



# Tyme Bank Limited

# Annual Financial

# Statements

for year ended 30 June 2022

Tyme Bank Limited Reg no: 2015/231510/06.



# General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Digital banking services
<b>Directors</b>	M Boakgomo TA Boardman Y Dockrat T Eboka TSB Jali CJ Jonker M Milutinovic K Morule NL Smalle PA Wessels
<b>Registered office</b>	30 Jellicoe Avenue Rosebank Johannesburg Gauteng 2196
<b>Holding company</b>	Tyme Bank Holdings Limited incorporated in South Africa
<b>Ultimate holding company</b>	Ubuntu-Botho Investments Proprietary Limited incorporated in South Africa
<b>Bankers</b>	Absa Bank First National Bank Standard Bank Nedbank Mercantile Bank Investec Bank
<b>Auditors</b>	PricewaterhouseCoopers Inc.
<b>Secretary</b>	L Jwili
<b>Bank registration number</b>	2015/231510/06
<b>Level of assurance</b>	These Annual Financial Statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
<b>Prepared by</b>	The Annual Financial Statements were prepared by the Financial Controller: NJ Dewar CA(SA); and supervised by the Chief Financial Officer: Y Dockrat CA (SA).
<b>Issued</b>	14 October 2022

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# Directors' Responsibilities and Approval

The directors are required in terms of 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 their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Bank as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

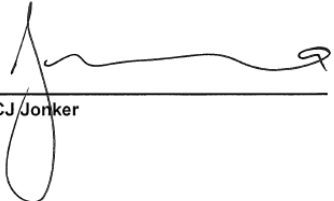
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Bank and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal 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 framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank 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 Bank's cash flow forecast for the year to 31 October 2023 and, in light of this review and the current financial position, they are satisfied that the Bank has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Bank's Annual Financial Statements. The Annual Financial Statements have been examined by the Bank's external auditors and their report is presented on pages 9 to 11.

The Annual Financial Statements set out on pages 15 to 59, which have been prepared on the going concern basis, were approved by the Board on 14 October 2022 and were signed on their behalf by:



CJ Jonker



TSB Jali

# Company Secretary's Certification

I hereby confirm, in my capacity as Company Secretary of Tyme Bank Limited that for the year ended 30 June 2022, the company has filed all required returns and notices in terms of the Companies Act of South Africa to the Commissioner of Companies and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.



L Jwili  
Company Secretary  
Johannesburg  
14 October 2022



# Directors' Report

The directors have pleasure in submitting their report on the Annual Financial Statements of Tyme Bank Limited ('the Bank') for the year ended 30 June 2022.

## 1. Incorporation

The Bank was incorporated on 08 July 2015 and obtained its certificate to commence banking activities on 14 September 2017.

## 2. Nature of business

Tyme Bank Limited provides digital banking services to customers in South Africa. The Bank soft-launched in August 2018 and marketed its transaction and savings accounts publicly from 25 February 2019. To date, the Bank has attracted circa 5,5 million customers and over R3.2 billion in retail deposits. The Bank has been continually enhancing and increasing its products and features, so as to continually drive adoption by the market and increase customer activity.

There have been no material changes to the nature of the Bank's business from the prior year.

## 3. Interest in joint operation

The Bank has entered into a joint arrangement with The Foschini Group (TFG) to host kiosks in their stores. The agreement establishes that the Bank and TFG are entitled to utilise these kiosks for marketing their products.

Each party has obligations for liabilities with respect to the joint operation's kiosks. Kiosk manufacturing, delivery and installation costs are shared amongst the two parties; maintenance and other operational costs are shared proportionately by agreement between the parties. TFG and the Bank are entitled to the fees and revenue earned through their own products available on the kiosks. Ownership of the kiosks remains with the Bank.

Details of material interests in associates and joint arrangements are presented in the Annual Financial Statements in notes 26.

## 4. Impact of Covid-19

The South African Government imposed a national lockdown on 26 March 2020 to contain the spread of COVID-19 in South Africa. All nonessential businesses were ordered to close for the duration of the national lockdown. As part of the national lockdown, Government announced a risk-adjusted approach to phase in the re-opening of the economy. With the Bank deemed an essential service, it remained operational and accessible to the consumer through the lockdown period. Through the financial year, the country continued to face varying levels of lockdowns, which has impacted the economy and consumers adversely.

With the impact of the Covid-19 pandemic, the Bank has seen a continued impact on the rate of growth of customer onboarding and activity through the financial year. Given the socio-economic effects of the crisis, the Bank has considered the impact on its strategy and financial forecasts for the period ahead and has adjusted its plans accordingly. The Bank continues to monitor the residual effects of the pandemic, to ascertain the potential implications on its strategy and capital requirements.

## 5. Global economic conditions

The Group operated against a backdrop of increasing economic volatility, inflationary impacts and supply chain pressures in this financial year. The global economy simultaneously entered increasing wage, energy price and interest rate cycles, placing pressure on retail banking customers. Despite this, the Group continues to show increased transactions per active customer account.

## 6. Review of financial results and activities

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year, except for the new policy related to joint operations, cash-settled share-based payments and changes in accounting estimates.

Full details of the financial position, results of operations and cash flows of the Bank are set out in these Annual Financial Statements.

## 7. Significant accounting matters

### 7.1. Inventory

Management evaluates its customer card stock to ensure that it is carried at the lower of cost and net realisable value. Allowances have been made against shrinkage, damaged or obsolete card stock items and the provision is continuously assessed, taking into account the best possible information available at the time of reporting.

During the current financial year management implemented additional enhanced reporting processes to ensure that card costs are accurately expensed at the point of delivery to stores and inventory balances are regularly confirmed with card manufactures and the courier company.

# Directors' Report

## 7. Significant accounting matters (continued)

### 7.2. Impact of unrest on the business

During the first weeks of July 2021, the country saw a wave of unrest across Kwa-Zulu Natal and Gauteng, where numerous businesses were looted or had suffered damages. With our partnership with Pick & Pay and Boxer, the Bank has kiosks deployed in-store, where customers can open accounts or perform selected services. During this period, 97 kiosks and bank cards with a replacement value of R7,3m were damaged/destroyed. A claim was raised through the Bank's insurers for the losses incurred which was settled after 30 June 2022. Kiosk replacements are in progress.

### 7.3. Share-based payments

The first tranche of units awarded to employees in terms of the employee appreciation rights scheme vested on 1 January 2022. It was originally envisaged that the Tyme Bank Holdings Limited shares held by African Rainbow Capital for the share-based incentive awards would be sold to the Employee Share Ownership Trust ('ESOP'), however, it was decided that the new ESOP would be aligned to the Tyme Group ESOP. For this reason, the shares held by ARC were never sold to the ESOP Trust, which meant that the ESOP Trust was unable to settle the obligation to employees to deliver Tyme Bank Holdings Limited shares on 1 January 2022. As a result, a decision was made to settle the obligation in cash.

This changed the nature of the employee share appreciation rights ('SAR') scheme from equity-settled to cash-settled which required the share-based payment reserve to be reclassified to a liability.

The Board implemented a new Long Term Incentive Plan on 27 June 2022 to replace the existing scheme, and all employees accepted the new terms and conditions associated with the replacement scheme prior to 30 June 2022. The Bank's replacement Long Term Incentive Plan ('LTIP') satisfied the IFRS requirements for equity-settled share-based payments.

For further details regarding these changes to share-based payments refer to note 15.

## 8. Share capital

Refer to note 13 of the Annual Financial Statements for detail of the movement in authorised and issued share capital.

## 9. Dividends

No dividends were declared or paid to shareholders during the year.

## 10. Directorate

The directors in office during the financial year and as at the date of this report are as follows:

### Directors

M Boakgomo  
TA Boardman  
AB Desai  
Y Dockrat  
T Eboka  
TSB Jali  
CJ Jonker  
T Keraan  
M Milutinovic  
K Morule  
NL Smalle  
PA Wessels

### Designation

Non-Executive  
Non-Executive  
Chief Financial Officer  
Chief Financial Officer  
Non-Executive  
Chairperson  
Chief Executive Officer  
Chief Executive Officer  
Non-Executive  
Non-Executive  
Non-Executive  
Non-Executive

### Changes

Resigned 31 October 2021  
Appointed 01 July 2022

Appointed 01 July 2022  
Resigned 30 June 2022

Appointed 13 December 2021



# Directors' Report

## 11. Directors' interests in contracts

On 1 January 2019, a contract was concluded between Tyme Bank Limited and Tyme Limited. The purpose of the contract is to provide right of use of intellectual property by Tyme Limited to Tyme Bank Limited.

In addition, Tyme Bank Limited entered into an agreement with African Fig Tree Investments Proprietary Limited during June 2020. The intention of this contract is to provide services in respect of capital raises for the Bank.

C Jonker is appointed as a director of both Tyme Bank Limited and Tyme Bank Holdings Limited. He is also a director of Tyme Limited and African Fig Tree Investments Proprietary Limited, and has direct investments in both entities, which has duly been noted by the Board. African Fig Tree Investments Proprietary Limited has 8.44% (2021: 10.11%) shareholding in Tyme Bank Holdings Limited, the sole shareholder of Tyme Bank Limited.

Furthermore, T Keraan has an indirect interest in Tyme Limited and Tyme Bank Holdings Limited through his shareholding in African Fig Tree Investments Proprietary Limited, which in turn has a shareholder's interest in Tyme Global Limited.

Tyme Limited is a wholly owned subsidiary of Tyme Global Limited, and T Keraan is a director of both Tyme Bank Limited and Tyme Bank Holdings Limited.

Please refer to note 28.1 for further disclosure on related party transactions.

## 12. Holding company

The Bank's holding company is Tyme Bank Holdings Limited which holds 100% (2021: 100%) of the Bank's equity. Tyme Bank Holdings Limited is incorporated in South Africa.

## 13. Ultimate holding company

The Bank's ultimate holding company is Ubuntu-Botho Investments Proprietary Limited which is incorporated in South Africa.

## 14. Special resolutions

The shareholders approved a special resolution increasing the Bank's authorised share capital from 10 billion shares to 100 billion shares.

## 15. Subsequent events

### Acquisition of Retail Capital

In August 2022 Tyme Bank Holdings Limited announced that it will proceed with the acquisition of fintech firm Retail Capital, which provides award-winning funding services to SMEs in the country. The acquisition, which is still subject to regulatory approvals, would see Retail Capital become a division of TymeBank. The deal will see Retail Capital's funding expertise and TymeBank's deposit base and operations combined to serve a broader customer base. The transaction will be funded by way of a subscription for new shares to be issued by Tyme Bank Holdings Limited. It is anticipated that the acquisition will enable synergies between Retail Capital and Tyme Bank in the SME lending space.

### Long-term incentive plan awards

Long-term incentive plan (LTIP) units were awarded to new and existing employees on 4 July 2022. These had no impact on the financial results for the year ended 30 June 2022 as the service-related period related to the award had not yet commenced.

### Group restructuring

The Tyme Group is undergoing a restructuring which will result in a new South African holding company for Tyme Bank Holdings Limited ("SA Holdco"). Post the restructuring all current shareholders in Tyme Bank Holdings Limited will hold shares in SA Holdco.

## 16. Going concern

We draw attention to the fact that at 30 June 2022, the Bank had accumulated losses of R5 778 573 834 (2021: R4 793 322 475). These losses substantially represent Bank establishment and build costs. The ability of the Bank to continue as a going concern is dependent on ongoing procurement of capital and funding for the operations of the Bank.

During the current financial year, the Ubuntu-Botho Investments Proprietary Limited Group, as majority shareholder, along with other shareholders, continued to provide adequate capital and funding to the Bank. In addition, the Ubuntu-Botho Investments Proprietary Limited Group continues to provide assurance that the Bank will have access to continued capital and funding to be able to settle its debts as they fall due and is able to continue business as a going concern for the period ending 31 October 2023.

# Directors' Report

## 16. Going concern (continued)

The ability of the Bank to continue as a going concern beyond the period 31 October 2023 is dependent on a number of factors, the most significant ones being the ongoing support from existing shareholders, the sourcing of capital from potential new shareholders, raising of working capital facilities as required, along with the execution plans for the scaling of existing services and delivery of new products and features into the market, and the impact of the COVID-19 pandemic on socio-economic conditions in the country.

These conditions give rise to a material uncertainty for the period beyond 31 October 2023, which may cast significant doubt on the Bank's ability to continue as a going concern, and therefore its ability to settle its debts as they become due in the normal course of business.

The directors have reviewed the Bank's cashflow forecast and are satisfied that they will have access to capital and funding to continue as a going concern provided that the above-mentioned factors materialise. The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the Bank will continue to have ongoing access to capital and funding and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

## 17. Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act of South Africa.

## 18. Secretary

The company secretary is L Jwili.

