Bayport Securitisation (RF) Limited
(Registration number 2008/003557/06)

Audited consolidated and separate annual financial statements for the year ended 31 December 2021

The annual financial statements of the group and the company were prepared in accordance with the requirements of the South African Companies Act 71 of 2008

The annual financial statements were prepared under the supervision of Warwick Keet CA(SA), chief financial officer of Bayport Financial Services 2010 (Proprietary) Limited

BAYPORT
SECURITISATION

Bayport Securitisation (RF) Limited

Annual financial statements

For the year ended 31 December 2021

General information

Country of incorporation:	South Africa
Date of incorporation:	11 February 2008
Nature of business:	Special purpose vehicle incorporated to house unsecured loans originated by Bayport Financial Services 2010 (Proprietary) Limited
Directors:	Olivia van Gisbergen (chairman) Lood de Jager (appointed 26 April 2021) Alfred Ramosedi Rishendrie Thanthony
Registered address:	Bayport House 3 Alice Lane Sandton 2196
Business address:	Bayport House 3 Alice Lane Sandton 2196
Postal address:	Postnet Suite 116 Private Bag X43 Sunninghill 2157
Banker:	Standard Bank of South Africa Limited
Auditor:	BDO South Africa Incorporated Chartered Accountants Registered Auditor
Company secretary:	Arthur Hlubi
Company registration:	2008/003557/06

Bayport Securitisation (RF) Limited

Annual financial statements

For the year ended 31 December 2021

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

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Directors' responsibilities and approval of the annual financial statements

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the directors' responsibility to ensure that the annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of their operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with the Companies Act of South Africa and International Financial Reporting Standards and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined risk framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the cash flow forecast for the year to 31 December 2022 and are satisfied that the group has access to adequate resources to continue as a going concern for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the financial statements. The financial statements have been examined by the external auditors and their report is presented on pages 7 to 10.

The annual financial statements set out on pages 4 to 67, which have been prepared on the going concern basis, were approved by the board of directors on 22 April 2022 and were signed on its behalf by:

Olivia van Gisbergen

Alfred Ramosedi

Certificate from the company secretary

In terms of section 88(2)(e) of the Companies Act, 2008, I certify that to the best of my knowledge and belief, Bayport Securitisation (RF) Limited has lodged with the Registrar of Companies for the financial period ended 31 December 2021 all such returns as are required of a public company in terms of the Companies Act, and that all returns are true, correct and up to date.

Arthur Hiubi
Company secretary
22 April 2022

Bayport Securitisation (RF) Limited

Report of the audit committee

For the year ended 31 December 2021

The audit committee submits this report to the shareholders of Bayport Securitisation (RF) Limited in respect of the year ended 31 December 2021. This report has been prepared based on the requirements of section 94(7)(f) of the Companies Act of South Africa ("the Act"), as amended from time to time and in terms of the JSE Limited Listing Requirements.

Purpose of the audit committee

The main purpose of the audit committee is to assist the board in discharging its duties relating to the safeguarding of assets, accounting systems and practices, the integrity of internal financial control processes and the preparation of accurate financial reporting and annual financial statements in compliance with legal requirements and accounting standards.

Membership and attendance

The audit committee is independent and at the date of this report consists of three independent directors: Lood de Jager, Olivia van Gisbergen and Rishendrie Thanthony.

The membership of the late Jack Trevena ended on the date of his passing, 25 February 2021. Jack Trevena was appointed as a member on 31 January 2013 and during his tenure brought strong leadership and wise counsel to the group.

Jack Trevena was replaced as a director and audit committee member by Lood de Jager on 26 April 2021. Lood de Jager took over as chairman of the audit committee from Olivia van Gisbergen on this date.

The committee is satisfied that the members thereof have the required knowledge and experience as set out in section 94(5) of the Companies Act, 71 of 2008 and regulation 42 of the Companies Regulations, 2011.

The audit committee meets at least bi-annually, as per its terms of reference, or more frequently should circumstances dictate.

The names of the members and attendance at meetings for the year under review are reflected below:

Names of members	14 April 2021	9 December 2021
Olivia van Gisbergen (chairman of 14 April 2021 meeting)	✓	✓
Lood de Jager (chairman of 9 December 2021 meeting)	Not applicable	✓
Rishendrie Thanthony	✓	✓

Functions of the audit committee

- Approving the external audit engagement terms;
- Reporting on the independence of the auditors BDO South Africa Incorporated;
- Reviewing the tenure of the auditors and rotation of the audit partner;
- Reviewing the performance and effectiveness of the external audit process;
- Assessing the nature and extent of non-audit services;
- Making submissions to the board on accounting policies, financial controls, records and reporting;
- Reviewing key audit matters as provided by BDO South Africa Incorporated; and
- Reviewing the annual financial statements to confirm compliance with International Financial Reporting Standards, the Companies Act of South Africa and the JSE Limited Listing Requirements.

Attendance by auditors and executive directors

The external auditors are advised of all meetings of the audit committee. The executive directors of Bayport Financial Services 2010 (Proprietary) Limited also attended meetings by invitation.

Independence of external auditor

The audit committee has satisfied itself that the external auditors are independent of the group.

Internal financial controls, accounting practices and group annual financial statements

Based on the work of the group's assurance providers, nothing has come to the attention of the committee which indicates that the group's system of internal financial controls and accounting practices, in all material respects, does not provide a basis for reliable annual financial statements.

The committee is satisfied that the group annual financial statements are in compliance, in all material respects, with the requirements of the Companies Act and International Financial Reporting Standards, and recommended the financial statements for approval by the board.

Lood de Jager

Chairman: audit committee
22 April 2022

BDO

Independent Auditor's Report

To the shareholders of

Bayport Securitisation (RF) Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Bayport Securitisation (RF) Limited (the group and company) set out on pages 14 to 67, which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Bayport Securitisation (RF) Limited as at 31 December 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter

Impairment of Loans and Advances (consolidated and separate financial statements)
The group and company have a portfolio of financial instruments that fall within the scope of the IFRS 9 expected credit loss (ECL) impairment model.
Significant judgement is required in estimating the ECL against these assets mentioned above and include assessing:
➢ probability of default (PD)
➢ loss given default (LGD)
➢ exposure at default (EAD)
➢ credit risk profile changes
➢ macro-economic scenario assumptions (FLI)
The group and company is required to recognise an allowance for either a 12-month or lifetime ECLs depending on whether there has been a significant increase in credit risk (SICR) since initial recognition.
 	
The relevant disclosures relating to the impairment of loans and advances have been provided in Notes 3 and 21 of these financial statements. Due to the significance of this balance, a high degree of estimation uncertainty
	We have performed the following audit procedures:
	• Assessed the design, implementation and operating effectiveness of key controls relating to the ECL model's validation and data governance, and confirmed the application controls were operating effectively;
	• Performed control testing over the origination, approval, disbursement, credit monitoring and collection processes in terms of the group credit policy and processes to ensure compliance with the policies and relevant laws and regulations.
	• With the involvement of BDO FS Technical Accounting and BDO Credit Risk Solutions, we completed an assessment over the methodologies and assumptions applied to ensure compliance with IFRS 9, including:
	  ○ The determination of PD, EAD, LGD and discount rates;
	  ○ Validation of the IFRS 9 staging and ageing assignments;
	  ○ Management's calculation of ECL (including a roll-forward to December); and

and management judgement, this has been raised as a key audit matter.

- Consideration of forward-looking information in the calculation of ECL, which includes macro-economic factors and the potential impact of COVID-19.

- With the involvement of Financial Services Technology:
  - We confirmed the accuracy of ageing and staging of the loans and advances;
  - We confirmed the completeness, accuracy and validity of data for the calculations of the inputs used in the credit impairment models; and
  - We tested the interface between Exactus and SQL. We noted that there were control failures over the SQL database. BDO closed out the risk in relation to these failures through a substantive reconciliation of the two data sets.
- The BDO Credit Risk Solutions group independently recalculated:
  - A range of model inputs (PD, EAD, LGD and discount rate);
  - The allocation of staging per loan;
  - Ranges of ECL as at 31 October 2021, using the independent inputs; and
  - The roll-forward ECL numbers using the loan loss ratio's as at 31 October 2021 to the 31 December 2021 loan book exposures.
- We also focused on the adequacy and accuracy of the disclosures in the financial statements in terms of IFRS 9 and IFRS 7.

Recognition and recoverability of deferred tax assets (consolidated and separate financial statements)

The recoverability of the deferred tax asset represents a key risk for the business. IAS 12 states that a deferred tax asset can only be recognized to the extent that it is probable that taxable profits are available against which the deferred tax asset can be utilised.

IAS 12 further states that the recognition of previously unrecognised deferred tax assets should be reassessed on an annual basis.

We identified that the key judgement areas management used to justify their recognition of the deferred tax asset were as follows:

- Management's ability to reasonably forecast profits;
- The assumptions made in management's periodic future forecasts and the likelihood of those assumptions holding true; and
- Two prospective portfolio clients are important components of the growth assumptions.
- The time over which the deferred tax asset is expected to be recovered given the forecasts.

The relevant disclosures relating to the recognition and recoverability of deferred tax assets have been provided in Note 4 of these financial statements.

We have performed the following audit procedures:

- Reviewed management's annual assessment for the recognition of the unrecognised and recognised deferred tax assets;
- Assessed management's periodic future forecasts, identifying key assumptions inherent in the forecasts and evaluated the assumptions for reasonability against BDO's expectations and understanding of the entity and the unsecured lending industry;
- Stress test management's assumptions inherent in the forecasts and determine the impact of the stress testing on the recognition of the recognised and unrecognised deferred tax assets.
- Focused on the adequacy of the disclosure in the financial statements in terms of IAS 12.

Other information
The directors are responsible for the other information. The other information comprises the information included in the document titled "Bayport Securitisation (RF) Limited Annual Financial Statements for the year ended 31 December 2021", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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 the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Bayport Securitisation (RF) Limited for 3 years.

BDO South Africa Inc

BDO South Africa Incorporated
Registered Auditors

Pierre Jacobs
Director
Registered Auditor

28 April 2022

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

The directors present their report on the activities of the group for the year ended 31 December 2021.

1. Main business and operations

The company is a special purpose vehicle incorporated to house unsecured loans originated by Bayport Financial Services 2010 (Proprietary) Limited ("BFS 2010") in South Africa. Management of the company is contracted to BFS 2010.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements.

2. Subsequent events

On 23 February 2022 the South African Minister of Finance announced a reduction in the corporate income tax rate from 28% to 27% for years of assessment ending on or after 31 March 2023. The potential impact of this reduction for the financial year ending 31 December 2023 is unknown at this stage but using deferred tax balances at 31 December 2021 as a guideline would result in write-downs of the deferred tax asset of R11m and the unrecognised deferred tax asset of R9m.

No other subsequent events have occurred between 31 December 2021 and the date of approval of the annual financial statements by the board of directors.

