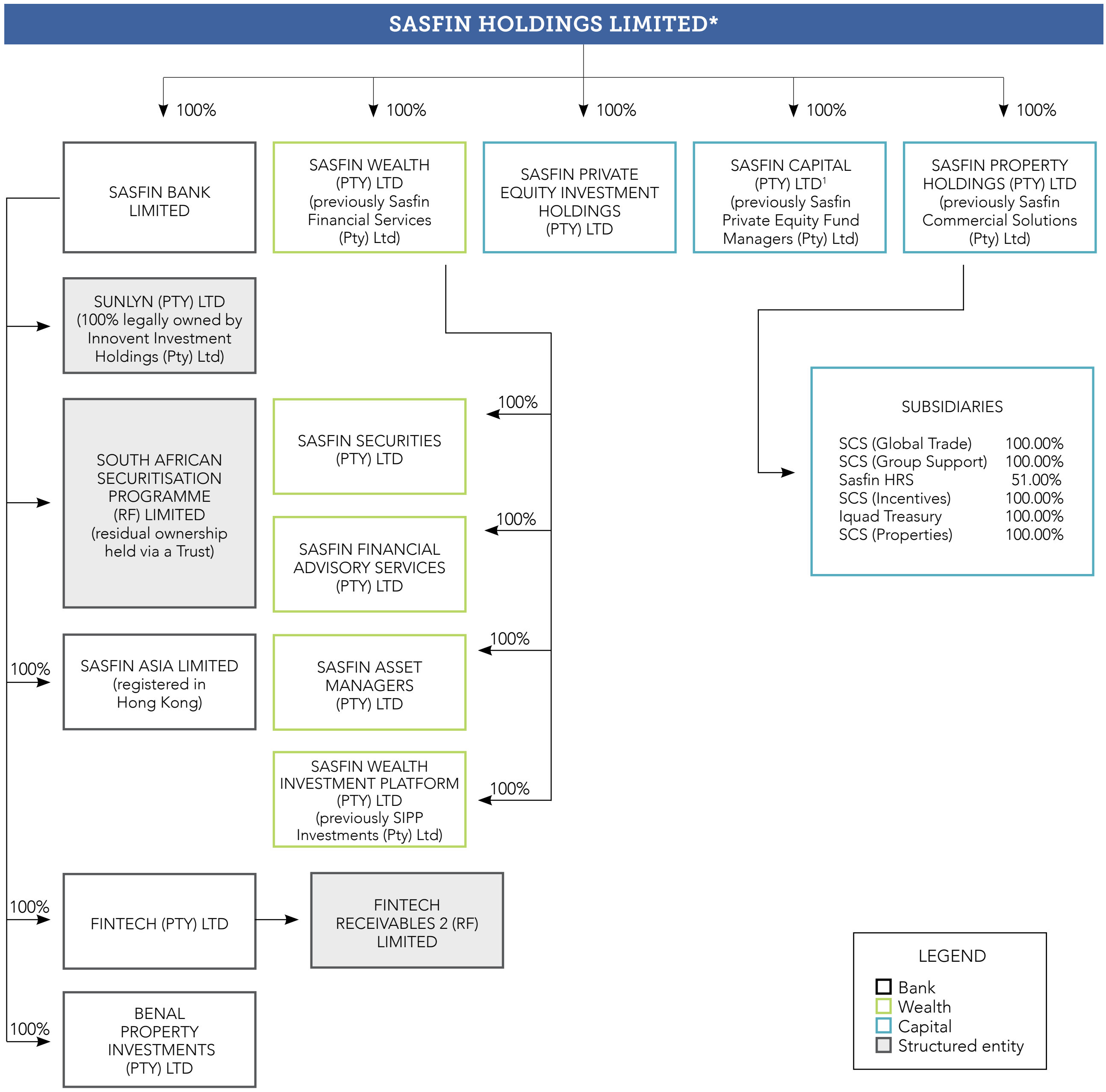
		2018 R'000	2017 R'000
33.	**NOTES TO THE STATEMENT OF CASH FLOWS**		
33.1	Cash receipts from customers		
	Interest income	1 281 874	1 173 400
	Other income	656 905	664 046
		1 938 779	1 837 446
33.2	Cash paid to customers, suppliers and employees		
	Interest expense	809 095	730 864
	Total operating expenses	835 137	849 599
		1 644 232	1 580 463
	Cash inflow from operating activities	294 547	256 983
33.3	Reconciliation of operating profit to cash flows from operating activities		
	Profit before income tax	203 874	243 422
	Loss/(Profit) on disposal of property, plant and equipment	9	(118)
	Dividends received	(22 185)	(14 753)
	Impairment charges on loans and advances	144 178	81 436
	Exchange rate fluctuations on cash held	18 707	(7 580)
	Increase in foreign currency translation	(41 116)	(54 664)
	Fair value adjustments on financial instruments	(67 866)	(43 957)
	Fair value adjustments on investment property	400	400
	Impairment of goodwill/intangible assets/property, plant and equipment	10 405	14 363
	Depreciation	28 518	21 327
	Amortisation of intangible assets	19 623	17 107
		294 547	256 983
33.4	Taxation paid		
	Unpaid at the beginning of the year	(26 991)	(14 524)
	Acquisition of subsidiary	(841)	(3 444)
	Charge to the income statement	62 829	55 726
	Unpaid at the end of the year	(2 010)	26 991
		32 987	64 749
33.5	Dividends paid		
	Charge to distributable reserves	82 580	102 326
		82 580	102 326

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

34. RELATED-PARTY TRANSACTIONS

34.1 Subsidiaries and controlled structured entities (refer note 39.12)



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

* *Significant shareholders of Sasfin Holdings Limited*

- *Unitas Enterprises Limited (41.04%), a wholly owned company of The Erwin Discretionary Settlement Trust, of which Roland Sassoon and Michael Sassoon are beneficiaries.*
- *Wipfin Investments (Pty) Ltd (25.1%), a wholly owned subsidiary of Women Investment Portfolio Holdings Limited (WIPHOLD).*

34. RELATED-PARTY TRANSACTIONS continued

34.2 Transactions with key management

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

	2018 R'000	2017 R'000
Deposits	2 076	17 104
Short term borrowings included in other payables	156 988	54 640
Funds under management	832 040	695 235
Management fees paid to WIPHOLD	3 627	–

34.3 Key management personnel and related remuneration

Directors and Prescribed Officers' remuneration

	Services as Directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2018 R	Incentive bonus[5] *Payable in Sept 2018* R
2018						
Executive directors						
Roland Sassoon	–	3 641 930	637 704	750 000	5 029 634	643 333
Angela Pillay[a]	–	760 463	2 306 204	–	3 066 667	–
Michael Sassoon	–	2 931 437	633 613	700 000	4 265 050	643 333
Independent non-executive directors						
Roy Andersen	981 042	–	–	–	981 042	–
Linda de Beer	541 205	–	–	–	541 205	–
Grant Dunnington	712 050	–	–	–	712 050	–
John Moses[b]	49 783	–	–	–	49 783	–
Gugu Mtetwa	345 900	–	–	–	345 900	–
Shahied Rylands	652 000	–	–	–	652 000	–
Richard Buchholz[h]	248 825	–	–	–	248 825	–
Prescribed officers						
Linda Fröhlich	–	2 317 160	618 035	550 000	3 485 195	490 980
Maston Lane	–	2 359 974	669 458	550 000	3 579 432	504 370
Howard Brown	–	1 999 009	365 748	550 000	2 914 757	378 667
Andrew (Josh) Souchon	–	2 177 490	344 521	300 000	2 822 011	417 600
David Edwards[c]	–	1 507 419	424 670	541 000	2 473 090	100 000
Francois Otto[d]	–	336 665	52 020	323 880	712 565	842 000
Erol Zeki[e]	–	1 879 327	350 846	–	2 230 173	500 000
Glen Christopulo[f]	–	2 192 380	473 600	500 000	3 165 980	–
Lushen Pather[g]	–	757 739	441 029	1 100 000	2 298 767	–
	3 530 805	22 860 993	7 317 448	5 864 880	39 574 126	4 520 283