Business address: 30 Jellicoe Avenue  
Rosebank Johannesburg Gauteng  
2196

## 19. Date of authorisation for issue of financial statements

The Annual Financial Statements have been authorised for issue by the directors on 14 October 2022. No authority was given to anyone to amend the Annual Financial Statements after the date of issue.

# Report of the Audit and Compliance Committee

This report is provided by the Audit and Compliance Committee, in respect of the 2022 financial year of Tyme Bank Limited in compliance with section 94 of the Companies Act, as amended from time to time. The Committee's operation is guided by a detailed mandate that is informed by the Companies Act, the Banks Act, and the King Code of Corporate Governance and is approved by the Board. Section 94(2) of the Companies Act determines that, at each annual general meeting, a public company must elect an audit Committee comprising at least three members.

The Audit and Compliance Committee comprises five permanent members and is chaired by P Wessels, an independent nonexecutive director. The members of the Audit and Compliance Committee also attend the risk and capital management Committee to ensure alignment on risk matters and to increase and enhance oversight.

The Committee meets quarterly, as well as holds ad-hoc meetings to deal with other business. Additionally, meetings are held with the Prudential Authority of the South African Reserve Bank on a regular basis.

## Execution of functions

The Audit and Compliance Committee has executed its duties and responsibilities during the financial year in accordance with its mandate as it relates to the nomination of the external auditor, verifying the independence of the auditor, approving the audit fees, assessing the nature and extent of non-audit services, the Bank's accounting, internal auditing, internal financial controls, effectiveness of risk management, and financial reporting practices.

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

### In respect of the external auditors and the external audit:

- considered and recommended the reappointment of PricewaterhouseCoopers (PwC) as external auditors for the financial year ended 30 June 2022, in accordance with section 90 of the Companies Act;
- approved the external auditors' terms of engagement, the audit plan and budgeted audit fees payable;
- reviewed the audit process and evaluated the effectiveness of the audit, taking into consideration the results of an external audit assessment performed by the Bank's finance function;
- assessed and obtained assurance from the external auditors that their independence was not impaired and;
- confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act 26 of 2005 for the financial year ended 30 June 2022.

### In respect of the financial statements:

- considered the going concern basis for the preparation of the Annual Financial Statements;
- considered the ultimate shareholder's ability to provide financial support to the Bank;
- examined and reviewed the Annual Financial Statements prior to submission and approval by the board;
- ensured that the Annual Financial Statements fairly present the financial position of the Bank as at the end of the financial year and the results of operations and cash flows for the financial year;
- ensured that the Annual Financial Statements conform with IFRS, the Companies Act and all other applicable accounting guides and pronouncements;
- considered accounting treatments, significant unusual transactions and accounting judgements, particularly those pertaining to the valuations where significant judgement has been exercised by management;
- considered the appropriateness of the accounting policies adopted;
- noted that there were no material reports or complaints received concerning accounting practices, internal audit, internal financial controls, content of Annual Financial Statements, internal controls and related matters;
- reviewed any significant legal and tax matters that could have a material impact on the financial statements and;
- reviewed and discussed the independent auditor's report.

### In respect of financial accounting and reporting developments:

- reviewed management's process and progress with respect to new financial accounting and reporting developments.

### In respect of internal control and internal audit:

- reviewed and approved the annual internal audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter;
- considered reports of the internal and external auditors on the Bank's systems of internal control, including internal financial controls, and maintenance of effective internal control systems;

# Report of the Audit and Compliance Committee

- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action taken in response to such findings;
- noted that there were no significant differences of opinion between the internal audit function and management;
- assessed the independence and effectiveness of the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory;
- the Committee formed the opinion that, at the date of this report, there were no material breakdowns in internal control, including internal financial controls, resulting in any material loss to the Bank.

## **In respect of compliance requirements the committee:**

- assessed the compliance monitoring plan, and structure, as well as the compliance plan and compliance charter;
- assessed the regulatory compliance risk control framework and applicable compliance policies, which include the requirements for the Bank to comply with applicable laws, rules, and codes;
- reviewed compliance practices and procedures for enabling the directors to discharge their regulatory responsibilities;
- monitored:
- assessed the approach to risk assessment to ensure the integrity of the Bank's internal controls.;
- assessed the overall status of compliance in the Bank and any significant breakdowns that could cause material loss or penalty;
- assessed the adequacy of resources and budget available to compliance;
- satisfied itself that the functioning of compliance is in line with relevant regulatory requirements, including without limitation, section 60A and regulation 49 of the Banks Act; Financial Advisory and Intermediary Services Act, No 37 of 2002 (FAIS), section 17 and regulation 4, regulation 5, Financial Intelligence Centre Act, No 38 of 2001 (FICA), section 42 and King IV, Principle 6;
- assessed the adequacy and effectiveness of the compliance function's performance, including receiving confirmation that there was no restriction on scope or access.

## **In respect of legal and regulatory requirements:**

- reviewed and approved the annual compliance mandate and compliance plan;
- reviewed, with management, matters that could have a material impact on the Bank;
- monitored compliance with the Companies Act, the Banks Act, the King Code of Corporate Governance and other applicable legislation and governance codes and reviewed reports from internal audit, external auditors and compliance detailing the extent of this and;
- noted that no complaints were received through the Bank's ethics and fraud hotline concerning accounting matters, internal audit, internal financial controls, contents of financial statements, potential violations of the law.

## **In respect of risk management and information technology:**

- considered and reviewed reports from management on risk management, including fraud and information technology risks as they pertain to financial reporting and the going concern assessment and;
- considered updates on key internal and external audit findings in relation to the IT control environment and significant IT programmes.

## **In respect of the coordination of assurance activities, the committee:**

- reviewed the plans and work outputs of the external and internal auditors, as well as compliance and internal financial control, and concluded that these were adequately robust to place reliance on the combined assurance underlying the statements made in external reports;
- considered the expertise, resources and experience of the finance function and the senior members of management responsible for this function and concluded that these were appropriate and;
- considered the appropriateness of the experience and expertise of the Bank's Chief Financial Officer and concluded that these were appropriate.

# Report of the Audit and Compliance Committee

## Independence, skills and expertise of the external auditors

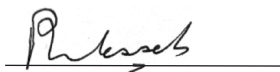
The Audit and Compliance Committee is satisfied that PricewaterhouseCoopers are independent of the Bank, and PricewaterhouseCoopers and the partner who is responsible for signing the Bank's audit opinion have the requisite skills and expertise. This conclusion was arrived at, inter alia, after considering the following factors:

- the representations made by PricewaterhouseCoopers to the Committee, including confirmation of the firm's and individual auditor's accreditation;
- the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the Bank;
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditors;
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor and;
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies were met.

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

The Committee has also satisfied the requirements for regulation 40(5) of the Bank's Act, including the annual review of material malfunction and recommended this to the Board for approval.

On behalf of the Audit and Compliance Committee:



**P Wessels**

**14 October 2022**



## Independent auditor's report

To the Shareholder of Tyme Bank Limited

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### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tyme Bank Limited (the Company) as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### What we have audited

TymeBank Limited's financial statements set out on pages 15 to 59 comprise:

- the statement of financial position as at 30 June 2022;
  - the statement of profit and loss and other comprehensive income for the year then ended;
  - the statement of changes in equity for the year then ended;
  - the statement of cash flows for the year then ended; and
  - the notes to the financial statements, which include a summary of significant accounting policies.
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### Basis for opinion

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

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

### Independence

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

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### Material uncertainty relating to going concern

We draw attention to Note 30 in the financial statements, which indicates that the Company had accumulated losses of R5,778,573,834 as at 30 June 2022 and incurred a loss of R976,822,226 for the year then ended. The ability of the Company to continue as a going concern beyond October 2023 is dependent on a number of factors, the most significant ones being the ongoing support from existing shareholders, the sourcing of capital from potential new shareholders, raising of working capital facilities as required, along with the execution plans for the scaling of existing services and delivery of new products and features into the market and the potential future impact of the COVID-19 pandemic on socio-economic conditions in the country. As stated in Note 30, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090*

*Private Bag X36, Sunninghill, 2157, South Africa*

*T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, [www.pwc.co.za](http://www.pwc.co.za)*

Chief Executive Officer: L S Machaba

The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection. Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

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## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Tyme Bank Limited (Resitration number 2015/231510/06) Annual Financial Statements for the year ended 30 June 2022", which includes Certification as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

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## Responsibilities of the directors for the financial statements

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

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's



report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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### Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Tyme Bank Limited for 7 years.

*PricewaterhouseCoopers Inc.*

**PricewaterhouseCoopers Inc.**

Director: Gino Fraser

Registered Auditor

Johannesburg

14 October 2022

# Statement of Financial Position as at 30 June 2022

	Notes	2022 R	2021 R
<b>Assets</b>			
<b>Non-Current Assets</b>			
Plant and equipment	4	90 437 037	33 613 663
Right-of-use assets	5	23 735 591	30 552 241
Financial assets	8	1 151 661 571	969 824 798
		<b>1 265 834 199</b>	<b>1 033 990 702</b>
<b>Current Assets</b>			
Receivables	7	117 730 463	82 760 190
Financial assets	8	2 360 829 914	1 253 144 652
Customer advances	10	913 315	821 079
Inventories	11	18 282 538	18 458 257
Cash and cash equivalents	12	426 357 346	498 308 990
		<b>2 924 113 576</b>	<b>1 853 493 168</b>
<b>Total Assets</b>		<b>4 189 947 775</b>	<b>2 887 483 870</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	13	5 255 556 158	4 878 752 668
Share for issue reserve	14	1 140 951 393	376 803 490
Share-based payment reserve	15	73 303 746	55 338 006
Accumulated loss		(5 778 573 834)	(4 793 322 475)
		<b>691 237 463</b>	<b>517 571 689</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Lease liability	5	20 774 749	26 001 672
<b>Current Liabilities</b>			
Trade and other payables	16	137 217 755	108 443 746
Lease liability	5	6 120 612	5 721 651
Provisions	17	55 879 343	28 323 957
Deposits from customers	18	3 278 717 853	2 201 421 155
		<b>3 477 935 563</b>	<b>2 343 910 509</b>
<b>Total Liabilities</b>		<b>3 498 710 312</b>	<b>2 369 912 181</b>
<b>Total Equity and Liabilities</b>		<b>4 189 947 775</b>	<b>2 887 483 870</b>

## Statement of Profit or Loss and Other Comprehensive Income

	Notes	2022 R	2021 R
Interest income	19	205 475 949	119 416 573
Interest expense	20	(93 911 420)	(61 195 789)
<b>Net interest income</b>		<b>111 564 529</b>	<b>58 220 784</b>
Fee and commission income		365 615 642	173 362 950
Fee and commission expense		(140 408 607)	(71 354 970)
<b>Net fee and commission income</b>	<b>21</b>	<b>225 207 035</b>	<b>102 007 980</b>
Credit impairment charge	22	(1 106 163)	(2 309 831)
Other operating gains	23	33 415 331	17 792 280
<b>Net operating income</b>	<b>24</b>	<b>369 080 732</b>	<b>175 711 213</b>
Other operating expenses	24	(1 345 902 958)	(1 101 075 507)
<b>Loss before taxation</b>		<b>(976 822 226)</b>	<b>(925 364 294)</b>
Taxation	25	-	-
<b>Loss for the year</b>		<b>(976 822 226)</b>	<b>(925 364 294)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(976 822 226)</b>	<b>(925 364 294)</b>