3. Going concern

In performing the going concern assessment, the directors have considered all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to the directors.

As part of the assessment, the directors have considered if there are any material uncertainties relating to events or conditions that might cast significant doubt upon the continuing use of the going concern basis of accounting in future periods.

Uncertainties relating to such events or conditions would be considered material, and therefore disclosed, if their disclosure could reasonably be expected to affect the economic decisions of shareholders and other users of the annual financial statements.

The going concern assessment is a matter of judgement. In making this judgement, the directors have considered the uncertainties arising from their assessment, both individually and in combination with others.

In determining whether there are material uncertainties, the directors have considered:

- the magnitude of the potential impacts of any uncertain future events or changes in conditions on the group and the likelihood of their occurrence in the medium term;
- the realistic availability and likely effectiveness of actions that the directors would consider undertaking to avoid, or reduce the impact or likelihood of occurrence of the uncertain future events or changes in conditions; and
- whether the uncertain future events or changes in conditions are unusual, rather than occurring with sufficient regularity to make predictions about them with a high degree of confidence.

Uncertainties are not considered material if the likelihood that the group will not be able to continue to use the going concern basis of accounting is assessed to be remote, however significant the assessed potential impact may seem.

3. Going concern (continued)

In evaluating the group's ability to continue as a going concern during the ensuing twelve months, the following areas, amongst others, have been considered in making the assessment:

- financial performance (both historic and forecasted);
- liquidity (availability of funding as well as cash flow forecasts);
- capital adequacy;
- the financial health of the consumer (debt to income levels, employment and inflation); and
- the impact of future improbable lockdowns by the South African government to combat the spread of COVID-19.

Having taken the aforementioned factors into account, the directors consider the going concern basis of accounting appropriate for the ensuing twelve months.

4. Authorised and issued ordinary and preference share capital

There was no change in ordinary and preference share capital during the year under review.

5. Dividends paid

No dividend was declared or paid to the ordinary or preference shareholders during the 12 months ended 31 December 2021 (2020: R nil).

6. Holding company

The Bayport Securitisation Ownership Trust holds 100% of the ordinary share capital in Bayport Securitisation (RF) Ltd, whilst Bayport Financial Services 2010 (Pty) Ltd holds 100% of the preference share capital.

7. Financial risk management and governance

The board of directors of the company is ultimately responsible for financial risk management and governance. The day-to-day management of the company is the responsibility of BFS 2010 through the authority granted by the board of the company by way of the management agreement between the company and BFS 2010. The shareholders have constituted an audit committee which comprises three independent non-executive directors and meets at least bi-annually. Invitees to the audit committee meetings include the external auditors, the internal auditors and representatives of BFS 2010.

The audit committee assists the board with:

- combined assurance;
- internal audit;
- external audit; and
- corporate governance.

The board has constituted a social and ethics committee to consider the company's activities with regard to matters relating to social and economic development. The committee consists of at least three members elected by the board and the chairman is a non-executive director of the board. The committee meets at least once annually and is accountable to both the board and shareholders.

8. Directors

The directors of the company during the accounting period and up to the date of this report were as follows:

Name	Position	Date appointed	Date resigned
Jack Trevena	Independent non-executive chairman	31 January 2013	25 February 2021
Olivia van Gisbergen	Independent non-executive chairman	5 December 2018	
Lood de Jager	Independent non-executive director	26 April 2021	
Alfred Ramosedi	Non-executive director	1 November 2018	
RishendrieThanthony	Independent non-executive director	31 January 2013	

9. External auditor

BDO South Africa Incorporated continued as external auditor of the group.

10. Company secretary

The company secretary during the accounting period and up to the date of this report was as follows:

Name	Date appointed
Arthur Hlubi	1 June 2017

Bayport Securitisation (RF) Limited

Statements of financial position

As at 31 December 2021

R'000	Notes	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
Assets					
Cash	19	436 892	312 820	436 587	312 521
Tax receivable		-	1	-	-
Trade and other receivables	2	61 686	40 252	105 267	40 252
Loans and advances	3	3 077 783	3 093 904	3 077 783	3 093 904
Deferred tax assets	4	312 520	270 377	312 520	270 377
Investment in subsidiary	5	-	-	190 302	85 128
Other financial assets	6	258 036	135 722	-	-
Total assets		4 146 917	3 853 076	4 122 459	3 802 182
Liabilities					
Trade and other payables	7	88 616	104 107	64 158	53 213
Interest bearing liabilities	8	3 169 957	2 921 143	3 169 957	2 921 143
Total liabilities		3 258 573	3 025 250	3 234 115	2 974 356
Equity					
Share capital and share premium	9	1 300 001	1 300 001	1 300 001	1 300 001
Accumulated deficit		(599 388)	(554 737)	(601 959)	(557 303)
Fair value reserve	6 & 5	187 731	82 562	190 302	85 128
Equity attributable to the owners of the company		888 344	827 826	888 344	827 826
Total equity		888 344	827 826	888 344	827 826
Total equity and liabilities		4 146 917	3 853 076	4 122 459	3 802 182

Bayport Securitisation (RF) Limited

Statements of comprehensive income

For the year ended 31 December 2021

R'000	Notes	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
Interest and other similar income	10	861 610	945 738	861 601	945 737
Interest and other similar expenses	10	(280 585)	(295 414)	(280 585)	(295 413)
Net interest income	10	581 025	650 324	581 016	650 324
Impairment of loans and advances	3	(448 254)	(498 333)	(448 254)	(498 333)
Risk adjusted net interest income		132 771	151 991	132 762	151 991
Non-interest income	11	67 147	4 943	67 147	12 573
Direct costs	12	(3 711)	(4 040)	(3 710)	(4 040)
Non interest gross profit		63 436	903	63 437	8 533
Indirect costs	13	(282 998)	(181 159)	(282 998)	(181 159)
Loss before tax		(86 791)	(28 265)	(86 799)	(20 635)
Income tax credit	14	42 140	128 425	42 143	128 425
(Loss) / profit for the year		(44 651)	100 160	(44 656)	107 790
Other comprehensive profit / (loss) [1]					
Items that will not be reclassified to profit or loss:					
Movement on equity instruments designated at FVOCI	6 & 5	105 169	(2 716)	105 174	(10 346)
Total comprehensive income for the year		60 518	97 444	60 518	97 444

[1] Refer to statement of changes in equity on pages 16 and 17.

Bayport Securitisation (RF) Limited

Statements of changes in equity

For the year ended 31 December 2021

Group

R'000	Share capital and share premium	Fair value reserve	Accumulated deficit	Total equity
Balance at 31 December 2019	1 300 001	85 278	(654 897)	730 382
Total comprehensive (loss) / income	-	(2 716)	100 160	97 444
- Profit for the year	-	-	100 160	100 160
- Other comprehensive loss				
- Revaluation of insurance cells [1]	-	(2 716)	-	(2 716)
Balance at 31 December 2020	1 300 001	82 562	(554 737)	827 826
Total comprehensive income / (loss)	-	105 169	(44 651)	60 518
- Loss for the year	-	-	(44 651)	(44 651)
- Other comprehensive income				
- Revaluation of insurance cells [1]	-	105 169	-	105 169
Balance at 31 December 2021	1 300 001	187 731	(599 388)	888 344

[1] Zenthyme Investments (Proprietary) Limited holds investments in Hollard Business Associates and Guardrisk Life Limited (refer note 6).

Bayport Securitisation (RF) Limited

Statements of changes in equity (continued)

For the year ended 31 December 2021

Company

R'000	Share capital and share premium	Fair value reserve	Accumulated deficit	Total equity
Balance at 31 December 2019	1 300 001	95 474	(665 093)	730 382
Total comprehensive (loss) / income	-	(10 346)	107 790	97 444
- Profit for the year	-	-	107 790	107 790
- Other comprehensive loss	-	(10 346)	-	(10 346)
- Revaluation of investment in Zenthyme at fair value [1]	-	(10 346)	-	(10 346)
Balance at 31 December 2020	1 300 001	85 128	(557 303)	827 826
Total comprehensive (loss) / income	-	105 174	(44 656)	60 518
- Loss for the year	-	-	(44 656)	(44 656)
- Other comprehensive income	-	105 174	-	105 174
- Revaluation of investment in Zenthyme at fair value [1]	-	105 174	-	105 174
Balance at 31 December 2021	1 300 001	190 302	(601 959)	888 344

[1] Refer to note 5.

Bayport Securitisation (RF) Limited

Statements of cash flows

For the year ended 31 December 2021

R'000	Notes	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
Cash flows from operating activities					
Cash utilised by operations	15	(237 940)	(215 203)	(237 948)	(215 303)
Income taxes paid		(2)	(15)	-	-
Dividends received	17	41 308	9 018	20 672	9 400
Increase in trade and other receivables	2	(21 434)	(8 645)	(21 434)	(8 645)
Decrease / (increase) in gross loans and advances	3	105 494	(75 492)	105 494	(75 492)
Increase in trade payables and accruals	7	8 468	7 262	8 468	7 262
Cash utilised by operating activities		(104 106)	(283 175)	(124 748)	(282 778)
Cash flows from investing activities					
Decrease / (increase) in unlisted investments		5 800	(25 000)	(105 174)	10 346
(Increase) / decrease in fair value reserve		-	-	105 174	(10 346)
Cash generated / (utilised) by investing activities		5 800	(25 000)	-	-
Cash flows from financing activities					
(Decrease) / increase in intercompany payables	7	(26 436)	29 508	-	4 508
Increase / (decrease) in intercompany loans	8	28 872	(198 670)	28 872	(198 670)
Increase / (decrease) in senior and mezzanine debt	18	219 942	(111 161)	219 942	(111 161)
Cash generated / (utilised) by financing activities		222 378	(280 323)	248 814	(305 323)
Net increase / (decrease) in cash for the year		124 072	(588 498)	124 066	(588 101)
Cash at beginning of the year		312 820	901 318	312 521	900 622
Cash at end of the year	19	436 892	312 820	436 587	312 521

1. Accounting policies

The annual financial statements of the group and the company are prepared in accordance with International Financial Reporting Standards ('IFRS'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the going-concern principle and the requirements of the South African Companies Act 71 of 2008.

The group and company's annual financial statements are prepared on the historical cost basis except for certain financial instruments which are measured at fair value (accounting policy 1.2).

The group and company's statement of financial position are presented in order of liquidity. Reference to the current maturities of these financial assets and liabilities are disclosed in the statement of financial position notes and in the analysis of financial assets and liabilities. The accounting policies are consistent with the previous year, except where stated otherwise.

The group has made the following accounting policy election in terms of IFRS, with reference to the detailed accounting policy shown in brackets:

- equity instruments at fair value through other comprehensive income (accounting policy 1.2).

All monetary information and figures presented in these annual financial statements are stated in thousands of South African Rand (R'000), unless otherwise indicated.

The principle accounting policies are set out below:

1.1 Basis of consolidation

Subsidiary companies and other controlled entities

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company.

Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, potential voting rights which presently are exercisable or convertible are taken into account.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-group transactions, balances and unrealised gains or losses are eliminated on consolidation.

1. Accounting policies (continued)

1.1 Basis of consolidation (continued)

Special purpose entities

Special purpose entities ('SPEs') are entities created to accomplish a narrow and well-defined objective such as the securitisation of a particular asset, or the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the group and the SPE's risks and rewards, the group concludes that it controls the SPE (including SPEs that are owned by trusts).

The assessment of whether the group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the group and a SPE and in such instances the group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the group's voluntary actions change the relationship between the group and a SPE, the group performs a reassessment of control over the SPE.

Business combinations

Business combinations are accounted for in accordance with the acquisition method of accounting. Subsidiaries are consolidated from the dates on which the group acquires effective control of the entity. Consolidation ceases from the date control no longer exists.

On acquisition the identifiable assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values. The cost of an acquisition is the fair value of the assets given, liabilities incurred or assumed and equity instruments issued. Any costs directly relating to the acquisition are expensed to profit and loss.

The consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All subsequent changes in the fair value of a contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS. Changes in the fair value of any contingent consideration classified as equity are not recognised. Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

1. Accounting policies (continued)

1.1 Basis of consolidation (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or as additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains all relevant information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

The non-controlling interest in the acquiree is measured at acquisition date either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets (applied on a transaction by transaction basis for all business combinations). The treatment is not an accounting policy choice but is selected for each business combination, and disclosed in the note for business combinations.

1.2 Financial instruments

A financial instrument is defined as a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Initial recognition

The group initially recognises financial assets and financial liabilities on the date on which the group becomes party to the contractual provisions of the financial instrument.

A financial asset or financial liability is initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The group generally does not reclassify financial instruments between different categories subsequent to initial recognition. Financial assets are reclassified only if the group changes its business model for managing financial assets. In accordance with IFRS 9:

- Financial liabilities can never be reclassified; and
- Financial assets can only be reclassified if there is a change in business model.

1. Accounting policies (continued)

1.2 Financial instruments (continued)

Classification

Financial assets

Financial assets are classified and measured at either:

- amortised cost; or
- fair value through other comprehensive income.

On initial recognition of an equity instrument that is not held for trading, the group may irrevocably elect to present subsequent changes in fair value through other comprehensive income. This election is done on an investment-by-investment basis.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

1. Accounting policies (continued)

1.2 Financial instruments (continued)

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

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

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

- interest rate charged to customers;
- origination fee and service fee charged to customers;
- any other amounts charged to customers (if any);
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the group's claim to cash flows from specified assets (for example, non-recourse asset arrangements); and
- features that modify consideration of time value of money (for example, periodical reset of interest rates).

The group holds a portfolio of loans with a term of between six months to five years. These loans charge customers a fixed interest rate equal to the maximum rate allowed by the National Credit Act [No 34 of 2005] (NCA). Interest rates are changed only in the event of court intervention or if there are any changes to legislation. Term extensions take place if the customer defaults, or through court intervention, and the resulting terms result in contractual cash flows that are solely payments of principal and interest. The group has determined that the contractual cash flows of these loans are solely payments of principal and interest.

Financial assets which have been classified as measured at amortised cost include cash and cash equivalents, trade and other receivables and loans and advances.

Financial liabilities

Financial liabilities are classified and measured at amortised cost.

Subsequent measurement

Fair value through other comprehensive income – equity instruments

These instruments are equity instruments which are not held for trading, and upon initial recognition, it is elected that the movements in fair value will be recognised in other comprehensive income. Amounts recognised in other comprehensive income are not reclassified to profit or loss under any circumstances.

Dividend income on these investments is recognised in profit or loss when Bayport becomes entitled to that income.

1. Accounting policies (continued)

1.2 Financial instruments (continued)

Amortised cost

Financial assets which are classified as measured at amortised cost are measured using the effective interest method less any expected credit losses which are recognised in profit or loss. Amortised cost is calculated by taking into account any transaction costs on acquisition as well as fees and costs that are an integral part of the effective interest rate. Origination fees and service fees are both considered to be integral to the effective interest rate. Origination fees are added to the original debt amount and included in the initial measurement of the loan.

Expected credit losses are calculated through the use of an appropriate impairment methodology.

Impairment

The group recognises loss allowances for expected credit losses on the following financial assets:

- Loans and advances; and
- Trade and other receivables.

No impairment loss is recognised on equity investments.

Impairments are measured as 12-month expected credit losses upon origination (referred to as stage 1). Where there has been a significant increase in credit risk since initial recognition of a financial asset, the loss allowance is measured as an amount equal to lifetime expected credit losses (referred to as stage 2).

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

12-month expected credit losses are the portion of expected credit losses that result from default events on a financial instrument, that are possible within the 12 month period after the reporting date.

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

- Financial assets that are not credit impaired at the reporting date – as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expect to receive) (stages 1 and 2);
- Financial assets that are credit-impaired at the reporting date – as the difference between the gross carrying amount and the present value of estimated future cash flows (stage 3).

Loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly, since initial recognition. The group considers reasonable and supportable information that is relevant and available without undue cost and effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and expert credit assessment and including forward-looking information.

1. Accounting policies (continued)

1.2 Financial instruments (continued)

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure.

Credit risk

The group monitors the borrower's credit risk using contractual delinquencies (CD) (i.e. number of missed contractual payments). An additional credit risk monitor has been imposed whereby an account moves to a cured contractual delinquent (CCD) state by adhering to the curing criteria of:

- the sum of three consecutive payments of more than 75% of the original instalment;
- where an account has an active payroll deduction then one payment of 75% of the original instalment; or
- where an account is in debt review the sum of three consecutive payments of more than 45% of the original instalment.

When a customer catches up their arrears and becomes fully paid up they move back to CD0 (stage 1).

Generating a PD term structure

The PD (probability of default) is the probability that an account enters default at some point in the future, where default is defined as CD4+ and CCD4+. The PD term structure introduces a timing (ageing) element to the PD, where the term structure (life of the loan) is broken down into the annualised periods.

For example, the term structure would consider the following sequence:

- The probability that an account will default in the first year;
- If the account does not default in the first year, what is the probability that the account will default in the second year and then the year after that and then in the following years; and
- This will result in PDs per multiple annual periods.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty to the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the group on terms that the group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

1. Accounting policies (continued)

1.2 Financial instruments (continued)

A loan that has been renegotiated due to the deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, an exposure that is overdue for 90 days or more (CD4+ and CCD4+) is considered impaired / in default.

Collective versus individual impairment

All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar credit risk characteristics (e.g. on the basis of the collection strategy and contractual delinquency count and months on book).

Modelling techniques

In assessing collective impairment the group statistically models the following:

- historical trends of the probability of default;
- timing of recoveries; and
- the amount of loss incurred.

These factors are adjusted for management's judgement regarding whether current economic and credit conditions will result in actual losses that are likely to be greater or less than those suggested by the historical models.

Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual results to ensure that they remain appropriate.

Financial liabilities and equity instruments issued by the group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the value of the proceeds received, net of direct issue costs.

1. Accounting policies (continued)

1.2 Financial instruments (continued)

Fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. Where such evidence is available, the financial instrument is initially measured at its fair value.

The method of determining the fair value of financial instruments is analysed into the following categories:

Level 1: Unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valuation techniques using market observable inputs, including:
- using recent arm's length market transactions;
- reference to the current fair value of similar instruments; and
- discounted cash flow analysis, pricing models or other techniques commonly used by market participants.

Level 3: Valuation techniques, as described for level 2 above, for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

The valuation techniques in level 2 and level 3 use inputs such as interest rate yield curves, equity prices, commodity and currency prices / yields, volatilities, and the correlation between inputs. The models used in these valuation techniques are calibrated against industry standards, other similar economic models, and against observed transaction prices, where available.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, when there is a legally enforceable right to set off the recognised amounts and there is an intention to realise the asset and settle the liability simultaneously.

1. Accounting policies (continued)

1.2 Financial instruments (continued)

Derecognition

Financial assets (or a portion thereof) are derecognised when the group realises the rights to the benefits specified in the contract, the rights expire, the asset is substantially modified or the group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable (including any new asset obtained) are included in profit or loss.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it are included in the statement of comprehensive income.

Loan write-offs

Loans are only derecognised or written-off when the loan account is settled in the debtors management system. This typically happens after 3 years of non-payment (prescription of debt).

Partial derecognition

When a customer has not paid any amount in the preceding 12 months and the contractual delinquency is greater than or equal to 12, the group considers there to be no reasonable expectation of recovery. At this point the gross carrying amount of these loans are derecognised to the extent of their carrying value as determined by the expected credit loss model.

A second partial derecognition of the gross carrying amount occurs when a customer that was partially derecognised more than 5 years ago has not paid any amount in the preceding 24 month period.

Partially derecognised loans are categorised as stage 3 for the purposes of calculating expected credit losses.

Modifications

A loan modification is a permanent change to one or more terms of the loan. Enforcing terms that were present in the original terms of the facility, is not seen to be a loan modification. The group may renegotiate or otherwise modify the contractual cashflows of loans to customers in the normal course of business. These restructures require assessment of qualitative and quantitative factors that need to be considered to establish whether the change to the contractual cashflows is substantial or non-substantial.

In a distressed restructure the group needs to determine whether it is merely attempting to recover the original cashflows, in the most optimal manner, and as such the original cashflows have not expired, or whether the risks and rewards associated with the cashflows have been fundamentally altered for the original loan to be derecognised.

1. Accounting policies (continued)

1.2 Financial instruments (continued)

Modifications (continued)

The group renegotiates loans with customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Such modifications include:

- debt review;
- credit life substitutions;
- administration orders; and
- emolument attachment orders.

The revised terms resulting from the above restructured transactions usually include extending the maturity and adjusting the interest rate. These modifications do not novate the terms of the original credit agreement and are merely an attempt to recover the remaining capital outstanding in the most efficient manner available. As such the group does not derecognise the original loan. In the case of distressed modifications, the original terms of the modified loans are applied when determining the expected credit losses.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime probability of default at the reporting date based on the modified terms; with
- the remaining lifetime probability of default estimated based on data at initial recognition and the original contractual terms.

When modifications take place, the group will perform a qualitative evaluation of whether the cash flows of the original loan have been substantially modified.

Qualitative evaluation

Qualitative factors need to be considered to determine if the modification is substantial. Examples of such factors would include the group's intention for modifying the contract:

- The group modified the contract due to the customer's credit risk which has increased due to retrenchment etc;
- The group modified the contract for a strategic business reason such as in order to be competitive in the market; or
- The group modified the contract in an attempt to recover the original contractual amounts outstanding as part of a distressed modification and hence the terms are not substantially different to the original terms.