[a] *Appointed on 1 March 2018.* [b] *Resigned on 28 August 2017.* [c] *Resigned on 30 April 2018.*
[d] *Appointed on 1 May 2018.* [e] *Appointed on 15 September 2017.* [f] *Resigned on 31 March 2018.*
[g] *Resigned on 31 December 2017.* [h] *Appointed on 17 March 2018.*

34. RELATED-PARTY TRANSACTIONS continued

34.3 Key management personnel and related remuneration continued

Directors and Prescribed Officers' remuneration continued

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

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

[2] *Other benefits comprise: provident fund, medical aid, group life, company car, cash-settled share options and sign-on bonuses.*

[3] *Relate to the Group's and individual's performance in the 2017 financial year.*

[4] *Relate to the Group and individual's performance in the 2016 financial year.*

[5] *Relate to the Group's and individual's performance in the 2017 financial year.*

34. RELATED-PARTY TRANSACTIONS continued

34.4 Directors' interests in shares

Directors' interest in the Company's issued ordinary share capital at 30 June 2018 were:

Director	2018 Indirect beneficial	2017 Indirect beneficial
Roland Sassoon[1]	13 460 591	15 800 939

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

34.5 Associates, including those designated at fair value through profit or loss

34.5.1 *List of significant associates*

Name	Nature of business	% ownership
Equity-accounted associates		
SAB & T BEE Services (Pty) Ltd	BEE consulting and verification	39.0%
Axo Holdings (Pty) Ltd (acquired on 1 June 2018)	Developer of trading and investment platforms	49.0%

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

All associates are incorporated in South Africa. None of the associates are considered to have an impact on the consolidated financial statements that is individually material. A full list of associates is available, on request, at the registered address of the Group.

34.5.2 *Transactions and balances with associates*

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

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

	2018 R'000	2017 R'000l
Statement of financial position		
Loans and advances	271 923	256 346
Statement of comprehensive income		
Interest income	35 313	26 242
Non-interest income	7 772	6 045
Other operating expenses	773	703

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

35. CLASSIFICATION OF ASSETS AND LIABILITIES

Accounting classification and fair values

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

Assets	Designated at fair value R'000	Held for trading R'000	Loans and receivables R'000	Outside scope of IAS 39 R'000	Total R'000
2018					
Cash and cash balances	–	–	1 892 167	–	1 892 167
Negotiable securities	–	–	1 975 407	–	1 975 407
Loans and advances	–	–	7 618 495	–	7 618 495
Trading assets	–	1 476 511	–	–	1 476 511
Other receivables	–	–	364 655	10 725	375 380
Investment securities	628 493	–	–	–	628 493
– Private Equity and Property Equity investments	586 497	–	–	–	586 497
– Strategic investments	41 996	–	–	–	41 996
Property, plant and equipment	–	–	–	88 206	88 206
Investment property	–	–	–	12 600	12 600
Taxation	–	–	–	19 809	19 809
Intangible assets and goodwill	–	–	–	201 448	201 448
Deferred tax asset	–	–	–	30 568	30 568
	628 493	1 476 511	11 850 724	363 356	14 319 084

35. CLASSIFICATION OF ASSETS AND LIABILITIES continued

Accounting classifications and fair values continued

Assets	Designated at fair value R'000	Held for trading R'000	Loans and receivables R'000	Outside scope of IAS 39 R'000	Total R'000
2017					
Cash and cash balances	–	–	2 165 379	–	2 165 379
Negotiable securities[3]	–	–	1 395 522	–	1 395 522
Loans and advances	–	–	6 487 022	–	6 487 022
Trading assets[1]	–	1 352 570	–	–	1 352 570
Other receivables[1]	–	–	384 010	10 680	394 690
Investment securities	494 213	–	–	–	494 213
Private equity and property equity investments	447 233	–	–	–	447 233
Strategic investments	46 980	–	–	–	46 980
Property, plant and equipment	–	–	–	103 856	103 856
Non-current assets held for sale	–	–	–	69 500	69 500
Taxation	–	–	–	36 560	36 560
Intangible assets and goodwill	–	–	–	131 778	131 778
Deferred tax assets	–	–	–	26 995	26 995
	494 213	1 352 570	10 431 933	379 369	12 658 085

Liabilities	Held for trading R'000	Amortised cost R'000	Outside scope of IAS 39 R'000	Total R'000
2018				
Funding under repurchase agreements and interbank	–	1 924 975	–	1 924 975
Deposits from customers	–	4 449 344	–	4 449 344
Debt securities issued	–	3 115 432	–	3 115 432
Long-term loans	–	674 616	–	674 616
Trading liabilities	1 449 203	–	–	1 449 203
Other payables	–	754 053	47 692	801 745
Taxation	–	–	21 819	21 819
Deferred tax liability	–	–	140 179	140 179
	1 449 203	10 918 420	209 690	12 577 313
2017				
Funding under repurchase agreements and interbank	–	1 306 926	–	1 306 926
Deposits from customers	–	4 551 990	–	4 551 990
Debt securities issued	–	2 496 718	–	2 496 718
Long-term loans	–	429 673	–	429 673
Trading liabilities[2]	1 333 551	–	–	1 333 551
Other payables[2]	–	675 172	68 095	743 267
Taxation	–	–	9 569	9 569
Deferred tax liability	–	–	127 166	127 166
	1 333 551	9 460 479	204 830	10 998 860

[1] *Reclassification of Derivatives from Other receivables to Trading assets.*
[2] *Reclassification of Derivatives from Other payables to Trading liabilities.*
[3] *Reclassification from* Held for trading *to* Loans and receivables.

Loans and advances as well as negotiable securities are held at amortised cost which is considered a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

35. CLASSIFICATION OF ASSETS AND LIABILITIES continued

35.1 Financial assets and liabilities measured at fair value

	2018			2017		
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Recurring fair value measurements						
Financial assets	1 297 403	221 413	586 188	1 280 093	119 736	446 954
Investment securities	309	41 996	586 188	–	47 259	446 954
Trading assets	1 297 094	179 417	–	1 280 093	72 477	–
Financial liabilities	1 293 531	155 672	–	1 266 745	66 806	–
Trading liabilities	1 293 531	155 672	–	1 266 745	66 806	–
Non-financial assets						
Non-current assets held for sale	–	–	–	–	–	69 500
Investment property	–	–	12 600	–	–	–

35.2 Movement in Level 3 instruments

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

	2018			2017		
	Investment securities R'000	Non-current assets held for sale R'000	Investment property R'000	Investment securities R'000	Non-current assets held for sale R'000	Investment property R'000
Balance at the beginning of the year	446 954	69 500	–	493 768	69 900	–
Total gains or losses in profit and loss	70 451	(400)	–	72 649	(400)	–
Acquisition of investments	107 096	0	–	34 490	–	–
Disposal of investments	(4 700)	(56 500)	–	(187 310)	–	–
Advances/(Repayments)	(33 611)	–	–	33 348	–	–
Transfer of investment property	–	(12 600)	12 600	–	–	–
Balance at the end of the year	586 190	–	12 600	446 945	69 500	–