## Statement of Changes in Equity

	Share capital R	Share premium R	Total share capital R	Share for issue reserve R	Share-based payment reserve R	Total reserves R	Accumulated loss R	Total equity R
<b>Balance at 01 July 2020</b>	<b>400 958 260</b>	<b>3 574 821 527</b>	<b>3 975 779 787</b>	<b>230 000 000</b>	<b>46 367 446</b>	<b>276 367 446</b>	<b>(3 867 958 181)</b>	<b>384 189 052</b>
Loss for the year	-	-	-	-	-	-	(925 364 294)	(925 364 294)
Other comprehensive income	-	-	-	-	-	-	-	-
Issue of shares	298 309 405	604 663 476	902 972 881	(230 000 000)	-	(230 000 000)	-	672 972 881
Shares for issue	-	-	-	376 803 490	-	376 803 490	-	376 803 490
Share-based payment	-	-	-	-	8 970 560	8 970 560	-	8 970 560
<b>Balance at 01 July 2021</b>	<b>699 267 665</b>	<b>4 179 485 003</b>	<b>4 878 752 668</b>	<b>376 803 490</b>	<b>55 338 006</b>	<b>432 141 496</b>	<b>(4 793 322 479)</b>	<b>517 571 685</b>
Loss for the year	-	-	-	-	-	-	(976 822 226)	(976 822 226)
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive Loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(976 822 226)</b>	<b>(976 822 226)</b>
Issue of shares	105 828 334	270 975 156	376 803 490	(376 803 490)	-	(376 803 490)	-	-
Shares for issue	-	-	-	1 140 951 393	-	1 140 951 393	-	1 140 951 393
Share-based payment expense - ESOP	-	-	-	-	9 613 936	9 613 936	-	9 613 936
Share-based payment expense - AFT	-	-	-	-	4 200 000	4 200 000	-	4 200 000
Cash payment to employees in lieu of vested shares	-	-	-	-	(8 545 470)	(8 545 470)	49 834	(8 495 636)
Reclassification to ESOP liability	-	-	-	-	(11 011 946)	(11 011 946)	-	(11 011 946)
Remeasurement of share-based payment liability	-	-	-	-	-	-	(8 478 963)	(8 478 963)
Implementation of replacement LTIP	-	-	-	-	23 709 220	23 709 220	-	23 709 220
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>105 828 334</b>	<b>270 975 156</b>	<b>376 803 490</b>	<b>764 147 903</b>	<b>17 965 740</b>	<b>782 113 643</b>	<b>(8 429 129)</b>	<b>1 150 488 004</b>
<b>Balance at 30 June 2022</b>	<b>805 095 999</b>	<b>4 450 460 159</b>	<b>5 255 556 158</b>	<b>1 140 951 393</b>	<b>73 303 746</b>	<b>1 214 255 139</b>	<b>(5 778 573 834)</b>	<b>691 237 463</b>
Notes	13	13	13	14	15			

# Statement of Cash Flows

	Notes	2022 R	2021 R
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	51 196 147	14 421 861
Interest income		176 477 396	111 874 994
Interest paid		(88 449 741)	(52 476 281)
<b>Net cash from operating activities</b>		<b>139 223 803</b>	<b>73 820 574</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	4	(65 718 158)	(11 095 641)
Proceeds from sale of plant and equipment	4	1 239 360	317 072
Purchase of financial assets		(1 281 577 706)	(1 212 295 702)
Proceeds on disposal of money market funds		20 000 000	-
<b>Net cash from investing activities</b>		<b>(1 326 056 504)</b>	<b>(1 223 074 271)</b>
<b>Cash flows from financing activities</b>			
Proceeds on share issue	13	-	<b>672 972 881</b>
Shares for issue		<b>1 140 951 393</b>	<b>376 803 490</b>
Payment on lease liability		(5 660 535)	(12 151 554)
Interest on lease liabilities		(3 395 905)	(1 956 297)
Cash paid to employees for vested ESOP shares	15	(17 013 898)	-
<b>Net cash from financing activities</b>		<b>1 114 881 055</b>	<b>1 035 668 520</b>
<b>Total cash movement for the year</b>		<b>(71 951 645)</b>	(113 585 177)
Cash at the beginning of the year		498 308 990	611 894 167
<b>Total cash at end of the year</b>	12	<b>426 357 346</b>	<b>498 308 990</b>

# Accounting Policies

## 1. Significant accounting policies

The principal accounting policies applied in the preparation of these Annual Financial Statements are set out below.

### 1.1 Basis of preparation

The Annual Financial Statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these Annual Financial Statements and the Companies Act of South Africa of South Africa, as amended.

The Annual Financial Statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Bank's functional currency.

Except for the introduction of new accounting policies for joint operations, cash-settled share-based payments and changes in accounting estimates, these accounting policies are consistent with the previous period.

### 1.2 Critical judgements and estimates in applying accounting policies

The preparation of Annual Financial Statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### 1.2.1 Judgements

##### a. Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend or terminate the lease if it is reasonably certain to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

##### b. Classification of joint operation

The Bank is a party to a joint arrangement when there is a contractual arrangement where the Bank and another party have joint control over the relevant activities of the arrangement.

The joint control assessment requires the Bank to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). In assessing the classification of interests in joint arrangements, the Bank considers the structure of the joint arrangement, the contractual terms of the joint arrangement agreement and any other facts and circumstances applicable to the arrangement.

The Bank classifies its interest in the joint arrangement as a joint operation where the Bank has both the right to assets and obligations for the liabilities of the joint arrangement. The Bank accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

##### c. Impairment of financial assets

The expected credit loss allowances for financial assets are based on complex assumptions about risk of default and expected loss rates. The Bank uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the bank's limited history, existing market conditions as well as forward-looking estimates at the end of each reporting period. These assumptions include assumptions about future economic conditions and credit behaviour of customers' likelihood to default.

Forward-looking information is incorporated into the bank's impairment methodology calculations and in the bank's assessment of significant increase in credit risk. The Bank includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macroeconomic conditions (such as the unemployment rate, real disposable income and real firm lending rates), and factors that are expected to impact counterparty exposures. Details of these key assumptions and inputs are disclosed in the credit risk section of the Financial Risk Management note, note 3.4.

# Accounting Policies

## 1.2 Critical judgements and estimates in applying accounting policies (continued)

Several significant judgements are also required in applying the accounting requirements for measuring expected credit loss, ('ECL'), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings for forward-looking scenarios for each product and their associated ECL; and
- Establishing groups of similar financial assets for the purpose of measuring ECL.

The impact of the COVID-19 pandemic has been considered in the forward-looking methodology for determining the expected credit losses of customer advances. This assessment includes management's expectations of the current markets and economic outlook that affect the customer's ability to repay their advances. Management has considered alleviating the debt burden of customers by extending payment holidays to the customers based on their payment status and on any indications of distress. The Bank has therefore considered the customers' ability to repay the loans.

### d. Classification and measurement of bonds

Management has exercised judgement in determining the appropriate business model of the government bonds as well as assessing whether the cash flows generated by the government bonds constitute solely payments of principal and interest.

Management's intention is not to hold government bonds for sale, these bonds are purchased for investing purposes. No bonds have been previously sold.

Management has concluded that the bonds meet the requirements to be measured at amortised cost.

### e. Determination of grant date and settlement - Tyme Bank Holdings Long Term Incentive Programme ('LTIP')

Management have used their judgement in the determination of when the Bank and the employees have a shared understanding of the terms of the Tyme Bank Long Term Incentive Plan that replaced the Employee Share Ownership Programme in place at the beginning of the financial year. The LTIP is settled by the delivery of shares to an escrow agent and the employee has no choice about the manner of settlement (whether cash or shares). Furthermore, it is the stated policy of the company that the LTIP obligations will only be settled in shares. Accordingly the LTIP has been treated as equity settled in terms of IFRS 2.

## 1.2.2 Estimates

### a. Determination of the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the leases it enters into and therefore uses its incremental borrowing rate ('IBR') to measure its lease liabilities.

The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay' and therefore estimates the IBR using observable inputs such as yield curves, when available, and is required to make certain entity-specific adjustments.

### b. Capital work-in-progress

The Bank has recognised capital work-in-progress in property, plant and equipment amounting to R67 779 570 (2021: R15 872 838). These assets relate to the development of kiosks prior to their installation in stores. In recognising these assets, the Bank has exercised significant judgement by determining it is probable that future economic benefits associated with these work-in-progress assets will flow to the Bank. The estimations of these future economic benefits are based on the bank's estimates and assumptions of the future economic benefits i.e. business plans and evidence available when the financial statements are prepared. Changes to these estimates and assumptions could cause a material adjustment to the carrying amount of these assets.

### c. Impairment of non-financial assets

The Bank follows the guidance of IAS 36 Impairment of Assets to determine whether non-financial assets are impaired and significant judgement has been applied by the Bank in this regard. In evaluating whether the carrying amount of the asset exceeds the recoverable amount, the Bank has made estimates and assumptions. The Bank has made use of amongst others, internal (e.g. business plans and management's expectation of future performance) and external information to identify whether an impairment indicator exists. Changes to these estimates and assumptions could cause a material adjustment to the carrying amount of this assets.

### d. Insurance clawback obligation

Management applies a significant estimate when determining the clawback obligation on insurance commission earned. Management relies on the insurance underwriter's estimated policy lapses, which relate to the policies that have been distributed on behalf of the insurance underwriter through the bank's kiosks.

# Accounting Policies

## 1.2 Critical judgements and estimates in applying accounting policies (continued)

### e. Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 17.

### f. Recognition of deferred tax assets

The Bank has not recognised a deferred tax asset as cash flow forecasts are currently under review and there is uncertainty around the timing and amount of future taxable profits against which deductible temporary differences can be utilised.

### g. Calculation of performance obligations for determining whether LTIP/ESOP rights have vested

The valuation of the Bank has been used to determine the share price at the time of first vesting, which was used to value the ESOP obligations reflected in equity. The valuation methodology used is a free cash flow to equity model that takes into account marketability and minority ownership discounts, equity market premiums, small stock premiums and the risk-free interest rate for the term of the share appreciation right. Management therefore exercises judgement when determining the value of the shares used to value the share appreciation rights.

## 1.2.3 Changes in accounting estimates

Where appropriate, changes to the useful lives of property, plant and equipment are made. The opening balance of accumulated depreciation and the updated estimate for depreciation are adjusted in the statement of profit and loss.

## 1.3 Financial instruments

Financial instruments held by the Bank are classified in accordance with the provisions of IFRS 9 Financial Instruments. The classification and subsequent measurement depend on the business model with which the debt instruments are managed and whether the contractual cash flows represent 'solely payments of principal and interest' ('SPPI').

The following financial instruments are classified as financial assets held at amortised cost:

- Bonds
- Receivables
- Bank balance pledged
- Treasury bills
- Customer advances
- Cash and cash equivalents

The following financial instrument is classified as a financial asset at fair value through profit or loss:

- Money market investments

The following financial instruments are classified as financial liabilities at amortised cost:

- Trade and other payables
- Deposits received from customers

The classification of financial assets at amortised cost applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows.



# Accounting Policies

## 1.3 Financial instruments (continued)

### A. Recognition and measurement of financial instruments

Financial instruments are recognised when the Bank becomes a party to the contractual provisions of the instrument. The instruments are measured, at initial recognition, at fair value plus transaction costs, if any.

All purchases or sales of financial assets are recognised and derecognised on a trade date basis.

#### a. Financial assets at amortised cost

Financial assets in this category are subsequently recognised at amortised cost.

The amortised cost is the amount recognised on the instrument initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method ('EIR') of any difference between the initial amount and the maturity amount, adjusted for any expected credit loss allowance.

Net interest income comprises interest income net of interest expense, and is calculated using the EIR. The EIR is calculated by considering transaction costs, initiation fees as well as costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan.

Where financial assets have subsequently become credit impaired, interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss allowance). The interest income is suspended (interest in suspense) for the duration that the financial asset is credit impaired.

#### b. Significant financial assets include:

##### *Bonds*

Government bonds are held for collection of contractual cash flows where those cash flows represent solely payments of interest and payments of principal and interest ('SPPI') and are therefore subsequently measured as amortised cost.

##### *Receivables*

Receivables are classified as financial assets at amortised cost and comprise of sundry deposits and cash in transit, which are considered to be short term in nature.

##### *Bank balances pledged*

Bank balances pledged are held by First National Bank, a division of FirstRand Bank Limited and relate to guarantees on leases held over properties.

##### *Treasury bills*

Treasury bills are held with the South African Reserve Bank and are classified as financial assets at amortised cost.

##### *Customer advances*

Customer advances are recognised at fair value at origination of the loan. Loan origination fees which form an integral part of the loan are capitalised and recognised as an adjustment to the effective interest rate over the life of the loan.

Customer advances are subsequently measured as amortised cost as the business model is to hold the assets for collection of contractual cashflows.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise of cash that is held with the South African Reserve Bank as well as funds held with other South African banks and financial institutions which are subject to an insignificant risk of changes in value. These balances are classified as financial assets at amortised cost.

##### *Money market investments*

Money market investments comprise of Collective Investment Schemes ('CIS') which are subject to insignificant risk of changes in value and are classified as financial assets at fair value through profit or loss.

These portfolios aim to maximise interest income, preserve the portfolio's capital and provide liquidity. These investments do not have a fixed term.

# Accounting Policies

## 1.3 Financial instruments (continued)

### B. Impairment

The Bank assesses its debt instruments classified at amortised cost for expected credit losses using its expected credit loss ('ECL') model in accordance with IFRS 9 Financial Instruments ('IFRS 9') and the simplified approach in terms of relevant Bank regulations. The most significant class of financial asset that is subject to ECLs are the bank's customer advances.

The measurement of ECL reflects the following:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Under IFRS 9, loss allowances are measured on either basis:

- Twelve-month ECLs (Stage 1): These are ECLs that are recognised initially that result from possible default events within the 12 months after the reporting date; or
- Lifetime ECLs (Stage 2 and 3): These are ECLs that result from all possible default events over the expected life of the customer advance.