1.3 Interest income

Interest income is recognised in profit or loss for all instruments measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to the gross carrying amount of the financial asset. When calculating the effective interest rate for financial instruments other than credit-impaired assets, the group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

1. Accounting policies (continued)

1.3 Interest income (continued)

For credit impaired financial assets, interest income is recognised by applying the effective interest rate to the net carrying value, being the gross carrying value after deducting the impairment provision for expected credit losses. The group accordingly ceases to recognise, in profit or loss, the portion of the contractual interest charged on credit impaired assets, thus equating to the result of the net carrying value of the credit impaired exposure being multiplied by the applicable effective interest rate.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Monthly services fees are regarded as an integral part of the effective interest rate and are accounted for as interest income.

Incremental collection costs are excluded from the calculation of the effective interest rate.

1.4 Monthly service fees

These are fees which form an integral part of the effective interest rate and are charged to customers on a monthly basis. These fees are recognised as part of the effective interest rate over the shorter of the original contractual term and the actual term of the loans and receivables.

1.5 Interest expense

Interest expense comprise interest on borrowings, debentures and other costs incurred in connection with the borrowing of funds.

Interest expense is recognised in the period in which it is incurred using the effective interest method except to the extent in which it meets the criteria for capitalisation against a qualifying asset in which case it is capitalised as part of the cost of the asset.

1.6 Non-interest income

Dividends are recognised in profit or loss when the right to receive payment is established.

1.7 Direct costs

Direct costs comprise funding and listing fees expensed during the year directly attributable to the borrowing of funds and the collection of loans and advances.

1.8 Investments in subsidiaries

Investments in subsidiaries are accounted for at fair value with movements recorded through other comprehensive income.

1. Accounting policies (continued)

1.9 Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid instruments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

On the statement of cashflows, cash and cash equivalents comprise:
- Balances with banks
- Money on call deposits

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing or other purposes and are carried at cost, which due to their short-term nature, approximate fair value.

There are two cash reserves held within the group:
- The capital redemption reserve is a cash reserve requirement during the six months prior to the maturity date of any class A, B or C note that is repayable as a bullet payment; and
- The liquidity reserve is a cash reserve of R250 million held within the group.

1.10 Share capital

Proceeds received upon the issuance of shares are included in equity, net of directly attributable transaction costs. Dividends and other distributions made to equity holders are recognised as a reduction in equity when they are no longer at the discretion of the entity.

1.11 Taxation

Current

The charge for current tax is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by financial year-end.

Deferred tax

Deferred tax is calculated using the liability method.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit or taxable profit nor a tax loss.

Deferred tax is calculated using taxation rates that have been enacted or substantially enacted at financial year-end. The effect on deferred tax of any changes in taxation rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity in which case the deferred tax is charged to equity.

Deferred tax assets are recognised to the extent that it is probable that future profits will be available against which the associated tax deductible temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1. Accounting policies (continued)

1.11 Taxation (continued)

Indirect taxation

Indirect taxation in the form of non-claimable value-added tax (VAT) on expenses is disclosed as indirect costs in the statement of comprehensive income. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

1.12 Dividends paid

Dividends are recognised against equity in the period in which they are approved by the company's directors. Dividends declared after the reporting date are not recognised but disclosed as a post reporting date event.

1.13 Segment reporting

The group operates as one segment. All disclosure in the annual financial statements is provided as the primary segment.

1.14 Management estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. This forms the basis of making the judgements on carrying values of assets or liabilities that are not otherwise readily apparent. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments, as follows:

Deferred tax

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in future against which it can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

Valuation of Hollard Business Associates (HBA) / Guardrisk investments

The investments in HBA and Guardrisk are classified as fair value through other comprehensive income. The valuation methodology applied is a discounted cash flow of the future expected cash flows i.e. dividends on a rundown basis including one year of new business. Dividends are discounted from the point of distribution to the present time at the risk free rate plus a constant risk margin. Net gains or losses recognised do not include dividend income.

1. Accounting policies (continued)

1.14 Management estimates (continued)

Impairment of financial assets

Financial assets are impaired using the approach prescribed in IFRS 9, unless the asset is considered to be credit impaired on initial recognition, in which case those specific requirements as contained in IFRS 9 will be applied. The estimation of impairments of financial assets is inherently uncertain and depends on many factors, including general economic conditions (current and forward-looking), structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications and governmental policy changes.

Upon origination of financial assets, impairments measured at 12-month expected credit losses will be provided. Impairments measured at lifetime expected credit losses will be provided on financial assets whose credit risk that has increased significantly since initial recognition. Impairments measured at lifetime expected credit losses will also be provided on financial assets that are credit-impaired.

Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. They are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities and contingent assets are not recognised but disclosed (if any) in the annual financial statements.

1.15 New and amended accounting standards and interpretations

IFRS / IAS and title	Details of change	Effective for periods beginning on or after:
IBOR Reform and its Effects on Financial Reporting – Phase 2	In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments complement those made in 2019 ('IBOR – phase 1') and focus on the effects on entities when an existing interest rate benchmark is replaced with a new benchmark rate as a result of the reform.	1 January 2021

The above amendment to the standards has not had a material impact on the group's annual financial statements.

Johannesburg Interbank Average Rate ("JIBAR") is the only interbank interest rate benchmark used to calculate the interest expense on the group's liabilities. The South African Reserve Bank ("SARB") announced that it intends replacing JIBAR with the South African Rand Overnight Index Average ("ZARONIA") at some future point. Current expectations are that the replacement will occur in 2024.

The financial impact of the conversion from JIBAR to ZARONIA cannot be calculated at present.

None of the group's loans and advances are referenced to an interbank interest rate benchmark and therefore the Interbank Offered Rate ("IBOR") reform will not impact these assets.

1. Accounting policies (continued)

1.16 New standards or amendments issued but not yet effective

IFRS / IAS and title	Details of change	Effective for periods beginning on or after:
Conceptual Framework for Financial Reporting (Amendments to IFRS 3)	In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)	In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	1 January 2022
IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)	In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of 1 January 2022, however, in July 2020 this was deferred until 1 January 2023 as a result of the COVID-19 pandemic.	1 January 2023
IAS 1 Presentation of Financial Statements (Amendment - Disclosure of Accounting Policies)	The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	1 January 2023

1. Accounting policies (continued)

1.16 New standards or amendments issued but not yet effective (continued)

IFRS / IAS and title	Details of change	Effective for periods beginning on or after:
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Accounting Estimates)	The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.	1 January 2023
IAS 12 Income Taxes (Amendment - Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	The amendment clarifies whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.	1 January 2023

The above standards and amendments are not expected to have a material impact on the group's annual financial statements.

	Group		Company	
R'000	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
2. Trade and other receivables				
Prepayments	119	1 497	119	1 497
Receivable from West Road South No. 4 (Pty) Ltd	59 904	37 761	59 904	37 761
Sundry debtors	-	34	-	34
Value added taxation receivable	1 663	960	1 663	960
Dividends receivable from Zenthyme Investments (Pty) Ltd	-	-	43 581	-
	61 686	40 252	105 267	40 252

R'000	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
3. Loans and advances				
Gross loans and advances	5 616 846	5 722 340	5 616 846	5 722 340
Allowance for impairment	(2 539 063)	(2 628 436)	(2 539 063)	(2 628 436)
	3 077 783	3 093 904	3 077 783	3 093 904
Gross loans and advances by asset type:				
Unsecured loans	5 616 846	5 722 340	5 616 846	5 722 340

The above values approximate fair values. Loans and advances are ceded as security for interest bearing liabilities issued by the company (refer note 8). The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of the loan extended. However, other credit enhancements such as credit insurance provide additional security.

Loans and advances and the related allowance for impairment are split into IFRS 9 stages in note 21.1.2.

R'000	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
Allowance for impairment				
Balance at beginning of the year	(2 628 436)	(2 814 868)	(2 628 436)	(2 814 868)
Impairment of loans and advances	(634 938)	(645 402)	(634 938)	(645 402)
Impairments purchased from Bayport Tutari (RF) (Pty) Ltd	(8 445)	(52 559)	(8 445)	(52 559)
Utilisation of allowance for write-offs	732 756	884 393	732 756	884 393
Balance at end of the year	(2 539 063)	(2 628 436)	(2 539 063)	(2 628 436)
Impairment expense in profit or loss				
Impairment of loans and advances	(634 938)	(645 402)	(634 938)	(645 402)
Interest in suspense on credit-impaired loans and advances (refer note 10)	186 684	147 069	186 684	147 069
Net impairment expense recognised in profit or loss	(448 254)	(498 333)	(448 254)	(498 333)
Related credit risk exposure:				
Maximum exposure to credit losses of loans and advances	3 077 783	3 093 904	3 077 783	3 093 904

R'000	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
4. Deferred tax assets				
Deferred tax assets	312 520	270 377	312 520	270 377
Movements during the year:				
Deferred tax asset at beginning of year	270 377	141 952	270 377	141 952
Tax credit to the statement of comprehensive income	42 143	128 425	42 143	128 425
Net deferred tax asset at end of the year	312 520	270 377	312 520	270 377

Group and company

R'000	Opening balance	Tax (charge) / credit	Closing balance
2021			
Impairment of loans and advances	232 849	(16 701)	216 148
Estimated tax losses	41 882	58 170	100 052
Revenue and expense recognition timing differences	(4 354)	674	(3 680)
Net deferred tax assets	270 377	42 143	312 520
2020			
Impairment of loans and advances	146 380	86 469	232 849
Estimated tax losses	-	41 882	41 882
Revenue and expense recognition timing differences	(4 428)	74	(4 354)
Net deferred tax assets	141 952	128 425	270 377

In accordance with IAS12: Income Taxes the recognition of previously unrecognised deferred tax assets should be reassessed on an annual basis. In addition, deferred tax assets should be recognised only to the extent that it is probable that there will be future taxable profit against which deductible temporary differences can be recognised.

For the financial year ended 31 December 2020, management chose to recognise R120 million of the previously disclosed unrecognised deferred tax asset. This amount was calculated using the expected future taxable income as determined through the 2021 board approved budget. For the financial year ended 31 December 2021, management chose to not recognise any previously disclosed unrecognised deferred tax asset.

The unrecognised deferred tax assets arose as a result of historical methodology adjustments to impairment calculations and tax losses. As at 31 December 2021 the unrecognised asset was R239 million (2020: R239 million) comprising of R27 million relating to tax losses and R212 million relating to impairment timing differences (2020: R27 million and R212 million respectively).

4. Deferred tax assets (continued)

On 23 February 2022 the South African Minister of Finance announced a reduction in the corporate income tax rate from 28% to 27% for years of assessment ending on or after 31 March 2023. The potential impact of this reduction for the financial year ending 31 December 2023 is unknown at this stage but using deferred tax balances at 31 December 2021 as a guideline would result in write-downs of the deferred tax asset of R11m and the unrecognised deferred tax asset of R9m (refer to note 24).