35.3 Gains and losses from fair value measurements

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

	2018 R'000	2017 R'000
Total gains in profit and loss	70 451	72 249

35. CLASSIFICATION OF ASSETS AND LIABILITIES continued

35.4 Sensitivity analysis of valuations using unobservable inputs

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

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

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

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

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

Financial instrument	Parameter	2018 Potential effect recorded in profit or loss favourable/ (unfavourable)	2017 Potential effect recorded in profit or loss favourable/ (unfavourable)
Investment securities	WACC	(R25.550m)/R33.958m	(R21.378m)/R28.605m
Investment securities	Marketability and Minority discounts	(R6.858m)/R6.960m)	(R5.784m)/R5.815m
Investment securities	Revenue growth	R31.259m/(R21.064m)	R23.007m/(R16.853m)
Investment securities	Capitalisation rate	R7.040m/R31.125m	(R1.095m)/R14.542

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

35. CLASSIFICATION OF ASSETS AND LIABILITIES continued

35.5 Market risk sensitivity on investment securities

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

	2018			2017		
	10% reduction in fair value R'000	Fair value R'000	10% increase in fair value R'000	10% reduction in fair value R'000	Fair value R'000	10% increase in fair value R'000
Listed						
Equity securities at fair value	38 075	42 305	46 536	42 533	47 259	51 985
Impact on gains and losses recognised in profit or loss for the year	(5 404)	(6 004)	(6 604)	(26 595)	(29 550)	(32 505)
Unlisted						
Equity securities at fair value	527 569	586 188	644 807	402 259	446 954	491 649
Impact on gains and losses recognised in profit or loss for the year	63 406	70 451	77 496	65 024	72 249	79 474

35.6 Financial assets and liabilities not measured at fair value

	2018			2017		
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Financial Assets	–	11 486 069	375 380	–	10 047 923	394 690
Cash and cash balances	–	1 892 167	–	–	2 165 379	–
Negotiable securities	–	1 975 407	–	–	1 395 522	–
Loans and advances	–	7 618 495	–	–	6 487 022	–
Other receivables	–	–	375 380	–	–	394 690
Financial Liabilities	3 115 432	6 374 319	1 476 361	2 496 718	5 858 916	1 172 940
Funding under repurchase agreements and interbank	–	1 924 975	–	–	1 306 926	–
Deposits from customers	–	4 449 344	–	–	4 551 990	–
Debt securities issued	3 115 432	–	–	2 496 718	–	–
Long-term loans	–	–	674 616	–	–	429 673
Other payables	–	–	801 745	–	–	743 267

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

36. FINANCIAL RISK MANAGEMENT

36.1 Credit risk

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

	Performing loans and advances R'000	Past due but not impaired R'000	Impaired R'000	Gross maximum exposure R'000	Security against impaired R'000	Net impaired exposure R'000
2018						
Cash and cash balances	1 750 758	–	–	1 750 758	–	–
Negotiable securities	1 975 407	–	–	1 975 407	–	–
Loan and advances	7 254 067	64 828	585 364	7 904 259	350 738	234 625
Equipment Finance	5 052 092	30 101	401 012	5 483 205	193 687	207 326
Capital Equipment Finance	1 080 736	632	14 780	1 096 148	13 656	1 124
Trade and Debtor Finance	978 749	34 095	128 431	1 141 275	111 563	16 868
Other secured loans	142 490	–	41 141	183 631	31 832	9 307
Other receivables	375 380	–	–	375 380	–	–
Stockbroking receivable	92 506	–	–	92 506	–	–
Other receivables	282 874	–	–	282 874	–	–
Trading assets	1 476 511	–	–	1 476 511	–	–
Investment securities	628 493	–	–	628 493	–	–
	13 460 616	64 828	585 364	14 110 808	350 738	234 625
Add: Financial instruments not exposed to credit risk				141 409		
Less: Credit impairments for loans and advances				(285 764)		
– Impairments for non-performing loans and advances				(234 625)		
– Impairments for performing loans and advances				(51 139)		
				13 966 453		
Represented by the following Consolidated Statement of Financial Position items:						
Cash and cash balances				1 892 167		
Negotiable securities				1 975 407		
Loans and advances				7 618 495		
Investment securities				628 493		
Trading assets				1 476 511		
Other receivables				375 380		
				13 966 453		

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

36. FINANCIAL RISK MANAGEMENT continued

36.1 Credit risk continued

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

	Performing loans and advances R'000	Past due but not impaired R'000	Impaired R'000	Gross maximum exposure R'000	Security against impaired R'000	Net impaired exposure R'000
2017						
Cash and cash balances	2 030 843	–	–	2 030 843	–	–
Negotiable securities	1 395 522	–	–	1 395 522	–	–
Loan and advances	6 315 007	47 174	348 549	6 710 730	156 713	191 836
Equipment Finance	4 150 861	12 198	228 270	4 391 329	78 373	149 897
Capital Equipment Finance	992 064	117	1 189	993 370	459	730
Trade and Debtor Finance	1 008 354	34 859	84 225	1 127 438	51 045	33 180
Other secured loans	163 728	–	34 865	198 593	26 836	8 029
Other receivables	394 690	–	–	394 690	–	–
Stockbroking receivable	91 386	–	–	91 386	–	–
Other receivables	303 304	–	–	303 304	–	–
Trading assets	1 352 570	–	–	1 352 570	–	–
Investment securities	494 213	–	–	494 213	–	–
	11 982 845	47 174	348 549	12 378 568	156 713	191 836
Add: Financial instruments not exposed to credit risk				134 536		
Less: Credit impairments for loans and advances				(223 708)		
– Impairments for non-performing loans and advances				(191 836)		
– Impairments for performing loans and advances				(31 872)		
				12 289 396		
Represented by the following Consolidated Statement of Financial Position items:						
Cash and cash balances				2 165 379		
Negotiable securities				1 395 522		
Loans and advances				6 487 022		
Investment securities				494 213		
Trading assets				1 352 570		
Other receivables				394 690		
				12 289 396		

	2018 R'000	2017 R'000
36. FINANCIAL RISK MANAGEMENT continued		
36.1 Credit risk continued		
Credit impairment charges		
Net impairments raised for non-performing loans	145 688	83 600
Increase in allowance	42 789	31 499
Amounts written off, net of recoveries	102 899	52 101
Net impairments (released)/raised for performing loans	(1 510)	(2 164)
Increase/(Decrease) in allowance	19 267	(2 162)
Amounts written off, net of recoveries	(20 777)	(2)
	144 178	81 436

Reconciliation of allowances for credit impairments for loans and advances

	Equipment Finance R'000	Capital Equipment Finance R'000	Debtor Finance R'000	Trade Finance R'000	Other secured loans R'000	Total R'000
2018						
Non-performing loans						
Balance at beginning of the year	149 897	730	–	33 180	8 029	191 836
Net impairments raised/(released)	52 976	4 847	2 361	(18 674)	1 279	42 789
Balance at end of the year	202 873	5 577	2 361	14 506	9 308	234 625
Performing loans						
Balance at beginning of the year	24 027	2 024	–	5 821	–	31 872
Net impairments raised/(released)	6 917	9 993	–	2 357	–	19 267
Balance at end of the year	30 944	12 017	–	8 178	–	51 139
Total credit impairments	233 817	17 594	2 361	22 684	9 308	285 764
2017						
Non-performing loans						
Balance at beginning of the year	133 229	10 828	4 048	3 377	8 855	160 337
Net impairments raised/(released)	16 668	(10 098)	(4 048)	29 803	(826)	31 499
Balance at end of the year	149 897	730	–	33 180	8 029	191 836
Performing loans						
Balance at beginning of the year	26 816	2 686	–	4 532	–	34 034
Net impairments released	(2 789)	(662)	–	1 289	–	(2 162)
Balance at end of the year	24 027	2 024	–	5 821	–	31 872
Total credit impairments	173 924	2 754	–	39 001	8 029	223 708