The Bank is required to recognise an allowance for either 12-month or lifetime ECLs for its customer advances, depending on whether there has been a significant increase in credit risk ('SICR') since initial recognition. Indicators of a SICR in the customer advances portfolio may include any of the following advances that:

- Are up to two months in arrears;
- Have been handed over;
- Form part of a deceased estate;
- Are part of a distressed restructure; and/or
- Are under existing debt review arrangements or terminated debt review arrangements.

### C. Measurement

The probability-weighted outcome considers the possibility of a credit loss occurring and the possibility of no credit loss occurring, even if the possibility of a credit loss occurring is low. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive). ECLs are discounted at the effective interest rate of the customer advance.

The assessment of the ECL of the customer advances portfolio entails estimations of the likelihood of defaults occurring and of default correlations between counterparties. The Bank measures ECL using probability of default ('PD'), exposure at default ('EAD') and loss-given default ('LGD'). These three components are multiplied together. The calculated ECL is then discounted using the original effective interest rate of the customer advance.

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analyses and identified the key economic variables impacting credit risk and ECL for the customer advances portfolio, utilising macroeconomic data provided by the Bureau for Economic Research ('BER'). Significant judgement and estimates are applied in this process of incorporating forward-looking information into the SICR assessment and ECL calculation as the Bank does not have internal historical data to be utilised in the forecasting process at this point.

The Bank rebuts the 30 days rebuttable presumption and applies 60 days when considering SICR.

The bank's definition of credit-impaired is aligned to its internal definition of default i.e.

- Where an advance is more than 90 days past due (rebuttable presumptions);
- Is undergoing legal action;
- Forms part of a deceased estate;
- A distressed restructure; or
- Under debt review arrangements

### D. Write-off policy

Customer advances are written off when the Bank has no reasonable expectation that recovery (in entirety or portion thereof) exists. The write-off criteria are structured in this manner taking into account the likelihood of recovery within the market segment that the Bank is operating in. The Bank ensures that where there is minimal probability of recovery, customer advances are written off as soon as possible.

# Accounting Policies

## 1.3 Financial instruments (continued)

### E. Derecognition of financial instruments

Financial instruments are derecognised when:

- The contractual rights or obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;
- They are transferred and the derecognition criteria of IFRS 9 are met; or
- The contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

### F. Modifications

The Bank occasionally modifies its terms of customer advances due to commercial renegotiations, or for distressed loans, with a view to maximise recovery of these loans. Such restructuring activities include extended payment terms arrangements and the extension of payment holidays to customers. The Bank will assess whether or not the new terms are substantially different to the original terms. The Bank will consider, among others, the following factors:

- If the borrower is in financial difficulty;
- Significant extension of the advance term when the borrower is not in financial difficulty;
- Significant change in interest rate;
- Introduction of substantial new terms; and
- Insertion of collateral or other securities/credit enhancements that significantly affects the credit risk of the advance.

Where the terms are significantly different, the Bank derecognises the original advance and recognises a new advance in its place in accordance with its new terms. The Bank will recalculate a new effective interest rate in these cases. The date of the renegotiation that leads to derecognition is the date of initial recognition of the new advance. The Bank will assess the new advance for any indications of significant increase in credit risk at initial recognition. Differences between the carrying amount of the new advance and the previous carrying amount are recognised in profit or loss on derecognition.

### G. Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 3.4).

### H. Financial liabilities

*Financial liabilities are subsequently recognised at amortised cost.*

*Trade and other payables*

*Trade payables are classified as financial liabilities at amortised cost.*

*Deposits received from customers*

*Deposits received from customers are classified as financial liabilities at amortised cost.*

## 1.4 Plant and equipment

Plant and equipment are tangible assets which the Bank holds for its own use and which are expected to be used for more than one year.

An item of plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Bank, and the cost of the item can be measured reliably.

Plant and equipment is initially measured at cost and is subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Where assets and components thereof are purchased prior to being readied for use these are recorded as Capital Work in Progress. Once the related asset is brought into use, this is transferred from Capital Work in Progress to the relevant asset category in fixed assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value. Leasehold improvements are depreciated over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the date that the asset is derecognised.

# Accounting Policies

## 1.4 Plant and equipment (continued)

The useful lives of items of plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Leasehold improvements	Straight line	5 years
Furniture and fixtures	Straight line	6 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	7 years
Computer software	Straight line	2 years
Kiosks	Straight line	5 years
Tools and equipment	Straight line	6 years
Generators	Straight line	15 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on plant and equipment when there is an indicator that they may be impaired.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

## 1.5 Inventories

Inventories represents cards on hand not yet delivered to kiosks and is valued at the lower of cost and net realisable value, on a first in, first out basis (FIFO).

Where the net realisable value is lower than the cost, the difference will be recognised as an expense in the period. The cost of cards delivered to kiosk is recognised in the income statement in the period in which it occurs.

## 1.6 Tax

### a. Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### b. Deferred tax assets and liabilities

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 at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction that at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### c. Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, to other comprehensive income.

## 1.7 Leases

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

# Accounting Policies

## 1.7 Leases (continued)

### a. Bank as lessee

The Bank recognises lease liabilities pertaining to lease payment commitments and right-of-use assets representing the right to use the underlying assets.

### b. Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life and the lease term.

The right-of-use assets are presented within note 5 and are subject to impairment in line with the bank's impairment of non-financial assets policy.

### c. Lease liabilities

The Bank recognises lease liabilities measured at the present value of the future lease payments. The lease payments include fixed payments less any lease incentives receivable.

The lease liability is initially measured at the present value of the future lease payments expected to be paid after the commencement date, discounted using the bank's incremental borrowing rate. To determine the incremental borrowing rate, the Bank obtains a reference rate and makes certain adjustments to reflect the terms of the lease and the asset leased.

The lease liability is subsequently measured at amortised cost using the effective interest method. The Bank remeasures the lease liability when there is a change in the lease term due to a change in assessment of whether it will exercise a termination and, or extension option. Where there is a remeasurement of the lease liability, a corresponding adjustment is made to the right-of-use asset or in profit or loss where there is a further reduction in the measurement of the lease liability and the carrying amount of the right-of-use asset is reduced to zero.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

### d. Leases of low-value assets

The Bank considers leased items with a new purchase value of below R120,000 to be low-value. These types of leases typically relate to the rental of office equipment. Lease payments on leases of low value assets are recognised as expense on a straight-line basis over the lease term.

## 1.8 Impairment of non-financial assets

The Bank assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

## 1.9 Share capital, equity and reserves

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

# Accounting Policies

## 1.9 Share capital, equity and reserves (continued)

Ordinary shares are recognised at R0.10 each and classified as share capital in equity. Any amounts received from the issue of shares in excess of R0.10 is classified as share premium in equity.

Directly attributable costs associated with the issuing of new shares are capitalised against equity, resulting in the increase in equity being reflective of the net proceeds received.

There are currently no restrictions on distributions from reserves in equity.

## 1.10 Share-based payments

The Bank had three distinct share-based payment transactions during the year and two at year end, namely the purchase of shares by African Fig Tree Limited and the Long Term Incentive Plan (LTIP). The LTIP replaced the Employee Share Ownership Programme (ESOP) during the year. In the prior year, the ESOP was considered to be an equity settled scheme and due to the Bank settling the first vesting in cash, this changed to a cash settled scheme during the year.

The purchase of shares by African Fig Tree Limited are considered equity-settled share-based payments as they are settled by an entity outside the Tyme Bank group and are not required to be refunded by the Bank. The Long Term Incentive Plan (LTIP) is considered to be equity settled.

### a. Employee share based compensation benefits

Share-based compensation benefits are provided to employees (including senior executives) of the Bank via the Tyme Bank Holdings Limited Long Term Incentive Plan ('LTIP') which replaced the Tyme Bank Employee Share Ownership Programme ('ESOP') during the year. Selected employees working at the Bank are granted share appreciation rights based on the change in the value of the bank's shares between grant date and exercise date through the programme. Information relating to these schemes are set out in note 15.

The change in the fair value of shares granted under the ESOP is recognised as an employee benefit expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (e.g. the entity's share price in terms of recent share subscriptions)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period. At the end of each period, the entity revises its estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where payments are made to employees in lieu of settlement by delivery of shares, the ESOP becomes cash-settled requiring different accounting treatment. The equity value of the vested rights is revalued at payment date by reference to the share price of the Bank at that date, with the impact reflected as an adjustment to a reserve in equity. Any excess of the payment over the fair value of the equity amount associated with the vested shares is then reflected in profit or loss.

After settlement of the vested share appreciation rights ('SARs'), the ESOP is treated as cash-settled, and the balances remaining in equity are transferred to a liability. This liability is recorded at fair value with changes in value at reclassification date resulting in adjustments to equity. Subsequent changes in fair value of the liability are recognised in profit or loss.

Where a cash-settled ESOP is replaced by a new equity-settled LTIP, accounting for this replacement is done using the modification approach allowed in IFRS 2. The equity-settled values are calculated with reference to the value of the replacement rights, and any difference between the equity-settled values and the fair value of the liability at replacement date is recorded in profit or loss.

In terms of the LTIP, employees are also entitled to Dividend Equivalent Units, the value of which is used to calculate additional LTIP units for the employee should dividends be paid by Tyme Bank Holdings Limited.

### b. Purchase of shares by African Fig Tree Investments Proprietary Limited ('AFT')

Share-based payment compensation received by certain employees of the Bank in the form of a discount on the acquisition price of Tyme Bank Holdings Limited's shares from an entity outside the group is recognised as an equity-settled share-based payment. The total expense is recognised immediately where there are no vesting conditions, with the remainder recognised over the vesting period.

## 1.11 Employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

# Accounting Policies

## 1.11 Employee benefits (continued)

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

## 1.12 Provisions and contingencies

Provisions are recognised when:

- the Bank has a present 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 obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses unless the contract is considered to be onerous. An onerous contract is identified when the costs to fulfil the contract are higher than the expected future economic benefits to be received and a provision is raised based on the total estimated costs required to fulfil the contract less future economic benefits expected to be received.

## 1.13 Revenue recognition

Revenue is recognised on an accrual basis in the period in which the interest is earned or services are rendered.

### a. Interest income and expenses

Interest income and expenses are recognised in the statement of profit or loss and other comprehensive income for all instruments measured at amortised cost using the effective interest rate method over the life of the related instrument as well as that from instruments which are held at fair value through profit or loss from which interest is derived.

Loan origination fees that relate to the creation of a financial asset are amortised over the expected term of the loan on an effective interest rate basis and included in interest income.

### b. Net fee income

Fee income comprises of fees levied on customer transactional accounts such as cash deposit and withdrawal fees, money transfer fees and fees pertaining to value added services conducted as an agent of another business such as the purchase of electricity and airtime.

Fee income also includes commission income which is earned from customers entering into insurance contracts and is net of any costs relating to the insurance clawback obligation.

Fee income is recognised in a manner that depicts the transfer of promised services to customers in an amount that reflects the consideration we expect to be entitled to for those services. Fees earned in respect of services rendered are accrued at a point in time, as the service is rendered.

Fee expenses are expenses incurred in the generation of fee income and directly relate to the facilitation of the customers' transactions.

# Accounting Policies

## 1.14 Translation of foreign currencies

### a. Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Annual Financial Statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## 1.15 Prepayments

Prepayments are included in receivables and relate to annual service contracts for IT support services, networks and licences, as well as new kiosks ordered from the manufacturer that have not yet been delivered to the Bank.