	Group		Company	
R'000	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**

5. Investment in subsidiary

Zenthyme Investments (Pty) Ltd

Donated shares at cost	-	-	-	-
Fair value reserve	-	-	190 302	85 128
	-	-	190 302	85 128

The increase in the fair value reserve of R105 174 000 for the year under review (2020: a decrease of R10 346 000) is included as other comprehensive income in the company's statement of comprehensive income.

	Group		Company	
R'000	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**

6. Other financial assets

Investments in insurance cells

Shares at cost	47 360	53 160	-	-
Fair value reserve	187 731	82 562	-	-
Dividends receivable	22 945	-	-	-
	258 036	135 722	-	-

Investments in insurance cells

The investments consist of 50 (2020: 50) "AB" ordinary shares in Hollard Business Associates (Proprietary) Limited ("HBA") and 4 (2020: 4) "L" ordinary shares in Guardrisk Life Limited held by Zenthyme Investments (Proprietary) Limited.

The increase in the fair value reserve of R105 169 000 for the year under review (2020: a decrease of R2 716 000) is included as other comprehensive income in the group's statement of comprehensive income. The fair value is determined in accordance with the method documented in note 21.7.

R'000	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
7. Trade and other payables				
Trade payables and accruals	45 998	37 530	45 998	37 530
Interest payable	13 652	11 175	13 652	11 175
Payable to Bayport Financial Services 2010 (Pty) Ltd	24 458	50 894	-	-
Payable to Bayport Tutari (RF) (Pty) Ltd	4 508	4 508	4 508	4 508
	88 616	104 107	64 158	53 213
8. Interest bearing liabilities				
Debentures and loans				
Senior debt	2 213 992	1 992 350	2 213 992	1 992 350
Mezzanine debt	578 300	580 000	578 300	580 000
Junior debentures: Bayport Financial Services 2010 (Pty) Ltd	199 000	199 000	199 000	199 000
Loan: Bayport Financial Services 2010 (Pty) Ltd	178 665	149 793	178 665	149 793
	3 169 957	2 921 143	3 169 957	2 921 143
Payable within 12 months	906 608	733 359	906 608	733 359
Payable thereafter	2 263 349	2 187 784	2 263 349	2 187 784
	3 169 957	2 921 143	3 169 957	2 921 143
Fixed rate loans	582 700	502 000	582 700	502 000
Variable rate loans	2 587 257	2 419 143	2 587 257	2 419 143
	3 169 957	2 921 143	3 169 957	2 921 143
Undrawn facility at year end	-	150 000	-	150 000

The company is not in breach or default of any provisions of the terms or conditions of the agreements governing borrowings.

A maturity analysis of actual future cash flows is included in the liquidity risk management section (refer to note 21.3).

The company operates in accordance with the Bayport Securitisation Programme Memorandum which stipulates how the priority of payments is to be affected.

The company has appointed Transaction Capital Recoveries as the stand-by administrator who can step into the role of manager if called upon to do so by the senior noteholders.

8. Interest bearing liabilities (continued)

Senior debt

Group and company

2021	**Balance R'000**	**Interest**	**Maturity**
Fixed rate loans	544 700	11.17% to 12.18%	31 March 2023 to 31 March 2026
Variable rate loans	1 669 292	JIBAR plus 3.65% to JIBAR plus 5.5%	31 March 2022 to 30 September 2024
	2 213 992		

2020	**Balance R'000**	**Interest**	**Maturity**
Fixed rate loans	464 000	11.17% to 12.18%	31 March 2023 to 31 March 2026
Variable rate loans	1 528 350	JIBAR plus 3.65% to JIBAR plus 5.5%	31 March 2021 to 1 July 2024
	1 992 350		

The following has been ceded as security for senior debt:

- Pledge and cession of the company's title and interest in loans and advances (refer note 3); and
- The bank accounts of the company (refer note 19).

Mezzanine debt

Group and company

2021	**Balance R'000**	**Interest**	**Maturity**
Variable rate loans	578 300	JIBAR plus 6.25% to JIBAR plus 6.75%	30 September 2022 to 30 September 2024
	578 300		

2020	**Balance R'000**	**Interest**	**Maturity**
Variable rate loans	580 000	JIBAR plus 6.00% to JIBAR plus 8.00%	30 June 2021 to 30 September 2024
	580 000		

8. Interest bearing liabilities (continued)

Junior debentures

Group and company (2021 and 2020)

Junior debentures are made up of the following tranches:

Start date	Repayment date	Interest rate	Balance R'000
30 September 2010	2 July 2035	Prime plus 1.5%	34 000
30 September 2010	2 July 2035	17.01% per annum	13 000
30 September 2010	2 July 2035	18.69% per annum	25 000
17 May 2010	2 July 2035	Prime plus 2%	27 000
16 April 2010	2 July 2035	JIBAR plus 7.12%	50 000
16 April 2010	2 July 2035	Prime plus 1.5%	50 000
			199 000

Loan from Bayport Financial Services 2010 (Proprietary) Limited

The R179 million loan from Bayport Financial Services 2010 (Proprietary) Limited at 31 December 2021 is non-interest bearing (2020: R150 million). There are no fixed repayment terms.

	Group		Company	
R'000	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
9. Share capital and share premium				
Authorised share capital				
100 non-redeemable preference shares of R1 each	0.1	0.1	0.1	0.1
45 ordinary shares of R20 each	0.9	0.9	0.9	0.9
	1.0	1.0	1.0	1.0
Issued share capital				
100 non-redeemable preference shares of R1 each	0.1	0.1	0.1	0.1
25 ordinary shares of R20 each	0.5	0.5	0.5	0.5
Share premium				
Share premium on buy-back and re-issue of 1 preference share	1 300 000.0	1 300 000.0	1 300 000.0	1 300 000.0
	1 300 000.6	1 300 000.6	1 300 000.6	1 300 000.6

R'000	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
10. Net interest income				
Interest and other similar income is earned from:				
Loans and advances	987 302	1 019 316	987 302	1 019 316
Interest in suspense on credit-impaired loans and advances [1]	(186 684)	(147 069)	(186 684)	(147 069)
	800 618	872 247	800 618	872 247
Cash	19 436	22 073	19 427	22 073
Service fees	41 556	51 418	41 556	51 418
	861 610	945 738	861 601	945 738
Interest and other similar expenses are paid on:				
Interest bearing liabilities	280 585	295 414	280 585	295 413
Interest and other similar income	861 610	945 738	861 601	945 737
Interest and other similar expense	(280 585)	(295 414)	(280 585)	(295 413)
	581 025	650 324	581 016	650 324

[1] The debtors management system records the gross carrying amount of loans and calculates interest income on these gross balances. IFRS 9 and the group's interest income accounting policy (refer note 1.3) requires interest income to be calculated on the net carrying value (gross carrying value less impairment provision for expected credit losses) for credit-impaired loans. Therefore a reallocation between interest income and impairment expense is made for the interest income on the difference between the gross and net carrying values of credit-impaired loans.

11. Non-interest income				
Dividends received from:				
- Zenthyme Investments (Pty) Ltd	-	-	64 253	9 400
- Hollard Business Associates (HBA)	-	304	-	-
- Guardrisk Life Limited	64 253	1 466	-	-
Legal collection costs on-charged to customers	2 735	3 173	2 735	3 173
Sundry income	159	-	159	-
	67 147	4 943	67 147	12 573

R'000	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
12. Direct costs				
Transactional costs	79	465	78	465
Funding and listing fees	3 631	3 574	3 631	3 574
Legal collection costs	1	1	1	1
	3 711	4 040	3 710	4 040
13. Indirect costs				
Management fees	251 616	163 376	251 616	163 376
VAT not claimed [1]	30 777	17 228	30 777	17 228
Directors fees	249	240	249	240
Compliance costs	281	254	281	254
Consulting fees	75	61	75	61
	282 998	181 159	282 998	181 159

[1] Only a portion of input VAT can be claimed as goods and services are not acquired exclusively in the course of making taxable supplies.

14. Income tax credit				
South African normal taxation:				
Current taxation	(3)	-	-	-
Current year	(3)	-	-	-
Prior year	-	-	-	-
Deferred taxation	42 143	128 425	42 143	128 425
Current year	42 143	128 425	42 143	128 425
Prior year	-	-	-	-
	42 140	128 425	42 143	128 425
Tax rate reconciliation:				
South African corporate tax rate	28%	28%	28%	28%
Dividends received not taxable	21%	2%	21%	13%
Expenses not deductible	-	(1%)	-	(1%)
Derecognition / recognition of off-balance sheet deferred tax	-	425%	-	582%
Effective tax rate	49%	454%	49%	622%

R'000	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
15. Cash utilised by operations				
Loss before tax	(86 791)	(28 265)	(86 799)	(20 635)
Deduct interest income	(820 054)	(894 320)	(820 045)	(894 319)
Add back interest expenses	280 585	295 414	280 585	295 413
Add back interest received	820 054	894 320	820 045	894 319
Deduct interest paid	(278 108)	(294 250)	(278 108)	(294 249)
Adjusted for non-cash items:				
Movement in allowance for impairment	(89 373)	(186 432)	(89 373)	(186 432)
Dividends received	(64 253)	(1 770)	(64 253)	(9 400)
	(237 940)	(215 303)	(237 948)	(215 303)
16. Income taxes paid				
Amounts (receivable) / payable at beginning of the year	(1)	14	-	-
Charged in the statement of comprehensive income	3	-	-	-
Amounts receivable at end of the year	-	1	-	-
	2	15	-	-
17. Dividends received				
Amounts receivable at beginning of the year	-	7 248	-	-
Dividends declared for the year	64 253	1 770	64 253	9 400
Amounts receivable at end of the year	(22 945)	-	(43 581)	-
	41 308	9 018	20 672	9 400

R'000	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
18. Increase / (decrease) in senior and mezzanine debt				
Senior debt:				
Carrying value at beginning of the year	1 992 350	2 158 511	1 992 350	2 158 511
Raising new debt	984 549	870 088	984 549	870 088
Debt repayments	(762 907)	(1 036 249)	(762 907)	(1 036 249)
Carrying value at end of the year	2 213 992	1 992 350	2 213 992	1 992 350
Mezzanine debt:				
Carrying value at beginning of the year	580 000	525 000	580 000	525 000
Raising new debt	76 300	140 000	76 300	140 000
Debt repayments	(78 000)	(85 000)	(78 000)	(85 000)
Carrying value at end of the year	578 300	580 000	578 300	580 000
Senior and mezzanine debt:				
Raising new debt	1 060 849	1 010 088	1 060 849	1 010 088
Debt repayments	(840 907)	(1 121 249)	(840 907)	(1 121 249)
Increase / (decrease) in senior and mezzanine debt	219 942	(111 161)	219 942	(111 161)
19. Cash				
Bank balances	436 892	312 820	436 587	312 521

At 31 December 2021 bank balances carry interest at rates ranging from 1.25% to 4.66% (2020: 1.00% to 4.32%) per annum. There are no overdraft facilities on any of the bank accounts. Bank balances are ceded as security for interest bearing liabilities issued by the company (refer note 8).