A 5% (2017: 5%) increase or decrease in the probability of Default and Loss Given Default rates, results in a R1.80 million (2017: R2.53 million) increase and R1.73 million (2017: R2.44 million) decrease respectively, to the impairment of performing loans.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

36. FINANCIAL RISK MANAGEMENT continued

36.1 Credit risk continued

Impaired exposure of non-performing loans and advances

	Special mention R'000	Sub-standard R'000	Doubtful R'000	Expected loss R'000	Net impaired exposure R'000
2018					
Equipment Finance	4 851	1 509	11 530	189 436	207 326
Capital Equipment Finance	955	–	–	169	1 124
Trade and Debtor Finance	2 607	–	–	14 261	16 868
Other secured loans	164	–	–	9 143	9 307
	8 577	1 509	11 530	213 009	234 625
2017					
Equipment Finance	780	1 447	11 350	136 320	149 897
Capital Equipment Finance	7	–	–	723	730
Trade and Debtor Finance	295	–	–	32 885	33 180
Other secured loans	4 030	–	–	3 999	8 029
	5 112	1 447	11 350	173 927	191 836

Past due but not impaired loans and advances

	Between 1 and 30 days R'000	31 – 60 days R'000	61 – 90 days R'000	>90 days R'000	Total R'000
2018					
Ageing of loans and advances past due but not impaired					
Loans and advances	60 714	3 665	449	–	64 828
	60 714	3 665	449	–	64 828
2017					
Ageing of loans and advances past due but not impaired					
Loans and advances	43 832	1 814	1 528	–	47 174
	43 832	1 814	1 528	–	47 174

	2018 R'000	2017 R'000
36. FINANCIAL RISK MANAGEMENT continued		
36.1 Credit risk continued		
Off-balance sheet exposure to credit risk		
Letters of credit	48 406	76 628
Carry facilities	12 652	38 008
Guarantees issued	26 432	21 429
	87 490	136 065
Concentration risk of advances		
Sectorial analysis		
Agriculture	61 400	37 838
Community, social and personal services	1 578 213	1 078 720
Construction	373 387	341 116
Electricity and water	39 041	34 304
Finance, real estate and business services	1 706 621	1 169 856
Manufacturing	1 260 609	1 214 263
Mining	239 058	245 376
Trade and accommodation	1 925 688	1 873 687
Transport and communication	720 242	715 570
Total	7 904 259	6 710 730

Collateral for advances

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

36. FINANCIAL RISK MANAGEMENT continued

36.1 Credit risk continued

Collateral for advances continued

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

		Security						
	Gross exposure R'000	Stock R'000	Fixed assets R'000	Receiv-ables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	Unsecured R'000
2018								
Loans and advances								
Equipment Finance	5 483 207	–	2 657 305	–	–	–	2 657 305	2 825 902
Capital Equipment Finance	1 096 148	–	506 158	–	–	–	506 158	589 990
Trade and Debtor Finance	1 141 275	381 207	103 929	286 603	78 783	132 813	983 335	157 940
Other secured loans	183 629	–	–	–	–	150 393	150 393	33 236
	7 904 259	381 207	3 267 392	286 603	78 783	283 206	4 297 191	3 607 068
2017								
Loans and advances								
Equipment Finance	4 391 329	–	2 057 621	–	–	–	2 057 621	2 333 708
Capital Equipment Finance	993 370	–	447 729	–	–	459	448 188	545 182
Trade and Debtor Finance	1 127 438	421 462	58 310	428 258	32 009	127 363	1 067 402	60 036
Other secured loans	198 593	–	–	–	114 018	1 110	115 128	83 465
	6 710 730	421 462	2 563 660	428 258	146 027	128 932	3 688 339	3 022 391

Collateral held against individually impaired assets

		Security						
	Gross exposure R'000	Stock R'000	Fixed assets R'000	Receiv-ables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	Unsecured R'000
2018								
Loans and advances								
Equipment Finance	401 012	–	193 687	–	–	–	193 687	207 326
Capital Equipment Finance	14 780	–	13 656	–	–	–	13 656	1 124
Trade and Debtor Finance	128 431	20 279	30 052	35 109	15 011	11 112	111 563	16 868
Other secured loans	41 141	–	–	–	–	31 833	31 833	9 307
	585 364	20 279	237 395	35 109	15 011	42 945	350 739	234 625
2017								
Loans and advances								
Equipment Finance	228 270	–	78 373	–	–	–	78 373	149 897
Capital equipment Finance	1 189	–	–	–	–	459	459	730
Trade and Debtor Finance	84 225	11 621	–	33 523	–	5 901	51 045	33 180
Other secured loans	34 865	–	–	–	26 836	–	26 836	8 029
	348 549	11 621	78 373	33 523	26 836	6 360	156 713	191 836

	2018 %	2017 %
Financial assets attract credit risk in the form of counterparty credit risk and concentration risk.		
Issuer ratings relating to the portfolio of bond assets were as follows:		
Aa1/AA+/AA+	40.3	41.6
Aa2/AA/AA	3.4	3.3
Aa3/AA-/AA-	2.4	21.0
Aaa/AAA/AAA	53.2	33.6
A3/A-/A-	0.7	0.0
Ba3/BB-/BB-	0.0	0.5
	100	100

36. FINANCIAL RISK MANAGEMENT continued

36.2 Liquidity risk

Contractual maturity analysis

2018	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	6 – 10 years R'000	Non-contractual R'000	Total R'000
Discounted maturity									
Assets									
Cash and cash balances	1 892 167	1 892 167	1 892 167	–	–	–	–	–	1 892 167
Trading assets	1 476 511	1 476 511	826 846	472 484	177 181	–	–	–	1 476 511
Taxation	19 809	19 809	–	19 809	–	–	–	–	19 809
Negotiable securities	1 975 407	1 975 407	295 203	977 043	703 161	–	–	–	1 975 407
Other receivables	375 380	375 380	210 761	122 421	42 198	–	–	–	375 380
Non-current assets held for sale	–	–	–	–	–	–	–	–	–
Loans and advances	7 618 495	7 904 259	463 861	1 209 312	2 092 035	4 110 370	28 681	(285 764)	7 618 495
Investment securities	628 493	–	–	–	–	–	–	628 493	628 493
Property, plant and equipment	88 206	–	–	–	–	–	–	88 206	88 206
Investment property	12 600	12 600	–	–	12 600	–	–	–	12 600
Intangible assets and goodwill	201 448	–	–	–	–	–	–	201 448	201 448
Deferred tax asset	30 568	–	–	–	–	–	–	30 568	30 568
Total assets	14 319 084	13 656 133	3 688 838	2 801 069	3 027 175	4 110 370	28 681	662 951	14 319 084
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	1 924 975	1 924 975	1 924 975	–	–	–	–	–	1 924 975
Deposits from customers	4 449 344	4 449 344	2 230 869	919 749	1 182 699	116 027	–	–	4 449 344
Debt securities issued	3 115 432	4 919 262	–	400 160	–	4 519 102	–	–	4 919 262
Long-term loans	674 616	801 247	–	55 124	129 277	616 846	–	–	801 247
Trading liabilities	1 449 203	1 449 203	1 043 426	289 841	115 936	–	–	–	1 449 203
Other payables	801 745	787 331	395 188	310 541	81 602	–	–	14 414	801 745
Current taxation liabilities	21 819	21 819	–	21 819	–	–	–	–	21 819
Deferred tax liability	140 179	–	–	–	–	–	–	140 179	140 179
Total liabilities	12 577 313	14 353 181	5 594 458	1 997 234	1 509 514	5 251 975	–	154 593	14 507 774
Off-statement of Financial Position									
Loan commitments		106 581	62 043	34 622	4 711	4 805	400	–	106 581