# Notes to the Annual Financial Statements

## 2. New Standards and Interpretations

### 2.1 Standards and interpretations not yet effective

Effective date: Years beginning on or after:	Amendments not yet effective	Impact
01 January 2022	<p><b>IFRS 9 Financial Instruments</b></p> <p><b>Fees in the "10 per cent" test for derecognition of financial liabilities</b></p> <p>This clarifies which fees must be applied in the application of the '10 per cent' test when assessing whether to derecognise a financial liability.</p> <p>Only include fees paid or received between the borrower and the lender, including those paid or received on the other's behalf.</p>	Not material
01 January 2023	<p><b>IAS 1 Presentation of Financial Statements</b></p> <p><b>Classification of liabilities as current or non-current</b></p> <p>Classification to be based on whether the right to defer settlement by at least twelve months exists at the end of the reporting period.</p> <p>Classification is unaffected by expectation of settlement.</p> <p>Settlement refers to transfer of cash equity instruments, other assets or services.</p> <p>That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.</p>	Not material
01 January 2023	<p><b>IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</b></p> <p><b>Definition of Accounting Estimates</b></p> <p>Distinguishes clearly between a change in accounting policy and a change in accounting estimate.</p> <p>Revises the definition of an accounting estimate and provides reworded and specific examples of accounting estimates.</p> <p>Clarifies that measurement techniques and inputs used in developing accounting estimates are not accounting policies</p>	Not material
01 January 2023	<p><b>IAS 12 Income taxes</b></p> <p><b>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</b></p> <p>Narrows the scope of the exemption for recognition of taxable/deductible temporary differences that arise on certain transactions. The transaction should not give rise to equal taxable and deductible temporary differences.</p> <p>Clarifies that deferred tax must be recognised on initial recognition of IFRS 16 leases and similar types of transactions that give rise to the recognition of an asset and a liability, such as decommissioning, restoration and similar liabilities with corresponding amounts recognised as part of the related asset.</p>	Not material

# Notes to the Annual Financial Statements

## 2. New Standards and Interpretations (continued)

Effective date: Years beginning on or after:	Amendments not yet effective	Impact
01 January 2022	<p><b>Narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16</b></p> <p><b>IFRS 3 Business combinations</b></p> <p>Entities are required to apply criteria in IAS 37 or IFRIC 21 instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.</p> <p>Clarifies that contingent assets do not qualify for recognition at acquisition date.</p> <p><b>IAS 16 Property, plant and equipment</b></p> <p>Prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Sales proceeds and related costs must instead be recognised in profit or loss</p> <p><b>IAS 37 Provisions, contingent liabilities and contingent assets</b></p> <p>The amendments specify which costs must be considered when determining whether a contract will be loss-making.</p> <p><b>Annual improvements</b></p> <p>Minor amendments were made to IFRS 1 First-time Adoption of IFRS, IFRS 9 Financial Instruments, IAS 41 Agriculture, and the Illustrative Examples accompanying IFRS 16 Leases.</p>	Not material

# Notes to the Annual Financial Statements

## 3. Financial instruments and risk management

### 3.1. Categories of financial assets

2022

	Notes	Fair value through profit or loss R	Amortised cost R	Total R
Receivables	7	-	58 884 532	58 884 532
Financial assets (bonds, treasury bills and money-market investments)	8	96 418 411	3 416 073 074	3 512 491 485
Customer advances	10	-	913 315	913 315
Cash and cash equivalents	12	-	426 357 346	426 357 346
		<b>96 418 411</b>	<b>3 902 228 267</b>	<b>3 998 646 678</b>

2021

	Notes	Fair value through profit or loss R	Amortised cost R	Total R
Receivables	7	-	35 338 811	35 338 811
Financial assets (bonds, treasury bills and money-market investments)	8	112 126 929	2 110 842 521	2 222 969 450
Customer advances	10	-	821 079	821 079
Cash and cash equivalents	12	-	498 308 990	498 308 990
		<b>112 126 929</b>	<b>2 645 311 401</b>	<b>2 757 438 330</b>

The fair value of the Treasury bills and money market investments is R2 247 179 366 (2021: R2 782 130 120).

Bonds have a fair value of R1 092 619 320 (2021: R994 516 587). The price is observable in an open market, hence the fair value is classified as level 1, as defined by the fair value hierarchy of IFRS 13.

The remaining assets are short term in nature and the fair value approximates the carrying value.

### 3.2. Categories of financial liabilities

2022

	Notes	Amortised cost R	Total R
Trade and other payables	16	134 021 702	134 021 702
Deposits received from customers	18	3 278 717 853	3 278 717 853
		<b>3 412 739 555</b>	<b>3 412 739 555</b>

2021

	Notes	Amortised cost R	Total R
Trade and other payables	16	104 148 937	104 148 937
Deposits received from customers	18	2 201 421 155	2 201 421 155
		<b>2 305 570 092</b>	<b>2 305 570 092</b>

The fair value of the financial liabilities approximates the carrying amount.

# Notes to the Annual Financial Statements

## 3. Financial instruments and risk management (continued)

### 3.3. Capital risk management

The Bank's objective when managing capital is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Bank's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

Capital requirements are set out by the Prudential Authority ('PA') and are monitored accordingly.

Internal controls and governance processes which include the Risk Appetite Statement ('RAS') are used by the Asset and Liability Committee ('ALCO') to monitor, manage and ensure sound capital planning.

As part of the RAS process, capital will be managed in a conservative manner to ensure minimum PA requirements are met at all times. Members of the Bank's Executive Committee attends the monthly Regulatory review meeting where the PA reports, including the capital adequacy report, are reviewed and discussed.

In maintaining these capital ratios, management seeks to efficiently manage both the admissible capital on the balance sheet and the risk weighted value of balance sheet assets.

The Capital Adequacy Ratio ('CAR') is calculated and monitored monthly to ensure that the CAR is in line with the Bank's daily activities. The Bank's capital has been managed above the minimum regulatory requirement. The capital adequacy ratio at year end is 137%.

### 3.4. Financial risk management

#### A. Overview

The Bank is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk (currency risk); and
- Interest rate risk (re-pricing risk).

#### B. Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the period under review the Bank has not fully launched lending products to its customers, hence there is limited credit risk arising from customer advances.

The majority of the Bank's credit risk currently arises from interbank placements, minimum reserving requirements and investing in treasury bills and bonds for liquid asset requirements.

Traditionally credit risk forms the largest risk for banks. However, since the Bank is still in the early phase of extending credit to its customers, this risk is not considered to be significant but will increase as the lending book grows.

Despite the aforementioned, the Bank continues to carefully manage its credit risk with robust governance in place (at management and Board level) to mitigate its credit risk exposure.

# Notes to the Annual Financial Statements

## 3. Financial instruments and risk management (continued)

The maximum exposure to credit risk is presented in the table below:

		2022 R			2021 R		
		Gross carrying amount	Expected credit losses	Net carrying amount	Gross carrying amount	Expected credit losses	Net carrying amount
Receivables	7	58 884 532	-	58 884 532	35 338 811	-	35 338 811
Financial assets	8	3 514 402 796	(1 911 311)	3 512 491 485	2 223 826 537	(488 371)	2 222 969 450
Government bonds		1 152 294 771	(633 200)	1 151 661 571	970 193 514	-	970 193 514
Bank balances pledged		15 058 952	(2 433)	15 056 519	15 058 952	(7 136)	15 051 816
Money market investments		96 418 411	-	96 418 411	112 180 085	(53 156)	112 126 929
Treasury bills		2 250 630 662	(1 275 678)	2 249 354 984	1 126 393 986	(428 079)	1 125 965 907
Customer advances	10	1 189 006	(275 691)	913 315	1 486 048	(664 969)	821 079
Cash and cash equivalents	12	426 456 382	(99 036)	426 357 346	498 541 356	(232 365)	498 308 991
		<b>4 000 932 716</b>	<b>(2 286 038)</b>	<b>3 998 646 678</b>	<b>2 759 192 752</b>	<b>(1 385 705)</b>	<b>2 757 807 047</b>

The Bank has reviewed all categories of financial assets in light of the COVID-19 pandemic and the downturn in local and international economies.

### a. Treasury bills and bonds

Treasury bills and bonds have been assessed for expected credit losses by considering the sovereign credit risk rating. There is no historical evidence of default, hence management has assessed the probability of default to be low.

### b. Receivables

Receivables primarily relate to cash-in-transit. Credit risk has been considered by management by assessing the historical movements in the balances for any indication of any credit losses. No significant credit risk has been identified. Receivables are considered to be fully recoverable, therefore no expected credit losses have been recognised.

### c. Bank balances pledged

Bank balances pledged are held by First National Bank, a division of FirstRand Bank Limited, and relate to guarantees on leases held over properties. These balances have been assessed for expected credit losses by taking into account the counterparty credit rating of the institution where the pledged balances are held. Bank balances pledged are held at a reputable institution that has not historically defaulted and is not expected to default in the near future.

### d. Money market investments

Money market investments comprise of Collective Investment Schemes ('CIS'). They are subject to insignificant risk of changes in value and are classified as financial assets measured at fair value through profit or loss.

### e. Cash and cash equivalents

Cash and cash equivalents have been assessed for expected credit losses by taking into account the counterparty credit rating where cash and cash equivalents are held. Cash and cash equivalents are held at reputable institutions that have not historically defaulted and are not expected to default in the near future.

### f. Customer advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default ('PD'), Exposure of Default ('EAD') and Loss Given Default ('LGD'). This is the approach used for purposes of measuring Expected Credit Loss ('ECL') under IFRS 9.

# Notes to the Annual Financial Statements

## 3. Financial instruments and risk management (continued)

### Credit risk rating

The Bank has built credit risk rating models utilising sophisticated modelling techniques utilising credit bureau data. Customer specific information collected at the time of application is fed into this rating model and an affordability assessment, which is a key component of the credit risk decision, is undertaken in line with regulatory guidelines. This current approach enables expert judgement from the Credit Risk Officer to develop future internal credit rating for exposure to the customer advances. The payment behaviour of customers is being monitored and documented in developing this internal credit rating behavioural credit score grading.

### Measurement of ECLs

IFRS 9 outlines a 'three-stage' model for impairments based on changes in credit quality since initial recognition as summarised below:

- Customer advances that are not credit-impaired on initial recognition are classified in Stage 1 and has its credit risk continuously monitored by the Bank against its significant increase in credit risk ('SICR') criteria;
- If a significant increase in credit risk since initial recognition is identified, the customer advance is moved to Stage 2 but is not yet deemed to be credit-impaired; and
- If the customer advances become credit-impaired, these advances move to Stage 3.

The Bank's significant increase in credit risk approach can be summarised as follows:

Stage 1 12 month expected credit losses (Performing)	Stage 2 Lifetime expected losses (Underperforming)	Stage 3 Lifetime credit losses (Non-performing)
Initial recognition Characteristics: <ul style="list-style-type: none"> <li>• No arrears (current)</li> <li>• Non-distressed restructures within normal product parameters</li> <li>• Paying restructures (moved from Stage 3 post 6 months of payments)</li> </ul>	SICR since initial recognition  Characteristics: <ul style="list-style-type: none"> <li>• Advances up to two months in arrears</li> </ul>	Credit-impaired advances  Characteristics: <ul style="list-style-type: none"> <li>• Advances that are three months in arrears or have been handed over</li> <li>• Deceased customers</li> <li>• Distressed restructures</li> <li>• Debt review and terminated debt review customers</li> </ul>

### Definition of default

The Bank's default definition is aligned to the Basel definition of default and an advance is seen to be in default when the customer is more than three months past due on their contractual payments, is undergoing legal action (handed over) or is written off.

### Estimates and forward-looking information

#### Estimates

The ECLs are the discounted product of the PD, EAD and LGD. The PD represents the likelihood of the customer defaulting on its financial obligations. The EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months or over the remaining life-time of the advance. The LGD represents the bank's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default.

ECLs are determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood that the exposure has not been prepaid or defaulted in an earlier month. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate.

In many instances, the lifetime PD is developed by applying a maturity profile to the current 12 month PD. The maturity profile looks at how defaults develop on an exposure from the point of initial recognition throughout the lifetime of the advances. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. However, in the absence of empirical data, the Bank has applied a judgmental approach to the lifetime PD. A conservative scaling factor is applied to the origination PD to estimate the lifetime PD for accounts in Stage 2. The Bank continues to investigate the use of external risk gradings in the lifetime PD as it collects empirical data. The 12 month and lifetime EADs are determined based on the expected payment profile of customers.

# Notes to the Annual Financial Statements

## 3. Financial instruments and risk management (continued)

Traditionally LGDs are determined based on the factors which impact the recoveries made post default. For customer advances, this is primarily based on the success of collection strategies. The Bank has adopted a benchmarking approach to the LGD applied on the portfolio due to the lack of empirical data. The benchmarked LGD utilised on the portfolio also contains an overlay of conservatism based on management's past experience with the market segment the Bank is operating within.

### Forward-looking information

Forward-looking information is incorporated into the Bank's forecasts with key economic variables that impact credit risk and expected credit losses for customer advances having been identified. The Bank utilises the most recently available Bureau of Economic Research ('BER') macro-economic outlook for the country over a planning horizon of at least 5 years to estimate the effects of changes to the economic environment. Three economic scenarios (Base, Upside, Downside) are taken into account when calculating the impact of macro-economic factors of ECLs. The current macro-economic forecast incorporated into the ECL modelling considers the potential impact of the COVID-19 pandemic.

### C. Liquidity risk

The Bank's liquidity risk is a result of the funds available to cover future commitments. The Bank manages liquidity risk through an ongoing review of future commitments and credit facilities.

The Bank's treasury function is responsible for funding and liquidity management. This function is critical in ensuring that the Bank has sufficient funds to meet all its obligations as they fall due and to optimally and efficiently place or utilise surplus funds to ensure optimal return for the Bank, its depositors and investors. This is all done within prescribed internal limits set out in the Bank's respective policies, as well as in compliance with regulatory liquidity, market, and credit risk limits.