In terms of the Bayport Securitisation Programme Memorandum, R250 million of cash is held as a liquidity reserve as at 31 December 2021 (2020: R250 million).

R'000	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
20. Related parties				
Relationships				
Company which exercises control and provides management services: Bayport Financial Services 2010 (Proprietary) Limited				
Related party balances				
Junior debentures issued to Bayport Financial Services 2010 (Proprietary) Limited (refer note 8 for terms)	(199 000)	(199 000)	(199 000)	(199 000)
Loan from Bayport Financial Services 2010 (Proprietary) Limited (refer note 8 for terms)	(178 665)	(149 793)	(178 665)	(149 793)
Payable to Bayport Financial Services 2010 (Proprietary) Limited	(24 458)	(50 894)	-	-
Receivable from West Road South No. 4 (RF) (Pty) Ltd	59 904	37 761	59 904	37 761
Dividend receivable from Zenthyme Investments (Proprietary) Limited	-	-	43 581	-
Payable to Bayport Tutari (RF) (Pty) Ltd	(4 508)	(4 508)	(4 508)	(4 508)
Investment in Zenthyme Investments (Proprietary) Limited	-	-	190 302	85 128
Related party transactions				
Interest expense on junior debentures: Bayport Financial Services 2010 (Proprietary) Limited	(21 882)	(22 813)	(21 882)	(22 813)
Interest expense on loan: Bayport Financial Services 2010 (Proprietary) Limited	-	(1 588)	-	(1 588)
Management fee expense: Bayport Financial Services 2010 (Proprietary) Limited	(251 616)	(163 376)	(251 616)	(163 376)
Dividends received: Zenthyme Investments (Proprietary) Limited	-	-	64 253	9 400

21. Financial risk management and governance

The board of directors of the company is ultimately responsible for financial risk management and governance. The day-to-day management of the company is the responsibility of BFS 2010 through the authority granted by the board of the company by way of the management agreement between the company and BFS 2010. The shareholders have constituted an audit committee which comprises three independent non-executive directors and meets at least bi-annually. Invitees to the audit committee meetings include the external auditors, the internal auditors as well as representatives of BFS 2010.

The audit committee assists the board with:

- combined assurance;
- internal audit;
- external audit; and
- governance.

21.1 Credit risk

21.1.1 Credit risk management and measurement

BFS 2010 has constituted a credit committee. The credit committee is the ultimate custodian of the credit policy which governs the terms and conditions under which a credit application will be processed, assessed, approved or declined and ensures that the credit decision is at all times within the ambit and scope of the credit granting criteria that form part of the Domestic Medium Term Note (DMTN) programme memorandum. Adherence to the BFS 2010 credit policy, credit granting criteria and decisions taken by the credit committee are reported to the board on a quarterly basis.

The credit policy is designed to ensure that the credit process is efficient for the applicant while also providing the company with the necessary details to make an informed credit decision. A three stage approach to credit advancement is applied:

- assessing basic credit criteria;
- scoring the individual against a proprietary scorecard; and
- verifying details and performing an affordability check.

The company manages its exposure to credit losses by monitoring the credit granting criteria applied by BFS 2010. These criteria include assessing the affordability, risk profile and employment stability of prospective clients. Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on customers' financial performance information and assume that, under normal trading conditions, recent performance is a strong indicator of future performance. Models are either developed internally or by expert external advisors.

21. Financial risk management and governance (continued)

21.1 Credit risk (continued)

21.1.1 Credit risk management and measurement (continued)

The inputs, assumptions and techniques used for estimating impairment are summarised below:

Definition of default

An exposure will have defaulted once it is more than 90 days past due. This aligns to CD4 and above and/or CCD4 and above. Default is an indicator that an exposure has become credit-impaired.

Incorporation of forward-looking information

Testing has been performed using forward-looking economic data against the likelihood of default as well as the loss rates over time. The PD has not been adjusted for forward looking information as no logical correlation could be found between the variables tested.

Measurement of expected credit losses (ECL)

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

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD); and
- Effective interest rate (EIR).

These parameters have been derived by utilising internal historical data.

PD parameters are estimated, at a point in time, using internal historical default data and industry standard statistical models. Both performing and non-performing exposures are considered in the PD calculation, where the PD model tracks the default behavior of performing accounts over the remaining life of the loan. For stage 1 account this is limited to a 12 month period.

LGD is the magnitude of the likely loss upon default. The group estimates LGD parameters based on the expected future recoveries over the remaining lifetime of a defaulted account. The LGD models are segmented by the collection strategy (i.e. early stage, late stage, EAO etc.) and the contractual and cured contractual delinquency (which is indicative of the age of the default). They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure at the point of default. The EAD is estimated, using internal historical default data, as the outstanding balance at the point of default divided by the outstanding balance in the observation month. Only loans that default will be considered in the estimation of the EAD. As such, the EAD allows for amortisation of the loan as well as potential future amounts that may be drawn under the contract. This is estimated both over the next 12 months (12 month ECL), and over the lifetime (lifetime ECL).

21. Financial risk management and governance (continued)

21.1 Credit risk (continued)

21.1.1 Credit risk management and measurement (continued)

Measurement of expected credit losses (ECL) (continued)

As described above, stage 1 financial assets are measured under a 12 month ECL which considers the likelihood of default within the next 12 months, the expected outstanding balance at this default point and the expected losses during default. For financial assets that have shown a significant increase in credit risk, the group measures ECL considering the risk of default over the lifetime / behavioural period (including any borrower's extension options, representing the period the account is exposed to risk) as well as the balance at this point with the associated expected loss. This lifetime is used even if, for risk management purposes, the group considers a longer period.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- Number of months on book;
- Collection strategy; and
- Contractual and cured contractual delinquency location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogenous.

Generating the term structure of PD

PD is the probability that an account enters default at some point in the future, where default is defined as CD4+ and CCD4+. The PD term structure introduces a timing (ageing) element to the PD, where the term structure (life of the loan) is broken down into the annualised periods.

Significant increase in credit risk

Both quantitative as well as qualitative indicators of significant increases in credit risk have been considered.

Quantitative factors

The credit risk of exposures will be considered to have increased significantly (ie items are classified as stage 2) when an exposure is categorised in the following CD buckets:

- CD 1 to CD 3; and
- CCD 1 to CCD 3.

Qualitative factors

- Testing has been performed using bureau data as well as past delinquency, however the results have been inconclusive.
- If behavioural or other relevant data becomes available and proves to provide conclusive results, it will be considered for inclusion in staging criteria.

Within the current industry a missed payment is the leading indicator of a significant increase in credit risk.

21. Financial risk management and governance (continued)

21.1 Credit risk (continued)

21.1.1 Credit risk management and measurement (continued)

Modified financial assets

At times, customers may miss instalments or only pay a partial instalment. The remaining unpaid amount will be considered as being in arrears and will continue to incur interest until paid. In some circumstances, the group modifies the terms of these loans provided to customers. This occurs in the following instances:

- Debt review – court order;
- Credit life substitution;
- Emolument attachment orders (EAOs); and
- Administration orders.

Despite the changes made to the existing terms and conditions of the loan in each of the above scenarios, the objective is to maximise recoveries. Such restructuring activities include extended payment terms, payment holidays or temporary reductions in instalments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk identified under the original terms at initial recognition, when the modification is not substantial and does not result in derecognition of the original asset. The group monitors the subsequent performance of such modified assets and the related impact on the potential significant increase in credit risk. These assets are usually classified within stages 2 or 3 and will move between stages depending whether the loan is cured or default occurs again.

21.1.2 Financial assets subject to credit risk

	Group		Company	
R'000	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Cash	436 892	312 820	436 587	312 521
Trade and other receivables	61 686	40 252	105 267	40 252
Loans and advances	3 077 783	3 093 904	3 077 783	3 093 904
Other financial assets	258 036	135 722	-	-
	3 834 397	3 582 698	3 619 637	3 446 677

21. Financial risk management and governance (continued)

21.1 Credit risk (continued)

21.1.2 Financial assets subject to credit risk (continued)

The table below summarises the IFRS 9 categories of expected credit losses (ECL) for financial assets:

	Definition	Calculation of ECL
Stage 1	Low credit risk or no significant increase in credit risk since initial recognition	12 month expected credit losses
Stage 2	Significant increase in credit risk since initial recognition but not credit-impaired	Lifetime expected credit losses
Stage 3	Objective evidence that asset has become credit-impaired since initial recognition	Lifetime expected credit losses

The following table shows the gross carrying amount of loans and advances carried at amortised cost and the ECL per IFRS 9 stage:

Group and company

R'000	Gross book	ECL	Net book	ECL % of gross book
31 December 2021				
Stage 1	1 365 409	(47 165)	1 318 244	3.5%
Stage 2	865 453	(180 171)	685 282	20.8%
Stage 3	3 385 984	(2 311 727)	1 074 257	68.3%
Total	5 616 846	(2 539 063)	3 077 783	45.2%
31 December 2020				
Stage 1	1 388 984	(87 302)	1 301 682	6.3%
Stage 2	804 557	(182 271)	622 286	22.7%
Stage 3	3 528 799	(2 358 863)	1 169 936	66.8%
Total	5 722 340	(2 628 436)	3 093 904	45.9%

The ECL coverages have improved during the current financial year through the strategic shift from debit order to at source lending.

The contractual balances of loans partially derecognised that are still subject to enforcement activity amounted to R4 761 million (2020: R4 749 million) at the reporting date. An amount of R942 million (2020: R750 million) in respect of these balances has been recognised as stage 3 loans.

21. Financial risk management and governance (continued)

21.1 Credit risk (continued)

Cash and trade and other receivables are carried at amortised cost and have been assessed to have no expected credit loss.

The other financial assets comprise the investments in insurance cells (refer note 6) and are measured at fair value through other comprehensive income.

21.1.3 Reconciliation of loans and advances' expected credit loss (ECL)

R'000	Stage 1	Stage 2	Stage 3	Total
Group and company				
2021				
Opening balance	(87 302)	(182 271)	(2 358 863)	(2 628 436)
Originations	(17 243)	(22 098)	(25 595)	(64 936)
Purchases of loans	(9 936)	(4 994)	(620)	(15 550)
Existing book movements	47 563	4 519	(505 062)	(452 980)
Partial derecognition	-	9 462	455 883	465 345
Derecognition (settlements in the ordinary course of business)	19 753	15 211	122 530	157 494
Total ECL	(47 165)	(180 171)	(2 311 727)	(2 539 063)
2020				
Opening balance	(143 710)	(173 113)	(2 498 045)	(2 814 868)
Originations	(31 846)	(29 055)	(61 400)	(122 301)
Purchases of loans	(49 532)	(26 246)	(3 822)	(79 600)
Existing book movements	100 720	6 530	(343 801)	(236 551)
Partial derecognition	-	25 722	452 664	478 386
Derecognition (settlements in the ordinary course of business)	37 066	13 891	95 541	146 498
Total ECL	(87 302)	(182 271)	(2 358 863)	(2 628 436)

21.1.4 Cash

The group limits its counterparty exposure arising from money market instruments by dealing only with well-established financial institutions of high credit standing.