2018	Funding under repurchase agreements and interbank	Deposits from customers	Debt securities issued	Long term loans	Trading liabilities	Other payables	Current taxation liabilities	Deferred tax
Discounted maturity								
Current liabilities	1 924 975	4 333 317	392 432	184 401	1 449 203	787 331	21 819	–
Non-current liabilities	–	116 027	2 723 000	490 215	–	14 414	–	140 179
Total	1 924 975	4 449 344	3 115 432	674 616	1 449 203	801 745	21 819	140 179

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

36. FINANCIAL RISK MANAGEMENT continued

36.2 Liquidity risk continued

Contractual maturity analysis continued

2017	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	6 – 10 years R'000	Non-contrac-tual R'000	Total R'000
Discounted maturity									
Assets									
Cash and cash balances	2 165 379	2 129 896	1 707 921	–	457 458	–	–	–	2 165 379
Trading assets	1 352 570	1 280 093	243 462	527 503	581 605	–	–	–	1 352 570
Taxation	36 560	36 560	36 561	–	–	–	–	–	36 560
Negotiable securities	1 395 522	1 395 522	98 279	925 537	371 706	–	–	–	1 395 522
Other receivables	394 690	467 208	169 561	182 276	42 306	–	–	548	394 690
Non-current assets held for sale	69 500	69 500	–	–	69 500	–	–	–	69 500
Loans and advances	6 487 022	6 487 022	496 513	1 025 676	1 758 417	3 401 084	29 038	(223 706)	6 487 022
Investment securities	494 213	494 213	–	–	–	–	–	494 213	494 213
Deferred tax asset	26 995	26 995	–	–	–	–	–	26 995	26 995
Property, plant and equipment	103 856	103 856	–	–	–	–	–	103 856	103 856
Intangible assets and goodwill	131 778	131 778	–	–	–	–	–	131 778	131 778
Total assets	12 658 085	12 622 643	2 752 296	2 660 992	3 280 992	3 401 084	29 038	533 684	12 658 085
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	1 306 926	1 306 926	1 306 926	–	–	–	–	–	1 306 926
Deposits from customers	4 551 990	4 551 990	3 003 561	481 498	764 893	302 038	–	–	4 551 990
Debt securities issued	2 496 718	2 496 718	–	403 718	–	2 093 000	–	–	2 496 718
Long-term loans	429 673	429 673	–	26 034	78 103	325 536	–	–	429 673
Trading liabilities	1 333 551	1 333 551	240 039	520 085	573 427	–	–	–	1 333 551
Other payables	743 267	732 291	333 894	371 221	27 061	115	–	10 976	743 267
Current taxation liabilities	9 569	9 569	9 569	–	–	–	–	–	9 569
Deferred tax liability	127 163	–	–	–	–	–	–	127 163	127 163
Total liabilities	10 998 857	10 860 718	4 893 989	1 802 556	1 443 484	2 720 689	–	138 139	10 998 857
Off-statement of financial position									
Loan commitments	136 065	136 065	83 870	43 985	8 121	89	–	–	136 065

2017	Funding under repurchase agreements and interbank	Deposits from customers	Debt securities issued	Long term loans	Trading liabilities	Other payables	Current taxation liabilities	Deferred tax
Discounted maturity								
Current liabilities	1 306 926	4 249 952	403 718	104 137	1 333 551	732 176	9 569	–
Non-current liabilities	–	302 038	2 093 000	325 536	–	11 091	–	127 163
Total	1 306 926	4 551 990	2 496 718	429 673	1 333 551	743 267	9 569	127 163

36. FINANCIAL RISK MANAGEMENT continued

36.3 Market risks

The tables summarise the Group's exposure to interest rate risk through categorisation of assets and liabilities into time buckets, determined as being the earlier of the contractual 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	Total R'000
2018					
Assets					
Cash and cash balances	1 750 758	–	–	–	1 750 758
Negotiable securities	295 204	977 043	703 160	–	1 975 407
Loans and advances	6 733 711	482 294	99 152	589 102	7 904 259
Total assets	8 779 673	1 459 337	802 312	589 102	11 630 424
Liabilities					
Non-trading portfolios					
Funding under repurchase agreements and interbank	1 924 975	–	–	–	1 924 975
Deposits from customers	2 350 395	855 796	1 127 126	116 027	4 449 344
Debt securities issued	–	3 115 432	–	–	3 115 432
Long-term loans	250 000	424 616	–	–	674 616
Total liabilities	4 525 370	4 395 844	1 127 126	116 027	10 164 367
Net pricing gap	4 254 303	(2 936 507)	(324 814)	473 075	1 466 057
Cumulative repricing gap	4 254 303	1 317 796	992 982	1 466 057	1 466 057
A 200 basis point interest rate change will have the following effect on profit/(loss):					
200 bp parallel shock interest rate increase	3 826	(4 146)	(18 660)	(99 520)	(118 500)
200 bp parallel shock interest rate decrease	3 914	19 626	88 322	471 048	582 910
2017					
Assets					
Non-trading portfolios					
Cash and cash balances	2 030 843	–	–	–	2 030 843
Negotiable securities	98 279	925 537	371 706	–	1 395 522
Loans and advances	5 772 208	296 405	82 014	560 104	6 710 731
Total assets	7 901 330	1 221 942	453 720	560 104	10 137 096
Liabilities					
Non-trading portfolios					
Funding under repurchase agreements and interbank	1 306 926	–	–	–	1 306 926
Deposits from customers	3 003 246	481 813	764 893	302 038	4 551 990
Debt securities issued	–	2 496 718	–	–	2 496 718
Long-term loans	250 000	179 673	–	–	429 673
Total liabilities	4 560 172	3 158 204	764 893	302 038	8 785 307
Net pricing gap	3 341 158	(1 936 262)	(311 173)	258 066	1 351 789
Cumulative repricing gap	3 341 158	1 404 896	1 093 723	1 351 789	1 351 789
A 200 basis point interest rate change will have the following effect on profit/(loss):					
200 bp parallel shock interest rate increase	4 207	(509)	(2 288)	(12 205)	(10 795)
200 bp parallel shock interest rate decrease	3 299	15 519	69 834	372 451	461 103

36. FINANCIAL RISK MANAGEMENT continued

36.4 Currency risk

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

Foreign currency risk sensitivity analysis

	US Dollar R'000	Euro R'000	Japanese Yen R'000	British Pound R'000	Other R'000	Total R'000
2018						
Forward-exchange contracts	(4 944)	3 123	(18)	(49)	170	(1 718)
Import Bills	389 758	43 984	1 627	4 398	73	439 840
Bank balances	295 702	31 654	197	3 609	1 214	332 376
Bank overdrafts	(85 276)	(64 331)	(900)	(2 269)	(172)	(152 948)
Import suppliers	(13 901)	(690)	–	–	–	(14 591)
Usance Creditors	(155 321)	(2 756)	–	–	–	(158 077)
Other payables	(264 383)	(12 631)	(201)	(5 406)	(504)	(283 125)
Total net (short)/long position	161 635	(1 647)	705	283	781	161 757
Sensitivity – 5%	8 082	(82)	35	14	39	8 088
2017						
Forward-exchange contracts	(4 683)	82 769	1 086	4 323	(17)	83 478
Import Bills	135 866	4 939	–	–	–	140 805
Bank balances	188 778	65 155	1 280	10 447	191	265 851
Bank overdrafts	(33 732)	(115 930)	(574)	–	–	(150 236)
Import suppliers	(1 325)	(3 449)	(172)	(1 435)	–	(6 381)
Usance Creditors	(84 477)	(7 649)	–	–	–	(92 126)
Other payables	(48 220)	(641)	3	(4 975)	191	(53 642)
Total net (short)/long position	152 207	25 194	1 623	8 360	365	187 749
Sensitivity – 5%	7 610	1 260	81	418	18	9 387