Since March 2020, the spread of COVID-19 has negatively impacted the local economy. Many businesses were forced to cease or limit operations for long or indefinite periods of time. The impact of COVID-19 remains unclear at this time, however management has extensively assessed, as far as possible, the impact of the pandemic on the Bank from a liquidity perspective.

The table below analyses the Bank's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances where the impact of discounting is not significant.

2022

		Less than 1 year R	1 to 5 years R	Total R
<b>Non-current liabilities</b>				
Lease liabilities	5	-	20 774 749	20 774 749
<b>Current liabilities</b>				
Trade and other payables*	16	122 235 207	-	122 235 207
Lease liabilities	5	6 120 612	-	6 120 612
Deposits received from customers *	18	3 278 717 853	-	3 278 717 853
		<b>3 407 073 672</b>	<b>20 774 749</b>	<b>3 427 848 421</b>

# Notes to the Annual Financial Statements

## 3. Financial instruments and risk management (continued)

2021

	Less than 1 year R	1 to 5 years R	Total R
<b>Non-current liabilities</b>			
Lease liabilities	-	31 852 614	31 852 614
<b>Current liabilities</b>			
Trade and other payables*	104 148 937	-	104 148 937
Lease liabilities	9 048 349	-	9 048 349
Deposits received from customers *	18 2 201 421 155	-	2 201 421 155
	<b>2 314 618 441</b>	<b>31 852 614</b>	<b>2 346 471 055</b>

\* Trade and other payables are typically due within 30 days from invoice date. Deposits received from customers are repayable on demand.

### D. Foreign currency risk

#### Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

#### South African Rand

	2022 R	2021 R
<b>Current liabilities</b>		
Trade and other payables *	16 -	1 207 663

#### Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

#### US Dollar exposure:

	2022	2021
<b>Current liabilities</b>		
Trade and other payables *	16 -	84 725

#### Exchange rate

#### Rand per unit of foreign currency:

US Dollar	16.257	14.330
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#### Foreign currency sensitivity analysis

The following information presents the sensitivity to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Increase or decrease in rate Impact on profit or loss:	2022	2022	2021	2021
	Increase	Decrease	Increase	Decrease
10% (2021: 10%)	-	-	120 766	(120 766)

# Notes to the Annual Financial Statements

## **3. Financial instruments and risk management (continued)**

### **E. Interest rate risk**

Interest bearing assets are mostly in the form of treasury bills, bonds and fixed term deposits, for which the interest rate is fixed for a period of 3 to 96 months.

Interest bearing liabilities comprise solely of customer deposits, which are held by means of transactional and savings accounts. No interest is payable on customer deposits held in transactional accounts and the interest rate on savings accounts is discretionary based on the customer's respective tier for an unspecified period.

### **F. Re-pricing risk**

Re-pricing risk (mismatch risk) is the timing difference in the maturity (for fixed) and re-pricing (for floating rate) of the Bank's assets and liabilities.

# Notes to the Annual Financial Statements

## 3. Financial instruments and risk management (continued)

The table below summarises the re-pricing risk exposure to interest rate risk through grouping assets and liabilities into re-pricing categories, determined to be the earlier of the contractual re-pricing or maturity date, using the carrying amount of such assets and liabilities at balance sheet date.

### 2022

Static repricing gap	Up to 1 month R'000	More than 1 month up to 3 months R'000	More than 3 months up to 6 months R'000	More than 6 months up to 12 months R'000	More than 12 months up to 3 years R'000	More than 3 years to 5 years R'000	More than 5 years to 10 years R'000	More than 10 years R'000	Non-rate sensitive items R'000	Total R'000
Assets	270 271	866 162	570 304	866 218	210 880	295 488	540 637	-	552 492	4 172 452
Liabilities, capital and reserve funds	(1 807 843)	-	-	-	-	-	-	-	(2 364 609)	(4 172 452)
<b>Net static gap</b>	<b>(1 537 572)</b>	<b>866 162</b>	<b>570 304</b>	<b>866 218</b>	<b>210 880</b>	<b>295 488</b>	<b>540 637</b>	<b>-</b>	<b>(1 812 117)</b>	<b>-</b>

### 2021

Static repricing gap	Up to 1 month R'000	More than 1 month up to 3 months R'000	More than 3 months up to 6 months R'000	More than 6 months up to 12 months R'000	More than 12 months up to 3 years R'000	More than 3 years to 5 years R'000	More than 5 years to 10 years R'000	More than 10 years R'000	Non-rate sensitive items R'000	Total R'000
Assets	571 572	255 252	772 923	98 872	447	-	970 194	-	218 224	2 887 484
Liabilities, capital and reserve funds	(1 260 267)	-	-	-	-	-	-	-	1 627 217)	(2 887 484)
<b>Net static gap</b>	<b>(688 695)</b>	<b>255 252</b>	<b>772 923</b>	<b>98 872</b>	<b>447</b>	<b>-</b>	<b>970 194</b>	<b>-</b>	<b>(1 408 993)</b>	<b>-</b>

### Interest rate repricing

The following information presents the sensitivity an increase or decrease in the interest rate.

#### 1% movement in interest rates

	2022 Increase	2022 Decrease	2021 Increase	2021 Decrease
Bonds	(54 576 800)	54 576 800	-	-
Treasury bills	(8 652 400)	8 652 400	-	-
	<b>(63 229 200)</b>	<b>63 229 200</b>	<b>-</b>	<b>-</b>

# Notes to the Consolidated and Separate Annual Financial Statements

## 4. Plant and equipment

Group 2022

	2022 R			2021 R		
	Cost	Accumulated depreciation / impairment	Carrying value	Cost	Accumulated depreciation / impairment	Carrying value
Furniture and fixtures	2 976 227	(2 403 851)	572 376	5 382 861	(4 347 043)	1 035 818
Office equipment	564 968	(441 288)	123 680	1 127 419	(841 582)	285 837
Computer equipment	83 311 461	(78 735 991)	4 575 470	77 760 500	(75 831 523)	1 928 977
Leasehold improvements	5 441 876	(4 010 142)	1 431 734	5 089 351	(3 463 616)	1 625 735
Tools and equipment	883 511	(283 680)	599 831	687 919	(151 783)	536 136
Generators	1 014 839	(371 276)	643 563	1 014 839	(299 198)	715 641
Kiosks	63 084 142	(48 373 329)	14 710 813	61 247 061	(49 634 380)	11 612 681
Capital - Work in progress	96 699 115	(28 919 545)	67 779 570	43 902 083	(28 029 245)	15 872 838
<b>Total</b>	<b>253 976 139</b>	<b>(163 539 102)</b>	<b>90 437 037</b>	<b>196 212 033</b>	<b>(162 598 370)</b>	<b>33 613 663</b>

### Reconciliation of plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Furniture and fixtures	1 035 818	-	-	(17 180)	(446 262)	-	572 376
Office equipment	285 837	65 946	(54 170)	(118 856)	(55 077)	-	123 680
Computer equipment	1 928 977	3 568 928	-	39 611	(962 046)	-	4 575 470
Leasehold improvements	1 625 735	352 526	-	-	(546 527)	-	1 431 734
Tools and equipment	536 136	99 167	-	96 425	(131 897)	-	599 831
Generators	715 641	-	-	-	(72 078)	-	643 563
Kiosks	11 612 681	-	-	7 627 189	(4 172 490)	(356 567)	14 710 813
Capital - Work in progress	15 872 838	61 631 592	(1 207 371)	(7 627 189)	-	(890 300)	67 779 570
	<b>33 613 663</b>	<b>65 718 159</b>	<b>(1 261 541)</b>	<b>-</b>	<b>(6 386 377)</b>	<b>(1 246 867)</b>	<b>90 437 037</b>

# Notes to the Annual Financial Statements

## 4. Plant and equipment

### Reconciliation of plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Furniture and fixtures	2 034 550	-	-	-	(998 732)	-	1 035 818
Office equipment	414 906	28 904	-	-	(157 973)	-	285 837
Computer equipment	4 738 202	983 353	(239 853)	-	(3 552 725)	-	1 928 977
Leasehold improvements	3 593 583	44 059	-	-	(855 443)	(1 156 464)	1 625 735
Tools and equipment	650 912	-	-	-	(114 776)	-	536 136
Generators	787 719	-	-	-	(72 078)	-	715 641
Kiosks	15 672 262	-	-	7 050 558	(10 575 288)	(534 851)	11 612 681
Capital - Work in progress	20 797 466	10 039 325	(7 104 755)	(7 050 558)	-	(808 640)	15 872 838
	<b>48 689 600</b>	<b>11 095 641</b>	<b>(7 344 608)</b>	<b>-</b>	<b>(16 327 015)</b>	<b>(2 499 955)</b>	<b>33 613 663</b>

### Plant and equipment encumbered as security

No property, plant and equipment has been encumbered as security for borrowings.

### Changes in estimates

The Bank reassesses the useful lives and residual values of items of property, plant and equipment at the end of each reporting period, in line with the accounting policy and IAS 16 Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

### Disposals

During the current year, disposals from Capital Work-in-progress amounting to R1 207 371 (2021: R7 104 755) relate to kiosks manufactured and sold to third parties.

### Impairment loss

Property, plant and equipment were tested for impairment by comparing the carrying amount to its recoverable amount, and as a result an impairment charge of R1 246 867 (2021: R2 499 955) was recorded in the statement of profit or loss and other comprehensive income for the year.

In an effort to incorporate the latest technological advancements, the Bank's digital infrastructure is redefined and enhanced on a regular basis. As a result, an impairment to capital-work-in-progress of R890 300 (2021: R808 640) was recognised during the current year. The impairment relates specifically to unsuitable or damaged kiosk components, which have a net recoverable amount of R nil.

# Notes to the Consolidated and Separate Annual Financial Statements

	2022 R	2021 R
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## 4. Plant and equipment (continued)

RNil (2021: R534 851) has also been included in the impairment charge and relates to the write down of damaged kiosks to their net recoverable amount of R nil as at 30 June 2022.

Further included in this amount is RNil (2021: R1 156 464) which relates to leasehold improvements pertaining to a rental property which is no longer occupied by the Bank.

## 5. Right-of-use assets and lease liabilities

The Bank leases office space under lease contracts with extension options to renew the leases. These extension options are exercisable by the Bank up to three months before the end of the non-cancellable contract period. The extension of the leases is at the option of the Bank. The Bank has assumed that leases will be extended and has provided for such in the asset and liability calculations.

The lease term of these leases is between 2 and 5 years. Lease payments are made monthly and have escalation clauses between 8% and 10% per annum. The incremental borrowing rate utilised in the lease calculations ranges between 10.91% - 12.91%.

The Bank did not enter into any sub-lease arrangements for the office space.

The Bank has office equipment valued below R120 000. For such leases, the Bank has elected not to recognise right-of-use assets and lease liabilities but to recognise an expense for the lease payment over the lease term.

Group	2022 R			2021 R		
	Cost	Accumulated depreciation / impairment	Carrying value	Cost	Accumulated depreciation / impairment	Carrying value
Office space	35 403 993	(11 668 402)	23 735 591	34 571 420	(4 019 179)	30 552 241

### Reconciliation of right of use asset - 2022

	Opening balance	Additions	Depreciation	Total
Office space	30 552 241	832 573	(7 649 223)	23 735 591

### Reconciliation of right of use asset - 2021

	Opening balance	Additions	Depreciation	Total
Office space	9 112 414	32 025 842	(10 586 015))	30 552 241

### Lease liability

Balance - 1 July	31 723 323	9 892 737
Additions	832 573	32 025 842
Interest expense	3 395 905	1 956 297
Lease payments	(9 056 440)	(12 151 553)
	<b>26 895 361</b>	<b>31 723 323</b>
Non-current liabilities	20 774 749	26 001 672
Current liabilities	6 120 612	5 721 651
	<b>26 895 361</b>	<b>31 723 323</b>

# Notes to the Annual Financial Statements

	2022 R	2021 R
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## 5. Right-of-use assets and lease liabilities (continued)

The following amounts are recognised in profit or loss relating to leases:

Depreciation expense on right-of-use assets	7 649 223	10 586 015
Interest expense on lease liabilities	3 395 905	1 956 297
Expense relating to low-value assets	-	173 430
Rent concession	-	(1 011 830)
<b>Total amount recognised in profit or loss</b>	<b>11 045 128</b>	<b>11 703 912</b>

## 6. Deferred tax

### Unrecognised deferred tax asset

Deductible temporary differences not recognised as deferred tax assets	103 597 714	57 205 071
Unused tax losses not recognised as a deferred tax asset	1 435 949 514	1 087 687 325
Adjustment for change in estimate of capital allowances	-	41 274 9270
<b>Total</b>	<b>1 543 478 924</b>	<b>1 186 167 323</b>

The tax rates used to determine the unrecognised deferred tax asset are 27% (2021: 28%).