The group's policy is to maintain cash and short-term investments with various financial institutions to limit its exposure to any one financial institution. Deposits are placed only with South African banks and limited financial institutions. At the date of the statement of financial position, the group did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

21. Financial risk management and governance (continued)

21.2 Interest rate risk

Interest rate risk is the risk of loss arising from the fair value of future cash flows of a financial instrument because of changes in market interest rates.

The company is exposed to interest rate risk as it borrows and places funds. This risk is managed by utilising an appropriate mix of fixed and variable rate borrowings and by placing funds on short term deposit. Loans and advances to customers are at fixed interest rates and thus are not subject to interest rate risk.

The company has exposure to the effects of fluctuations in the prevailing levels of market interest rates on both the value of interest sensitive assets and liabilities and cash flows. The table below summarises the exposure to interest rate risk through grouping liabilities and assets into repricing categories, determined to be the earlier of contractual repricing date or maturity.

21.2.1 Risk profile of interest bearing liabilities and assets

R'000	Variable rate liabilities	Fixed rate liabilities	Variable rate assets	Fixed rate assets	Net assets / (liabilities)
Group					
2021					
Borrowing / unsecured lending	(2 587 257)	(582 700)	436 892	3 077 783	344 718
	(2 587 257)	(582 700)	436 892	3 077 783	344 718
2020					
Borrowing / unsecured lending	(2 419 143)	(502 000)	312 820	3 093 904	485 581
	(2 419 143)	(502 000)	312 820	3 093 904	485 581
Company					
2021					
Borrowing / unsecured lending	(2 587 257)	(582 700)	436587	3 077 783	344 413
	(2 587 257)	(582 700)	436587	3 077 783	344 413
2020					
Borrowing / unsecured lending	(2 419 143)	(502 000)	312 521	3 093 904	485 282
	(2 419 143)	(502 000)	312 521	3 093 904	485 282

21. Financial risk management and governance (continued)

21.2 Interest rate risk (continued)

21.2.2 Weighted average interest rates are as follows:	Bank balances	Borrowings
Group and company		
2021		
Interest bearing assets / (liabilities)	3.9%	(9.2%)
2020		
Interest bearing assets / (liabilities)	3.1%	(9.4%)

21. Financial risk management and governance (continued)

21.2 Interest rate risk (continued)

21.2.3 Sensitivity analysis

The impacts of a 1% move in interest rates on the group's profit before tax per asset or liability that is sensitive to a change in interest rates are shown below. An increase in interest rates contributes positively to profit before tax for assets and negatively to profit before tax for liabilities. The opposite impact arises for a decrease in interest rates.

Group R'000	Fair value	Effect on profit before tax of 1% change in rates	Total carrying value of asset / liability classes
31 December 2021			
Assets			
Cash	436 892	4 369	436 892
Trade and other receivables	61 686	-	61 686
Loans and advances	3 077 783	-	3 077 783
Other financial assets	258 036	-	258 036
	3 834 397	4 369	3 834 397
Liabilities			
Trade and other payables	88 616	-	88 616
Interest bearing borrowings	3 169 957	25 873	3 169 957
- Variable rate borrowings	2 587 257	25 873	2 587 257
- Fixed rate borrowings	582 700	-	582 700
	3 258 573	25 873	3 258 573
31 December 2020			
Assets			
Cash	312 820	3 128	312 820
Trade and other receivables	40 252	-	40 252
Loans and advances	3 093 904	-	3 093 904
Other financial assets	135 722	-	135 722
	3 582 698	3 128	3 582 698
Liabilities			
Trade and other payables	104 107	-	104 107
Interest bearing borrowings	2 921 143	24 191	2 921 143
- Variable rate borrowings	2 419 143	24 191	2 419 143
- Fixed rate borrowings	502 000	-	502 000
	3 025 250	24 191	3 025 250

21. Financial risk management and governance (continued)

21.2 Interest rate risk (continued)

21.2.3 Sensitivity analysis (continued)

The impacts of a 1% move in interest rates on the company's profit before tax per asset or liability that is sensitive to a change in interest rates are shown below. An increase in interest rates contributes positively to profit before tax for assets and negatively to profit before tax for liabilities. The opposite impact arises for a decrease in interest rates.

Company **R'000**	**Fair value**	**Effect on profit before tax of 1% change in rates**	**Total carrying value of asset / liability classes**
31 December 2021			
Assets			
Cash	436 587	4 366	436 587
Trade and other receivables	105 267	-	105 267
Loans and advances	3 077 783	-	3 077 783
Investment in subsidiaries	190 302	-	190 302
	3 809 939	4 366	3 809 939
Liabilities			
Trade and other payables	64 158	-	64 158
Interest bearing borrowings	3 169 957	25 873	3 169 957
- Variable	2 587 257	25 873	2 587 257
- Fixed	582 700	-	582 700
	3 234 115	25 873	3 234 115
31 December 2020			
Assets			
Cash	312 521	3 125	312 521
Trade and other receivables	40 252	-	40 252
Loans and advances	3 093 904	-	3 093 904
Investment in subsidiaries	85 128	-	85 128
	3 531 805	3 125	3 531 805
Liabilities			
Trade and other payables	53 213	-	53 213
Interest bearing borrowings	2 921 143	19 191	2 921 143
- Variable	2 419 143	19 191	2 419 143
- Fixed	502 000	-	502 000
	2 974 356	19 191	2 974 356

21. Financial risk management and governance (continued)

21.3 Liquidity risk management

Liquidity risk is the risk that the company is unable to meet payment obligations when they fall due or that insufficient funds are available to meet loan demands in the ordinary course of business. The company's objectives in relation to liquidity risk management are to manage the contractual mismatch between cash inflows from assets and cash outflows to liabilities, to fund the expected statement of financial position growth, to honour all cash outflow commitments, to avoid raising funds at market premiums or through the forced sale of assets as a result of liquidity pressure, and to take advantage of attractive but unanticipated borrowing opportunities.

The board of directors is ultimately responsible for the management of liquidity risk and to this end makes use of the asset and liability committee (ALCO) of Bayport Financial Services 2010 (Proprietary) Limited. The monitoring and reporting of liquidity risk takes the form of, as a minimum, cash flow projections, an analysis of the company's borrowing facilities and utilisation thereof, borrowing facilities under discussion, maturity profile and concentration of liability by counterparty, asset maturities and borrowing facility obligations and special conditions.

Bayport Management Limited's Capital Markets (CM) team is responsible for executing on fund raising mandates given to it by the company. This includes the on-going assessment and evaluation of various funding sources designed to grow and diversify the company's funding base in order to achieve an optimal funding profile and sound liquidity risk management. The CM team assists with the on-going monitoring of asset portfolio performance and its impact on borrowing covenants.

The company manages its daily cash flow requirements to ensure funding covenants are maintained within acceptable risk tolerances and to produce financial projections to monitor the impact of business trends in order to notify the CM team of any changes to the business environment that may impact funding requirements.

The table below analyses financial liabilities at the statement of financial position date by contractual maturity dates. The amounts disclosed in the table are the expected undiscounted cash flows including interest payable until maturity of the various liabilities.

R'000	0 to 3 months	4 to 12 months	> 12 months	Total
Group				
2021				
Trade and other payables	88 616	-	-	88 616
Interest bearing liabilities	432 735	739 915	2 856 336	4 028 986
Cash flows from financial liabilities	521 351	739 915	2 856 336	4 117 602
2020				
Trade and other payables	104 107	-	-	104 107
Interest bearing liabilities	345 407	622 702	2 869 052	3 837 161
Cash flows from financial liabilities	449 514	622 702	2 869 052	3 941 268

21. Financial risk management and governance (continued)

21.3 Liquidity risk management (continued)

R'000	0 to 3 months	4 to 12 months	> 12 months	Total
Company				
2021				
Trade and other payables	64 158	-	-	64 158
Interest bearing liabilities	432 735	739 915	2 856 336	4 028 986
Cash flows from financial liabilities	496 893	739 915	2 856 336	4 093 144
2020				
Trade and other payables	53 213	-	-	53 213
Interest bearing liabilities	345 407	622 702	2 869 052	3 837 161
Cash flows from financial liabilities	398 620	622 702	2 869 052	3 890 374

21.4 Capital management

The objective of the company's capital management strategy is to maximise shareholders' value whilst maintaining a strong capital base so as to retain investor and creditor confidence and to sustain future growth of the businesses of the company. To achieve this, the company considers the capital required to support growth, maintain credit ratings and to comply with debt covenants.

The company defines capital as equity and loans from Bayport Financial Services 2010 (Proprietary) Limited.

The board of directors monitors the cost of capital, which is defined as the weighted average cost of capital, taking into account the company's internally calculated cost of equity (shareholder funding) and long term cost of debt assumptions.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position.

21. Financial risk management and governance (continued)

21.5 Categorisation – statement of financial position

Group – 31 December 2021

R'000	Fair value through other comprehensive income	Fair value through profit or loss	Financial assets carried at amortised cost	Non-financial assets	Total
Assets					
Cash	-	-	436 892	-	436 892
Trade and other receivables	-	-	59 904	1 782	61 686
Loans and advances	-	-	3 077 783	-	3 077 783
Deferred tax assets	-	-	-	312 520	312 520
Other financial assets	258 036	-	-	-	258 036
	258 036	-	3 574 579	314 302	4 146 917

R'000	Financial liabilities carried at amortised cost	Non-financial liabilities / equity	Total
Equity and liabilities			
Trade and other payables	88 616	-	88 616
Interest bearing liabilities	3 169 957	-	3 169 957
Shareholder's surplus	-	888 344	888 344
	3 258 573	888 344	4 146 917

Group – 31 December 2020

R'000	Fair value through other comprehensive income	Fair value through profit or loss	Financial assets carried at amortised cost	Non-financial assets	Total
Assets					
Cash	-	-	312 820	-	312 820
Tax receivable	-	-	-	1	1
Trade and other receivables	-	-	37 795	2 457	40 252
Loans and advances	-	-	3 093 904	-	3 093 904
Deferred tax assets	-	-	-	270 377	270 377
Other financial assets	135 722	-	-	-	135 722
	135 722	-	3 444 519	272 835	3 853 076

R'000	Financial liabilities carried at amortised cost	Non-financial liabilities / equity	Total
Equity and liabilities			
Trade and other payables	104 107	-	104 107
Interest bearing liabilities	2 921 143	-	2 921 143
Shareholder's surplus	-	827 826	827 826
	3 025 250	827 826	3 853 076