36. FINANCIAL RISK MANAGEMENT continued

36.4 Currency risk continued

Analysis of assets and liabilities by currency

	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2018						
Assets						
Cash and cash balances	295 702	31 654	3 609	1 559 791	1 411	1 892 167
Negotiable securities	–	–	–	1 975 407	–	1 975 407
Loans and advances	383 723	43 332	4 316	7 185 424	1 700	7 618 495
Other receivables	5 892	–	4 652	364 287	549	375 380
Investment property	–	–	–	12 600	–	12 600
Investment securities	–	–	–	628 493	–	628 493
Trading assets	–	–	–	1 476 511	–	1 476 511
Property, plant and equipment	–	–	–	88 206	–	88 206
Taxation	–	–	–	19 809	–	19 809
Intangible assets and goodwill	–	–	–	201 448	–	201 448
Deferred tax asset	–	–	–	30 568	–	30 568
Total assets	685 317	74 986	12 577	13 542 544	3 660	14 319 084
Liabilities						
Interbank funding	240 597	67 087	2 269	1 613 950	1 072	1 924 975
Deposits from customers	–	–	–	4 449 344	–	4 449 344
Trading liabilities	–	–	–	1 449 203	–	1 449 203
Long-term loans	–	–	–	674 616	–	674 616
Other payables	280 182	12 631	5 406	502 821	705	801 745
Debt securities issued	–	–	–	3 115 432	–	3 115 432
Taxation	–	–	–	21 819	–	21 819
Deferred tax liability	–	–	–	140 179	–	140 179
Total liabilities	520 779	79 718	7 675	11 967 364	1 777	12 577 313

36. FINANCIAL RISK MANAGEMENT continued

36.4 Currency risk continued

Analysis of assets and liabilities by currency continued

	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2017						
Assets						
Cash and cash balances	188 778	65 155	10 447	1 899 528	1 471	2 165 379
Negotiable securities	–	–	–	1 395 522	–	1 395 522
Loans and advances	135 866	4 939	–	6 346 217	–	6 487 022
Other receivables	–	–	–	394 690	–	394 690
Non-current assets held for sale	–	–	–	69 500	–	69 500
Investment securities	–	–	–	494 213	–	494 213
Trading assets	–	–	–	1 352 570	–	1 352 570
Property, plant and equipment	–	–	–	103 856	–	103 856
Taxation	–	–	–	36 560	–	36 560
Intangible assets and goodwill	–	–	–	131 778	–	131 778
Deferred tax asset	–	–	–	26 995	–	26 995
Total assets	324 644	70 094	10 447	12 251 429	1 471	12 658 085
Liabilities						
Funding under repurchase agreements and interbank	33 732	115 930	–	1 156 690	574	1 306 926
Deposits from customers	–	–	–	4 551 990	–	4 551 990
Trading liabilities	–	–	–	1 333 551	–	1 333 551
Long-term loans	–	–	–	429 673	–	429 673
Other payables	134 022	11 739	6 410	591 118	(22)	743 267
Debt securities issued	–	–	–	2 496 718	–	2 496 718
Taxation	–	–	–	9 569	–	9 569
Deferred tax liability	–	–	–	127 166	–	127 166
Total liabilities	167 754	127 669	6 410	10 696 475	552	10 998 860

36.5 Derivative financial instruments

	Within 1 year R'000	Net fair value R'000	Positive fair value R'000	Negative fair value R'000	Notional principal R'000
2018					
Exchange rate contracts	22 496	22 496	177 677	(155 181)	(28 204)
Interest rate swaps	1 249	1 249	1 740	(491)	1 591 693
Total derivatives	23 745	23 745	179 417	(155 672)	1 563 489
2017					
Exchange rate contracts	5 903	5 903	72 068	(66 165)	292 138
Interest rate swaps	(232)	(232)	409	(641)	694 414
Total derivatives	5 671	5 671	72 477	(66 806)	986 552

36. FINANCIAL RISK MANAGEMENT continued

36.6 Capital management

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

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

Key objectives of capital management are to:

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

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

*Capital adequacy **(unaudited)***

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

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

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

*Regulatory capital **(unaudited)***

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

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

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

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

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

36. FINANCIAL RISK MANAGEMENT continued

36.6 Capital management continued

*Regulatory capital **(unaudited)** continued*

	2018 % Unaudited	2017 % Audited
Common Equity Tier 1 capital	14.964	15.378
Additional Tier 1 capital	0.772	1.058
Total Tier 1 capital	15.736	16.436
Tier 2 capital	0.353	0.283
Total capital	16.089	16.719
Stakeholder capital adequacy ratio minimum requirements		
Regulator:		
– National Common Equity Tier 1	8.375	8.250
– National Total Tier 1	10.375	10.000
– Total capital	13.125	12.750

37. SEGMENT REPORTING

	2018			2017		
	South Africa R'000	Asia-Pacific R'000	Total R'000	South Africa R'000	Asia-Pacific R'000	Total R'000
Geographical segments						
External revenue	1 190 912	28 304	1 219 216	1 117 912	49 254	1 167 166
Segment assets	13 582 182	736 902	14 319 084	12 153 091	504 994	12 658 085

37. SEGMENT REPORTING continued

	Bank R'000	Wealth R'000	Capital R'000	Sasfin Holdings and Group eliminations R'000	Total R'000
Business segments					
2018					
Interest income	1 190 905	47 253	51 409	(7 693)	1 281 874
Interest expense	(717 637)	(52 103)	(49 130)	9 775	(809 095)
Net interest income	473 268	(4 850)	2 279	2 082	472 779
Non-interest income	287 560	293 699	165 971	(793)	746 437
Total income	760 828	288 849	168 250	1 289	1 219 216
Impairment charges on loans and advances	(132 491)	–	(10 911)	(776)	(144 178)
Net income after impairments	628 337	288 849	157 339	513	1 075 038
Operating costs	(520 668)	(245 328)	(104 244)	(1 034)	(871 274)
Staff costs	(285 613)	(103 770)	(64 381)	23	(453 741)
Other operating expenses	(225 619)	(141 558)	(39 863)	(1 057)	(408 097)
Goodwill and intangible asset impairments	(9 436)	–	–	–	(9 436)
Profit from operations	107 669	43 521	53 095	(521)	203 764
Share of associated companies' income	–	92	18	–	110
Profit before income tax	107 669	43 613	53 113	(521)	203 874
Income tax expense	(38 723)	(13 096)	(13 931)	(5 678)	(71 428)
Profit for the year	68 946	30 517	39 182	(6 199)	132 446
Segment assets	12 142 868	1 636 775	684 310	(144 869)	14 319 084
Segment liabilities	11 009 915	1 419 314	297 890	(149 806)	12 577 313