## 7. Receivables

### Financial instruments:

Trade receivables	6 179 223	7 750 524
Deposits	1 806 470	1 721 570
Cash in transit *	50 898 839	25 866 717

### Non-financial instruments:

Value Added Tax	6 247 705	10 661 838
Prepayments **	52 598 226	36 759 541

### Receivables

**117 730 463**      **82 760 190**

\* Cash in transit represents transactional settlements receivable from banking institutions and vendors, settled within 30 days of transaction date.

\*\* Prepayments relate to annual service contracts for IT support services, networks and licences.

### Financial instrument and non-financial instrument components of trade and other receivables

At amortised cost	58 884 532	35 338 811
Non-financial instruments	58 845 931	47 421 379
<b>Total</b>	<b>117 730 463</b>	<b>82 760 190</b>

## 8. Financial assets

Government Bonds	1 152 294 771	970 193 514
Bank balances pledged	15 058 952	15 058 952
Money market investments*	96 418 411	112 180 085
Treasury bills	2 250 630 662	1 126 393 986
<b>Gross other financial assets</b>	<b>3 514 402 796</b>	<b>2 223 826 537</b>
Expected Credit Losses (Stage 1)	(1 911 311)	(857 087)
<b>Net financial assets</b>	<b>3 512 491 485</b>	<b>2 222 969 450</b>

\* Money market investments are available on demand.

# Notes to the Annual Financial Statements

	2022 R	2021 R
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## 8. Financial assets (continued)

### Split between non-current and current portions

Non-current assets	1 151 661 571	969 824 798
Current assets	2 360 829 914	1 253 144 652
	<b>3 512 491 485</b>	<b>2 222 969 450</b>

### Classification of financial assets

Amortised cost	3 416 073 074	2 110 842 521
Fair value through profit or loss	96 418 411	112 126 929
	<b>3 512 491 485</b>	<b>2 222 969 450</b>

### Bonds

The Bank holds interest bearing investments in R186 and R2030 bonds. The bonds are issued by the South African Government and have a 5 to 10 year maturity period. The bonds are held as part of the HQLA policy of the Bank.

The ECL is raised on credit risk arising from counterparties with whom the bonds are held. External ratings agencies used to assess these credit ratings are Moody's, S&P and Fitch. All bonds are classified as stage 1 and have an ECL for the following 12 months as a result. This is due to there being no SICR event in terms of the Bank's accounting policies as detailed in note 1.3.

Refer to note 3.4 for an analysis of the bank's static repricing gap

### Bank balances pledged

Bank balances pledged are held by First National Bank, a division of First Rand Bank Limited, and relate to guarantees on leases held over properties.

### Beneficiary

	Amount (R)	Expires
Spareprops Proprietary Limited	15 000 000	31 July 2026
Bunker Hills Investments 604 Proprietary Limited *	58 952	30 April 2022
	<b>15 058 952</b>	

\* A month-to-month lease is in effect at 30 June 2022.

### Money market investments

The Bank has invested in three Collective Investment Scheme ('CIS') money market funds, namely Ninety-one Asset Management, Sanlam Investment Managers and Nedgroup Investment Managers. Similar to conventional money market deposits, participation in these funds is at a fixed unit price and interest is accrued monthly on the investment. No fair value adjustments are required as the unit prices in the fund are fixed at 100 cents.

These funds are available on demand.

# Notes to the Annual Financial Statements

	2022 R	2021 R
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## 8. Financial assets (continued)

### Treasury bills

As part of Tyme Bank's liquidity risk management strategy, the Bank holds investments in shorter dated Treasury Bills (91d - 364d) issued by National Treasury for liquid asset requirements.

The ECL is raised on credit risk arising from counterparties with whom the other financial assets are held. All other financial assets are classified as stage 1. There were no movements between stages for other financial assets during the reporting period.

Refer to note 3.4 for the repricing gap analysis that shows maturities

## 9. Expected credit losses

Financial assets including customer advances	(2 187 002)	(1 153 340)
Cash and cash equivalents	(99 036)	(232 365)
	<b>(2 286 038)</b>	<b>(1 385 705)</b>

## 10. Customer advances

Gross customer advances	1 189 006	1 486 048
Expected credit losses	(275 691)	(664 969)
<b>Net customer advances</b>	<b>913 315</b>	<b>821 079</b>

### Analysis of customer advances by stage

	Stage 1 12 Month ECL R	Stage 2 Lifetime ECL R	Stage 3 Lifetime ECL R	Total R
Gross customer advances	716 604	154 656	317 746	1 189 006
Expected credit losses	(53 728)	(19 245)	(202 718)	(275 691)
<b>Net customer advances</b>	<b>662 876</b>	<b>135 411</b>	<b>115 028</b>	<b>913 315</b>
ECL coverage %	(7.50)%	(12.44)%	(63.80)%	(23.19)%

### Reconciliation of gross customer advances

	Stage 1 R	Stage 2 R	Stage 3 R	Total
Opening balance - 1 July 2021	567 082	211 518	707 448	1 486 048
New advances	6 441 285			6 441 285
Income accrued for the year	356 379	28 469	103 575	488 423
Transfers	(333 799)	(35 719)	369 517	(1)
Stage 1 to Stage 2	(392 162)	392 162	-	8 415 755
Stage 1 to Stage 3	(423)	-	423	-
Stage 2 to Stage 3	-	(407 474)	407 474	-
Stage 2 to Stage 1	28 721	(28 721)	-	-
Stage 3 to Stage 1	30 065	-	(30 065)	-
Stage 3 to Stage 2	-	8 315	(8 315)	-
Repayment	(6 314 343)	(49 612)	(132 557)	(6 496 512)
Write-offs	-	-	(730 237)	(730 237)
<b>Closing balance - 30 June 2022</b>	<b>716 604</b>	<b>154 656</b>	<b>317 746</b>	<b>1 189 006</b>

# Notes to the Annual Financial Statements

## 10. Customer advances (continued)

Reconciliation of expected credit losses	Stage 1 R	Stage 2 R	Stage 3 R	Total
Opening balance - 1 July 2021	72 007	33 143	559 819	664 969
New advances - -	180 182	-	-	180 182
Transfers *	(35 716)	(7 377)	299 828	256 735
Stage 1 to Stage 2 -	(41 928)	65 745	-	23 817
Stage 1 to Stage 3 -	(3)	-	338	335
Stage 2 to Stage 3 -	-	(68 420)	330 193	261 773
Stage 2 to Stage 1 -	2 821	(5 628)	-	(2 807)
Stage 3 to Stage 1 -	3 394	-	(24 052)	(20 658)
Stage 3 to Stage 2 -	-	925	(6 652)	(5 727)
Remain in same stage	(78 826)	(4 450)	(52 800)	(136 076)
Repayment (	83 919)	(2 071)	(16 371)	(102 361)
Write-offs - -	-	-	(587 758)	(587 758)
<b>Closing balance - 30 June 2022</b>	<b>53 728</b>	<b>19 245</b>	<b>202 718</b>	<b>275 691</b>

\* The increase/(decrease) on expected credit losses for accounts transferred represents the change in the applicable expected loss % for the respective stages.

## 11. Inventories

	2022 R	2021 R
Customer card stock	18 282 538	48 586 123
Provision for obsolescence	-	(30 127 866)
	<b>18 282 538</b>	<b>18 458 257</b>

The balance represents customer cards on hand. The cost of cards issued to stores is recognised in the statement of profit and loss in the period in which delivery occurs.

Management evaluates its customer card stock to ensure that it is carried at the lower of cost and net realisable value.

Write-downs of customer card stock amount to R442 203 (2021: R1 336 735). These write downs relate to damaged or lost cards and have been recognised as an expense and included in other operating expenses on the statement of profit and loss.

## 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	117 979 839	403 801 042
Balances with the South African Reserve Bank	308 476 543	94 740 314
<b>Gross cash and cash equivalents</b>	<b>426 456 382</b>	<b>498 541 356</b>
Expected Credit Loss (Stage 1)	(99 036)	(232 365)
<b>Net cash and cash equivalents</b>	<b>426 357 346</b>	<b>498 308 990</b>

Balances with the South African Reserve Bank include minimum reserve requirements of R75 182 327 (2021: R41 213 600).

The ECL is raised on credit risk arising from counterparties with whom the cash and cash equivalents are held. All deposits are classified as stage 1. There were no movements between stages for cash and cash equivalents during the reporting period.

# Notes to the Consolidated and Separate Annual Financial Statements

	2022 R	2021 R
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## 12. Cash and cash equivalents (continued)

### Credit quality of cash at bank and short-term deposits, excluding cash on hand

The Bank holds cash and cash equivalents with Absa Bank, First National Bank, Standard Bank, Investec Bank, Mercantile Bank and the South African Reserve Bank.

#### Credit rating - (Fitch)

ABSA Bank: BB-	-	55 423
First National Bank: BB-	423 973	927 674
Investec : BB-	882	470
Mercantile Bank: BB-	55 421	-
South African Reserve Bank: BB-	232 692 493	52 386 998
Standard Bank: BB-	118 101 286	403 957 191
	<b>351 274 055</b>	<b>457 327 756</b>

## 13. Share capital

### Authorised

100,000,000,000 Ordinary shares of R0.10 each	100 000 000 000	10 000 000 000
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### Reconciliation of number of shares issued

Balance - 1 July	6 992 676 653	4 009 583 603
Issue of shares	3 246 472 201	2 983 093 050
<b>Balance - 30 June</b>	<b>10 239 148 854</b>	<b>6 992 676 653</b>

### Reconciliation of share capital issued

Balance - 1 July	699 267 665	400 958 260
Issue of shares - ordinary shares	105 828 334	298 309 405
<b>Balance - 30 June</b>	<b>805 095 999</b>	<b>699 267 665</b>

### Reconciliation of share premium

Balance - 1 July	4 179 485 003	3 574 821 527
Issue of shares	270 975 156	604 663 476
<b>Balance - 30 June</b>	<b>4 450 460 159</b>	<b>4 179 485 003</b>

### Issued

Ordinary shares of R0.10 each	805 095 999	699 267 665
Share premium	4 450 460 159	4 179 485 003
	<b>5 255 556 158</b>	<b>4 878 752 668</b>

During the financial year, approval was granted to the Bank by the Prudential Authority to alter the Memorandum of Incorporation ("Mol") by increasing the authorised shares from 10 billion to 100 billion shares with a par value of 10c per share.

## 14. Shares for issue reserve

### Shares for issue reserve

1 140 951 393	376 803 490
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Shares were issued during the 2022 financial year, utilising the 2021 balance in the shares for issue reserve. This resulted in transfers to share capital of R105 828 334 and share premium R270 975 156.

All shares are fully paid.

# Notes to the Annual Financial Statements

2022  
R

2021  
R

## 15. Share-based payments

The Bank had three distinct share-based payment plans during the year, and two at year end, namely the purchase of shares by African Fig Tree Limited and the Long Term Incentive Plan (LTIP). The LTIP replaced the Employee Share Ownership Programme (ESOP) during the year. In the prior year, the ESOP was considered to be an equity settled scheme and due to the Bank settling the first vesting in cash, this changed to a cash settled scheme during the year.

The purchase of shares by African Fig Tree Limited is considered equity-settled share-based payments as they are settled by an entity outside the Tyme Bank group and are not required to be refunded by the Bank. The Long Term Incentive Plan (LTIP) is considered to be equity settled.

### Reconciliation of share based payments:

	Share based payment reserve			Share-based payment liability	Profit or loss	Retained earnings adjustments
	ESOP/ LTIP	AFT share based payment reserve	Total share based payment reserve			
	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Decrease/ (increase)	Increase/ (decrease)
Opening balance - 1 July 2020	5 172 920	41 194 526	46 367 446	-	-	-
Share based payment expense	4 770 560	4 200 000	8 970 560	-	8 970 560	-
Balances - 30 June 2021	9 943 480	45 394 526	55 338 006	-	-	-
Equity settled ESOP to 31 December 2021						
Share based payment expense	9 613 936	-	9 613 936	-	9 613 936	-
Cash payment to employees in lieu of vested shares	(8 545 470)	-	(8 545 470)	-	8 518 262	49 834
<b>Balances after cash settlement</b>	<b>11 011 946</b>	<b>45 394 526</b>	<b>56 406 472</b>	<b>-</b>	<b>18 132 198</b>	<b>49 834</b>
AFT share based payment expense	-	4 200 000	4 200 000	-	4 200 000	-
Reclassification to ESOP liability	(11 011 946)	-	(11 011 946)	11 011 946	-	-
Revaluation of ESOP liability at reclassification date	-	-	-	8 478 963	-	(8 478 963)
Revaluation of ESOP liability at 27 June 2022	-	-	-	9 983 167	9 983 167	-
Implementation of replacement LTIP	23 709 220	-	23 709 220	(29 474 076)	(5 764 857)	-
<b>Balances - 30 June 2022</b>	<b>23 709 220</b>	<b>49 594 526</b>	<b>73 303 746</b>	<b>-</b>	<b>26 550 508</b>	<b>(8 429 129)</b>

### a. Purchase of shares by African Fig Tree Investments Proprietary Limited ("AFT")

African Rainbow Capital Financial Services Holdings Proprietary Limited ('ARC') sold a portion of its Tyme Bank Holdings Limited shares to AFT, a consortium including certain employees of Tyme Bank and Tyme Limited. The shares were sold at a price that was deemed to be at a discount to their fair value and a share-based payment expense was recognised by the Bank. This is considered an equity-settled share-based payment as the Bank's employees benefit and the Bank is not required to refund ARC.