21. Financial risk management and governance (continued)

21.5 Categorisation – statement of financial position (continued)

Company - 31 December 2021

R'000	Fair value through other comprehensive income	Fair value through profit or loss	Financial assets carried at amortised cost	Non-financial assets	Total
Assets					
Cash	-	-	436 587	-	436 587
Trade and other receivables	-	-	103 485	1 782	105 267
Loans and advances	-	-	3 077 783	-	3 077 783
Deferred tax assets	-	-	-	312 520	312 520
Investment in subsidiaries	190 302	-	-	-	190 302
	190 302	-	3 617 855	314 302	4 122 459

R'000	Financial liabilities carried at amortised cost	Non-financial liabilities / equity	Total
Equity and liabilities			
Trade and other payables	64 158	-	64 158
Interest bearing liabilities	3 169 957	-	3 169 957
Shareholder's surplus	-	888 344	888 344
	3 234 115	888 344	4 122 459

Company - 31 December 2020

R'000	Fair value through other comprehensive income	Fair value through profit or loss	Financial assets carried at amortised cost	Non-financial assets	Total
Assets					
Cash	-	-	312 521	-	312 521
Trade and other receivables	-	-	37 795	2 457	40 252
Loans and advances	-	-	3 093 904	-	3 093 904
Deferred tax assets	-	-	-	270 377	270 377
Investment in subsidiaries	85 128	-	-	-	85 128
	85 128	-	3 444 220	272 834	3 802 182

R'000	Financial liabilities carried at amortised cost	Non-financial liabilities / equity	Total
Equity and liabilities			
Trade and other payables	53 213	-	53 213
Interest bearing liabilities	2 921 143	-	2 921 143
Shareholder's surplus	-	827 826	827 826
	2 974 356	827 826	3 802 182

21. Financial risk management and governance (continued)

21.6 Categorisation – statement of comprehensive income

Group

R'000	Financial assets carried at amortised cost	Financial liabilities carried at amortised cost	Fair value through other comprehen -sive income	Non-financial assets and liabilities	Total
2021					
Interest income	861 610	-	-	-	861 610
Interest expense	-	(280 585)	-	-	(280 585)
Net impairment	(448 254)	-	-	-	(448 254)
Legal collection costs on-charged to customers	2 735	-	-	-	2 735
Loan fee expense	(3 711)	-	-	-	(3 711)
Dividends received	-		64 253	-	64 253
Sundry income	-	159	-	-	159
Indirect costs	-	-	-	(282 998)	(282 998)
Loss before tax for the year	412 380	(280 426)	64 253	(282 998)	(86 791)
2020					
Interest income	945 738	-	-	-	945 738
Interest expense	-	(295 414)	-	-	(295 414)
Net impairment	(498 333)	-	-	-	(498 333)
Legal collection costs on-charged to customers	3 173	-	-	-	3 173
Loan fee expense	(4 040)	-	-	-	(4 040)
Dividends received	-	-	1 770	-	1 770
Indirect costs	-	-	-	(181 159)	(181 159)
Loss before tax for the year	446 538	(295 414)	1 770	(181 159)	(28 265)

21. Financial risk management and governance (continued)

21.6 Categorisation – statement of comprehensive income (continued)

Company

R'000	Financial assets carried at amortised cost	Financial liabilities carried at amortised cost	Fair value through other comprehen -sive income	Non-financial assets and liabilities	Total
2021					
Interest income	861 601	-	-	-	861 601
Interest expense	-	(280 585)	-	-	(280 585)
Net impairment	(448 254)	-	-	-	(448 254)
Legal collection costs on-charged to customers	2 735	-	-	-	2 735
Loan fee expense	(3 710)	-	-	-	(3 710)
Dividends received	-	-	64 253	-	64 253
Sundry income	-	159	-		159
Indirect costs	-	-	-	(282 998)	(282 998)
Loss before tax for the year	412 372	(280 426)	64 253	(282 998)	(86 799)
2020					
Interest income	945 737	-	-	-	945 737
Interest expense	-	(295 413)	-	-	(295 413)
Net impairment	(498 333)	-	-	-	(498 333)
Legal collection costs on-charged to customers	3 173	-	-	-	3 173
Loan fee expense	(4 040)	-	-	-	(4 040)
Dividends received	-	-	9 400	-	9 400
Indirect costs	-	-	-	(181 159)	(181 159)
Loss before tax for the year	446 537	(295 413)	9 400	(181 159)	(20 635)

21. Financial risk management and governance (continued)

21.7 Level disclosures

The table below provides an analysis of financial instruments that are measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statements of financial position.

R'000	Level 1	Level 2	Level 3	Total
Group				
2021				
Investment in insurance cells (note 6)	-	-	258 036	258 036
Total	-	-	258 036	258 036
2020				
Investment in insurance cells (note 6)	-	-	135 722	135 722
Total	-	-	135 722	135 722
Company				
2021				
Investment in Zenthyme Investments (Pty) Ltd (note 5)	-	-	190 302	190 302
Total	-	-	190 302	190 302
2020				
Investment in Zenthyme Investments (Pty) Ltd (note 5)	-	-	85 128	85 128
Total	-	-	85 128	85 128

21. Financial risk management and governance (continued)

21.7 Level disclosures (continued)

Reconciliation of level 3 fair value measurements of financial assets

R'000	Investment in insurance cells	Total
Group		
2021		
Opening balance	135 722	135 722
Redemptions	(5 800)	(5 800)
Total income		
- in other comprehensive income	105 169	105 169
Dividends receivable	22 945	22 945
Closing balance	258 036	258 036
2020		
Opening balance	120 686	120 686
Purchases	25 000	25 000
Total losses		
- in other comprehensive income	(2 716)	(2 716)
Dividends receivable	(7 248)	(7 248)
Closing balance	135 722	135 722

R'000	Investment in Zenthyme Investments (Pty) Ltd	Total
Company		
2021		
Opening balance	85 128	85 128
Purchases	-	-
Total income		
- in other comprehensive income	105 174	105 174
Dividends receivable	-	-
Closing balance	190 302	190 302
2020		
Opening balance	95 474	95 474
Purchases	-	-
Total losses		
- in other comprehensive income	(10 346)	(10 346)
Dividends receivable	-	-
Closing balance	85 128	85 128

21. Financial risk management and governance (continued)

21.7 Level disclosures (continued)

Sensitivity analysis of valuation using unobservable inputs

As part of the group's risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of potentially possible alternative valuations. The financial instruments that most impact this sensitivity analysis are those with the more illiquid and/or structured portfolios. The stresses are applied independently and do not take account of any cross correlation between separate asset classes that would reduce the overall effect on the valuations. A significant parameter has been deemed to be one which may result in a change in the fair value asset or liability of more than 10%. This is demonstrated by the following sensitivity analysis which includes a reasonable range of possible outcomes:

Group - for valuation of investments in insurance cells (note 6) and
Company - for valuation of investment in Zenthyme Investments (Pty) Ltd (note 5)

31 December 2021

R'000	Significant unobservable parameters	Potential effect recorded directly in equity	
Valuation of investment/s			
- Flex 10% favourable	(i), (ii)	18 602	
- Flex 10% unfavourable	(i), (ii)		(17 608)
		18 602	(17 608)

31 December 2020

R'000	Significant unobservable parameters	Potential effect recorded directly in equity	
Valuation of investment/s			
- Flex 10% favourable	(i), (ii)	14 256	
- Flex 10% unfavourable	(i), (ii)		(13 426)
		14 256	(13 426)

Unobservable parameters used for flex:

i. Cost of equity of 15.82% (2020: 14.25%)
ii. Claims ratio

The fair value of the investment in insurance cells was determined by discounting the estimated future cashflows at a risk adjusted rate of 15.82% (2020:14.25%). Future cash flows were determined by forecasting new premium income for one year only and then assuming no further growth over a further four years. The fair value of the investment in Zenthyme Investments (Pty) Ltd was determined in the same manner as the investment in insurance cells is the main asset of Zenthyme Investments (Pty) Ltd.

22. Directors' remuneration

R'000	Services to BaySec paid by BaySec	Services to other group companies		Paid to provident fund	Total
		Paid by group companies	Paid by related parties		
2021					
Olivia van Gisbergen [1, 2]	90	89	-	-	179
Jack Trevena [1, 2]	14	13	-	-	27
Lood de Jager [2]	55	55	-	-	110
Alfred Ramosedi	-	7 223	-	214	7 437
RishendrieThanthony [2]	90	89	-	-	179
	249	7 469	-	214	7 932
2020					
Jack Trevena [1, 2]	80	79	-	-	159
Olivia van Gisbergen [2]	80	79	-	-	159
Alfred Ramosedi	-	5 022	-	217	5 239
RishendrieThanthony [2]	80	79	-	-	159
	240	5 259	-	217	5 716

[1] Chairman

[2] The director is employed by TMF Corporate Services (SA) (Pty) Ltd (TMF). The company pays TMF directly for their services and the amounts are split evenly amongst the TMF directors. No amounts are paid directly to the director.

23. Going concern

In performing the going concern assessment, the directors have considered all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to the directors.

As part of the assessment, the directors have considered if there are any material uncertainties relating to events or conditions that might cast significant doubt upon the continuing use of the going concern basis of accounting in future periods.

Uncertainties relating to such events or conditions would be considered material, and therefore disclosed, if their disclosure could reasonably be expected to affect the economic decisions of shareholders and other users of the annual financial statements.

The going concern assessment is a matter of judgement. In making this judgement, the directors have considered the uncertainties arising from their assessment, both individually and in combination with others.

23. Going concern (continued)

In determining whether there are material uncertainties, the directors have considered:

- the magnitude of the potential impacts of any uncertain future events or changes in conditions on the group and the likelihood of their occurrence in the medium term;
- the realistic availability and likely effectiveness of actions that the directors would consider undertaking to avoid, or reduce the impact or likelihood of occurrence of the uncertain future events or changes in conditions; and
- whether the uncertain future events or changes in conditions are unusual, rather than occurring with sufficient regularity to make predictions about them with a high degree of confidence.

Uncertainties are not considered material if the likelihood that the group will not be able to continue to use the going concern basis of accounting is assessed to be remote, however significant the assessed potential impact may seem.

In evaluating the group's ability to continue as a going concern during the ensuing twelve months, the following areas, amongst others, have been considered in making the assessment:

- financial performance (both historic and forecasted);
- liquidity (availability of funding as well as cash flow forecasts);
- capital adequacy;
- the financial health of the consumer (debt to income levels, employment and inflation); and
- the impact of future improbable lockdowns by the South African government to combat the spread of COVID-19.

Having taken the aforementioned factors into account, the directors consider the going concern basis of accounting appropriate for the ensuing twelve months.

24. Subsequent events

On 23 February 2022 the South African Minister of Finance announced a reduction in the corporate income tax rate from 28% to 27% for years of assessment ending on or after 31 March 2023. The potential impact of this reduction for the financial year ending 31 December 2023 is unknown at this stage but using deferred tax balances at 31 December 2021 as a guideline would result in write-downs of the deferred tax asset of R11m and the unrecognised deferred tax asset of R9m (refer to note 4).

No other subsequent events have occurred between 31 December 2021 and the date of approval of the annual financial statements by the board of directors.