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

37. SEGMENT REPORTING continued

	Bank R'000	Wealth R'000	Capital R'000	Sasfin Holdings and Group eliminations R'000	Total R'000
Business segments					
2017					
Interest income	1 090 534	53 289	43 400	(13 823)	1 173 400
Interest expense	(633 454)	(54 936)	(52 332)	9 858	(730 864)
Net interest income	457 080	(1 647)	(8 932)	(3 965)	442 536
Non-interest income	264 429	257 991	199 125	3 085	724 630
Total income	721 509	256 344	190 193	(880)	1 167 166
Impairment charges on loans and advances	(65 971)	–	(15 465)	–	(81 436)
Net income after impairments	655 538	256 344	174 728	(880)	1 085 730
Operating costs	(454 820)	(235 778)	(134 910)	(14 644)	(840 152)
Staff costs	(238 891)	(103 981)	(69 138)	(2 453)	(414 463)
Other operating expenses	(215 929)	(131 797)	(65 772)	2 172	(411 326)
Goodwill and intangible asset impairments	–	–	–	(14 363)	(14 363)
Profit from operations	200 718	20 566	39 818	(15 524)	245 578
Share of associated companies' income	–	–	(2 156)	–	(2 156)
Profit before income tax	200 718	20 566	37 662	(15 524)	243 422
Income tax expense	(55 574)	(7 585)	10 722	3 425	(49 012)
Profit for the year	145 144	12 981	48 384	(12 099)	194 410
Segment assets	10 506 068	1 572 549	797 479	(218 011)	12 658 085
Segment liabilities	9 458 619	1 398 336	341 734	(199 829)	10 998 860

38. BUSINESS COMBINATIONS

38.1 Acquisition of the ATFS business

On 1 April 2018, the Group acquired the business of Absa Technology Finance Solutions (Pty) Ltd (hereafter ATFS). The business consisted of the loan book, IT equipment, IT software and personnel.

The loan book comprise of rental deals relating to technology assets such as business centres, PABX systems and IT Infrastructure (Networking and Communication).

The transaction has been concluded as part of Sasfin's strategy to expand its market share and grow its rental business.

The allocation of the purchase price is based on provisional fair values of the assets and liabilities acquired.

38.1.1. Purchase consideration

The ATFS loan book and related assets were purchased for R1 155 442 852.

38.1.2 Acquisition-related costs

The Group incurred acquisition-related costs of R3 752 150 relating to external legal fees and due diligence costs. The costs have been included in 'consulting fees' in note 28.2.

38.1.3 Identifiable assets acquired and liabilities assumed

The following is a summary of the provisional fair values recognised of the assets acquired and liabilities assumed at the date of acquisition:

	2018 R'000
Assets	
Loan book	1 195 212
IT Software	–
IT Equipment	–
Total assets	1 195 212
Liabilities	
Accrued leave balances transferred on purchase	(471)
Total liabilities	(471)
Total net assets acquired	1 194 741
Gain on bargain purchase	(39 297)
Total purchase consideration	1 155 444
38.1.4 Gain on bargain purchase	
The gain on bargain purchase arising from the acquisition has been recognised as follows:	
Total consideration transferred	1 155 444
Provisional fair value of identifiable net assets acquired	(1 194 741)
Gain on bargain purchase	(39 297)
At year-end the purchase price allocation was not yet complete. Consequently the recognition of the gain on bargain purchase is postponed until the purchase price allocation is complete.	
38.1.5 Cash outflow on acquisition	
Cash consideration paid	(1 155 444)
Cash acquired	–
Net cash outflow on acquisition	(1 155 444)

38.2 Acquisition of wholly owned subsidiary SIPP Investments (Pty) Ltd

On 12 September 2017, the Group acquired all the issued share capital of SIPP Investments (Pty) Ltd (SIPP) for a total purchase consideration of R9.9 million. Payment of R1.9 million of the total purchase consideration is contingent upon the successful integration of the business of SIPP in the Group. It is highly probably that the contingent purchase consideration will be paid in the next financial year. SIPP is a technology driven business with online retirement savings and investment portfolio tools, calculators and products. Goodwill has provisionally been determined as R3.7 million.

SEPARATE FINANCIAL STATEMENTS STATEMENT OF FINANCIAL POSITION

at 30 June 2018

	Accounting policy	Note	2018 R'000	2017 R'000
ASSETS				
Cash and cash balances	1.10	39.1	4 249	48 241
Other receivables	1.12	39.2	5 529	14 104
Taxation	1.15		582	3 709
Investment in subsidiaries	1.2	39.3	516 052	515 198
Deferred tax asset	1.15	39.4	329	5 291
Total assets			526 741	586 543
LIABILITIES				
Taxation	1.15		–	3 906
Trade and other payables	1.12	39.5	2 716	5 781
Total liabilities			2 716	9 687
EQUITY				
Ordinary share capital	1.9	39.6	323	323
Ordinary share premium	1.9	39.6	163 363	163 363
Reserves	1.9		172 253	225 084
Preference share capital	1.9		18	18
Preference share premium	1.9		188 068	188 068
Total equity			524 025	576 856
Total liabilities and equity			526 741	586 543

SEPARATE FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Accounting policy	Note	2018 R'000	2017 R'000
Interest income	1.13	39.7	1 941	86
Interest expense	1.13	39.8	–	4 085
Net interest income			1 941	(3 999)
Other income	1.13	39.9	45 826	183 818
Total income			47 767	179 819
Operating costs		39.10	12 473	12 278
Profit before income tax			35 294	167 541
Income tax expense	1.15	39.11	5 629	(3 440)
Profit and total comprehensive income for the year			29 665	170 981
Profit and total comprehensive income attributable to:				
Preference shareholders			15 531	15 580
Ordinary shareholders			14 134	155 401
Profit and total comprehensive income for the year			29 665	170 981

SEPARATE FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Ordinary share capital and premium R'000	Distributable reserves R'000	Total ordinary shareholders' equity R'000	Preference share capital and premium R'000	Total shareholders' equity R'000
30 June 2016	163 686	153 598	317 284	192 869	510 153
Total comprehensive income for the year					
Profit for the year	–	170 981	170 981	–	170 981
Share buy-back and cancellation	–	2 919	2 919	(4 783)	(1 864)
Dividends to preference shareholders	–	(15 580)	(15 580)	–	(15 580)
Dividends to ordinary shareholders	–	(86 834)	(86 834)	–	(86 834)
30 June 2017	163 686	225 084	388 770	188 086	576 856
Total comprehensive income for the year					
Profit for the year	–	14 134	14 134	15 531	29 665
Issue of shares	413 491	–	413 491	–	413 491
Share buy-back and cancellation	(413 491)	–	(413 491)	–	(413 491)
Dividends to preference shareholders	–	–	–	(15 531)	(15 531)
Dividends to ordinary shareholders	–	(66 965)	(66 965)	–	(66 965)
30 June 2018	163 686	172 253	335 939	188 086	524 025

SEPARATE FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	2018 R'000	2017 R'000
Cash flows from operating activities		
Cash receipts from customers	11 833	10 976
Cash paid to customers, employees and suppliers	(12 473)	(16 363)
Cash outflow from operating activities	(640)	(5 387)
Dividends received	35 934	195 053
Taxation paid	(1 446)	(183)
Dividend paid	(82 496)	(102 414)
Cash flows from operating activities before changes in operating assets and liabilities	(48 648)	87 069
Changes in operating assets and liabilities	5 510	(8 344)
Change in other receivables	8 575	(12 604)
Change in other payables and provisions	(3 065)	4 260
Net cash from operating activities	(43 138)	78 725
Cash flows from investing activities	(808)	15 389
Acquisition of investment securities	(808)	–
Proceeds from disposal of subsidiary	–	7 489
Proceeds from disposal of investment	–	7 900
Net cash flows from financing activities	(46)	(45 995)
Loans to subsidiary companies	(46)	(44 131)
Proceeds from issue of ordinary shares	413 491	–
Ordinary share buy back	(413 491)	–
Preference share buy-back	–	(1 864)
Net decrease in cash and cash balances	(43 992)	48 119
Cash and cash balances at beginning of the year	48 241	122
Cash and cash balances at end of the year	4 249	48 241

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

for the year ended 30 June 2018

		2018 R'000	2017 R'000
39.1	**Cash and cash balances**		
	Money on call	4 249	48 241
		4 249	48 241
39.2	**Other receivables**		
	Intercompany debtors	5 056	–
	Sundry debtors	473	14 104
		5 529	14 104
39.3	**Subsidiary companies**		
	Unlisted investments		
	Ordinary Shares at carrying amount at the beginning of the year	514 548	514 548
	Acquisition of Sasfin Capital (Pty) Ltd	808	–
	Share Incentive Trust	696	650
		516 052	515 198
	On 31 January 2018, Sasfin Financial Services distributed 100% of the issued share capital held in Sasfin Capital (Pty) Ltd to the Company at the book value as a dividend in specie. This transaction was part of the Group restructuring to create the holding company for the Capital pillar. The shares in SPEIH held by the Company are ceded and pledged to Absa Bank Limited as a form of collateral/security for the subscription by Absa Bank Limited of the SPEIH redeemable preference shares.		
39.4	**Deferred tax**		
	Deferred tax asset on temporary differences arising from:		
	Prepayments	(71)	(43)
	Provisions	400	378
	Tax losses	–	4 956
		329	5 291
39.5	**Other payables**		
	Audit fees and other services	1 427	1 350
	Accounts payable	416	4 431
	Intercompany creditors	873	–
		2 716	5 781

		2018 R'000	2017 R'000
39.6	**Ordinary share capital**		
	Authorised		
	100 000 000 (2017: 100 000 000) ordinary shares of 1 cent each	1 000	1 000
	Issued		
	32 301 441 (2017: 32 301 441) ordinary shares		
	Balance at the beginning and end of the year	323	323
	Issued during the year	81	–
	Shares repurchased	(81)	–
	Balance at the end of the year	323	323

On 30 October 2017, WIPHOLD SPV has subscribed for 8 107 662 ordinary shares in SHL for an aggregate subscription consideration of R413 490 762 in terms of a specific issue of shares for cash and SHL has made an offer to repurchase 8 107 662 all or some of the shares held by Shareholders for R413 490 762 in compliance with all of the applicable requirements for a scheme of arrangement in terms of section 114 of the Companies Act, 71 of 2008 ("Companies Act") read with section 115 of the Companies Act.

WIPHOLD is a prominent B-BBEE investment and operating group in South Africa and is majority owned and managed by Black Women. WIPHOLD's key focus is that of financial services which is the cornerstone of any economy and critical to realising WIPHOLD's vision for the economic empowerment of Black Women.

		2018 R'000	2017 R'000
	Ordinary share premium		
	Balance at the beginning of the year	163 363	163 363
	Shares issued	413 410	–
	Shares repurchased	(413 410)	–
	Balance at the end of the year	163 363	163 363
39.7	**Interest income**		
	Intercompany loans	992	86
	Other	949	–
	Interest earned on financial assets	1 941	86
39.8	**Interest expense**		
	Intercompany loans	–	4 048
	Other	–	37
	Interest paid on financial liabilities	–	4 085
39.9	**Other income**		
	Fee income	9 892	11 840
	Loss on disposal of investment	–	(23 075)
	Dividend income	35 934	195 053
		45 826	183 818

NOTES TO THE SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

		2018 R'000	2017 R'000
39.10	**Operating expenses**		
	The following items are included in operating expenses:		
	Fees paid to auditors	2 757	3 981
	Audit fees – Current year	2 757	3 631
	– Other services	–	350
	Management fees paid	3 627	–
	Other	6 089	8 297
		12 473	12 278
39.11	**Income tax expense**		
	South African normal tax	5 629	(3 440)
	Current tax expense	667	685
	Deferred tax – current year	4 962	(4 125)
		5 629	(3 440)
	Reconciliation of rate of taxation	%	%
	South African normal tax rate	28.0	28.0
	Adjusted for:	(12.1)	(30.0)
	Exempt income	(28.5)	(32.6)
	Non-deductible expenses	1.9	1.9
	Capital gains	14.0	–
	Underprovision in prior years	0.5	0.7
	Effective rate	15.9	(2.0)

39.12 Related party transactions

The following are defined as related parties of the Group:

- Subsidiaries (refer to note 34)
- Associated undertakings and joint arrangements
- Key management personnel

The Group has defined key management personnel as those persons having authority and responsibility for planning, directing and controlling the activities of The Company, directly or indirectly, including any director (executive or otherwise) of the Company as well as close members of the family of any of these individuals. Key management personnel are considered to be the directors of the Company.

	2018 R'000	2017 R'000
Transactions between Group companies comprise:		
Interest received	992	86
Interest paid	–	4 048
Dividends received	35 934	195 053
Management fees received	9 892	11 426
Administration fees received	–	2 434
Management fees paid to WIPHOLD	3 627	–
Indebtedness between Group companies comprise:		
Sasfin Capital	5 056	–
Sasfin Bank Ltd	(582)	–
Sasfin Capital	(291)	–

39.13 **Classification of assets and liabilities**

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

	Loans and receivables R'000	Amortised cost R'000	Held to maturity R'000	Outside scope of IAS 39 R'000	Total R'000
2018					
Assets					
Cash and cash balances	4 249	–	–	–	4 249
Other receivables	5 529	–	–	–	5 529
Investment in subsidiaries	696	–	–	514 548	515 244
Taxation	–	–	–	582	582
Deferred tax asset	–	–	–	329	329
	10 474	–	–	515 459	525 933
Liabilities					
Trade and other payables	–	2 716	–	–	2 716
	–	2 716	–	–	2 716
2017					
Assets					
Cash and cash balances	48 241	–	–	–	48 241
Other receivables	14 104	–	–	–	14 104
Investment in subsidiaries	650	–	–	514 548	515 198
Taxation	–	–	–	3 709	3 709
Deferred tax asset	–	–	–	5 291	5 291
	62 995	–	–	523 548	586 543
Liabilities					
Trade and other payables	–	5 781	–	–	5 781
Current taxation liabilities	–		–	3 906	3 906
	–	5 781	–	3 906	9 687

39.14 **Liquidity, credit and market risk information**

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

39.15 **Contingent liabilities**

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

	2018 R'000	2017 R'000
SAL	78 310	149 662
Sasfin Bank Limited	59 979	147 503
SPEIH	250 000	250 000

GLOSSARY OF TERMS

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

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

CORPORATE DETAILS

Independent Non-Executive Chair
Roy Andersen

Executive Directors
Michael Sassoon (Chief Executive Officer)
Roland Sassoon
Angela Pillay

Independent Non-Executive Directors
Linda de Beer
Grant Dunnington
Gugu Mtetwa
Shahied Rylands (Lead)
Richard Buchholz

Non-Independent, Non-Executive Directors
Gloria Serobe
Gugu Dingaan
Shaun Rosenthal (Alternate)

Group Company Secretary
Howard Brown

Website and email
www.sasfin.com
investorrelations@sasfin.com

Transfer Secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196

Lead sponsor
Sasfin Capital (Pty) Ltd (a member of the Sasfin Group)

Independent sponsor
Deloitte & Touche Sponsor Services (Pty) Ltd

Auditors
PricewaterhouseCoopers Inc.

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Company Registration number: 1987/002097/06
Tax reference number: 9300/204/71/7

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