A portion of the shares (18 000) have no restrictive conditions and vested immediately, while the remaining 12 000 shares have a restrictive condition of service and vest after a period of 5 years.

The total fair value of the shares less the consideration paid amounts to R55 443 696 over the total period, and is recognised as an employee benefit expense with a corresponding increase in equity.

# Notes to the Annual Financial Statements

	2022 R	2021 R
<b>15. Share-based payment (continued)</b>		
<b>Reconciliation of number of shares issued</b>		
Opening balance - 1 July	7 200	9 600
Shares vested during the year	(2 400)	(2 400)
<b>Balance - 30 June</b>	<b>4 800</b>	<b>7 200</b>
<b>Exercisable - 30 June</b>	<b>25 200</b>	<b>22 800</b>

The model inputs utilised to calculate the fair value of the shares include:

Weighted average share price	R1,965
Exercise price:	R42
Marketability discount:	13%
Minority discount:	15%
Attrition rate	10%

## b. Employee share ownership programme (equity settled)

The establishment of the Tyme Bank Employee Share Ownership Programme (ESOP) was approved by shareholders at the 2019 annual general meeting, and the first share appreciation rights were issued in January 2020. This ESOP was designed to provide long term incentives for employees (including executive directors) of the Bank to deliver long-term shareholder returns.

Under the programme, participants were granted share appreciation rights which only vest if certain service and/or performance conditions are met. Participation in the ESOP was at the trustees' discretion and no individual had a contractual right to participate in the plan or to receive any guaranteed benefits.

The first tranche of units awarded to employees in terms of the employee appreciation rights scheme vested on 1 January 2022. It was originally envisaged that the Tyme Bank Holdings Limited shares held by African Rainbow Capital for the share based incentive awards would be sold to the Employee Share Ownership Trust, however, the Tyme Global group decided that a global ESOP would be introduced. For this reason, the shares held by ARC were never sold to the ESOP Trust, which meant that the ESOP Trust was unable to settle the obligation to employees to deliver Tyme Bank Holdings Limited shares on 1 January 2022. As a result, a decision was made to make a cash payment to employees.

This changed the nature of the employee share appreciation rights ('SAR') scheme from equity settled to cash settled. The value attached to the vested SARs was calculated and revalued at vesting date by using the movement in the fair value per share between the date of award and vesting date. The shortfall between the revalued vested SARs and the share based payment reserve was accounted for as a charge to equity. The difference between the amount paid to employees in cash and the revalued vested SARs was recorded as an increase in employee costs.

Employees chose to reinvest 73% of the cash settlement they received in African Fig Tree Investments, which acquired Tyme Bank Holdings Limited shares with those funds.

## c. Employee share appreciation rights scheme (cash settled)

After the first vested portion had been settled out of equity, the remaining balances in equity associated with the SARs were transferred to a liability to reflect the change from equity-settled to cash-settled SARs. These liability balances were then revalued at the date of reclassification by using the change in share price at reclassification and original award date(s). This increase in value was recorded as a charge against retained earnings.

On 27 June 2022, the Bank implemented a new replacement Long Term Incentive Plan ('LTIP') which satisfied the IFRS requirements for equity-settled share based payments. Therefore the share based payment liability was revalued at 27 June 2022 by reference to the Series B2 share subscription price, and share based payment expense was increased accordingly.

## d. Replacement Long Term Incentive Plan (equity settled)

The Tyme Global group implemented new Employee Share Ownership Plans on 27 June 2022 to replace all existing schemes, and all employees accepted the new terms and conditions associated with the replacement scheme prior to 30 June 2022.

Because the new LTIP was implemented as part of a global change, and the intention is to reference the group's share price when determining the value of the SARs awarded to employees, the new LTIP was valued with reference to the group share price, and these amounts were recorded in equity. The liability was extinguished, and the difference between the LTIP equity value and the liability value resulted in a reduction in share based payment expense. This accounting treatment follows the modification approach allowed in IFRS 2.

Some share appreciation rights were also awarded to new and existing employees on 27 June 2022 and on 4 July 2022. These had no impact on the financial results for the year ended 30 June 2022 as the service related period related to the award had not yet commenced for those before year end.

# Notes to the Consolidated and Separate Annual Financial Statements

## 15. Share-based payment (continued)

### Reconciliation of outstanding share appreciation rights (SARs)

	Allocation 1 Performance units	Allocation 2 Performance units	Total
Opening balance - 1 July 2020	44 285 842	-	44 285 842
Closing balance - 30 June 2021	44 285 842	-	44 285 842
Additional SARs awarded	39 845 360	27 453 808	67 299 168
Vested during the year	(25 239 361)	-	(25 239 361)
Forfeited	-	(657 558)	(657 558)
<b>Balance at 26 June 2022</b>	<b>58 891 841</b>	<b>26 796 250</b>	<b>85 688 091</b>
ESOP units cancelled	(58 891 841)	(26 796 249)	(85 688 090)
Replacement units issued	74 366 925	26 796 249	101 163 174
<b>Balance - 30 June 2022</b>	<b>74 366 925</b>	<b>26 796 249</b>	<b>101 163 174</b>

No share appreciation rights were vested or exercisable at 30 June 2022. All units have employment conditions.

The share appreciation rights outstanding at the end of the year have the following award and strike prices, and vesting periods:

	Allocation 1 Performance units	Allocation 2 Performance units
Grant date	27 June 2022	27 June 2022
Expiry date	1 January 2023	1 July 2026
<b>Vesting terms:</b>		
Year 1	43%	0%
Year 2	57%	30%
Year 3		30%
Year 4		40%
Replacement award price (R)	0.537839	0.537839
Strike price (R)	0.001000	0.335868
-		
Weighted average remaining contractual life of share appreciation awards at 30 June 2022 (in years)	0.8	3.1

#### e. Measurement of fair values

The measurement of the employee Long Term Incentive Plan has been measured using the most recent share subscription price. This has been compared to an independent free cash flow to equity model that takes into account marketability and minority ownership discounts, equity market premiums, small stock premiums and the risk-free interest rate for the term of the units.

Service and non-market performance conditions attached to the arrangements were not taken into account when measuring fair value. The assessed fair value at grant date of units granted during the year ended 30 June 2022 was R0.537839 per right.

#### f. Expense recognised in profit or loss

For details of the related employee benefit expenses, see note 24.

#### g. Directors emoluments

For details of the share based payments to the directors see note 29.

#### h. Related party transactions

Transactions with key management personnel are reflected in the related party note 28.1.

# Notes to the Consolidated and Separate Annual Financial Statements

	2022 R	2021 R
<b>16. Trade and other payables</b>		
<b>Financial instruments:</b>		
Trade payables	2 435 259	1 798 243
Settlements payable *	83 336 625	53 223 822
Accrued expenses	47 983 489	44 052 379
Insurance clawback obligation	266 336	5 074 488
<b>Non-financial instruments:</b>		
Income received in advance	3 196 046	4 294 814
	<b>137 217 755</b>	<b>108 443 746</b>

\* Settlements payable represent transactional settlements payable to banking institutions and vendors, settled within 30 days of transaction date.

## Financial instrument and non-financial instrument components of trade and other payables

At amortised cost	134 021 702	104 148 937
Non-financial instruments	3 196 046	4 294 814
	<b>137 217 748</b>	<b>108 443 751</b>

## 17. Provisions

### Reconciliation of provisions - Group - 2022

	Opening balance	Additions	Utilised during the year	Total
Provision for loss on sale of kiosks	1 244 608	-	(298 878)	945 730
Leave pay provision	11 099 349	1 403 520	-	12 502 869
Short term incentive provision	15 980 000	42 430 744	(15 980 000)	42 430 744
	<b>28 323 957</b>	<b>43 834 264</b>	<b>(16 278 878)</b>	<b>55 879 343</b>

### Reconciliation of provisions - Group - 2021

	Opening balance	Additions	Utilised during the year	Total
Provision for loss on sale of kiosks	3 610 934	-	(2 366 326)	1 244 608
Leave pay provision	11 232 525	-	(133 176)	11 099 349
Short term incentive provision	-	15 980 000	-	15 980 000
	<b>14 843 459</b>	<b>15 980 000</b>	<b>(2 499 502)</b>	<b>28 323 957</b>

### Provision for loss on sale of kiosks

During the prior year, a contract was entered into to manufacture and distribute kiosks to the Ubuntu-Botho Community Development Trust. The provision represents the Bank's best estimate of the unavoidable costs of meeting the obligations of the contract less the economic benefits expected to be received.

### Leave pay provision

A provision has been recognised for employees' leave entitlement as the Bank has a present legal obligation to settle with the employee in cash or by leave to be taken. The amount of the provision represents the present value of the expenditure expected to settle the obligation in a 12 month rolling period.

### Short term incentive provision

A provision has been recognised for short term incentives as the Bank has a present legal obligation to settle the expected cost of profit sharing and bonus payments as a result of past performance. The amount of the provision represents the present value of the expenditure expected to settle the obligation in a 12 month period.

# Notes to the Consolidated and Separate Annual Financial Statements

	2022 R	2021 R
<b>18. Deposits from customers</b>		
Money transfer	2 363 186	2 390 106
Transactional accounts	3 276 354 667	2 199 031 049
	<b>3 278 717 853</b>	<b>2 201 421 155</b>

Overall Deposits from customers have increased year on year by R1.08bn (2021: R1.0bn).

## 19. Interest income

<b>Interest income</b>		
Bank and other cash	18 508 641	19 950 708
Money market investment *	4 238 326	2 617 072
<b>Investments in financial assets:</b>		
Treasury bills	84 856 698	42 747 786
Bonds	97 740 136	53 338 285
Customer advances	132 148	762 722
	<b>205 475 949</b>	<b>119 416 573</b>

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through profit or loss amounted to R182 728 982 (2021: R96 848 793).

## 20. Interest paid

Lease liabilities	3 395 905	1 956 297
Tax authorities	(38 677)	48 121
South African Reserve Bank	2 355 137	3 443 425
Interest paid to customers	88 199 055	55 747 946
	<b>93 911 420</b>	<b>61 195 789</b>

## 21. Net fee and commission income

<b>Fee and commission income</b>		
Transactional banking	352 252 202	156 114 390
Insurance	13 363 440	17 248 560
	<b>365 615 642</b>	<b>173 362 950</b>
<b>Fee and commission expense</b>		
Transactional banking	140 408 607	(71 354 970)

Net fee and commission income relates to income generated from customers' transactional accounts and commission earned from the sale of insurance policies taken up by customers, net of any costs relating to the insurance clawback obligations and other expenses.

## 22. Credit impairment charge

Net movement in expected credit losses	531 615	(266 431)
Gross advances written off	639 314	2 585 024
Net impairment charge	1 170 929	2 318 593
Post write off recoveries	(64 766)	(8 762)
<b>Total credit impairment charge</b>	<b>1 106 163</b>	<b>2 309 831</b>

# Notes to the Consolidated and Separate Annual Financial Statements

	2022 R	2021 R
<b>23. Other operating gains (losses)</b>		
Losses)/gains on disposal of property, plant and equipment	(22 181)	77 217
Insurance claim proceeds	7 322 040	
Fees earned - non-banking services	26 507 226	16 770 470
Net foreign exchange (losses) gains	(391 754)	994 127
Fair value adjustment - money market investments	-	(49 534)
	<b>33 415 331</b>	<b>17 792 280</b>
<b>24. Other operating expenses</b>		
Loss before taxation for the year is stated after charging the following:		
<b>Auditor's remuneration - external</b>		
External audit fees	5 816 601	5 762 754
<b>Consulting and professional service fees</b>		
Other professional services	144 393 563	135 433 682
<b>Employee costs</b>		
Salaries, bonuses and other benefits	266 117 190	194 799 112
Share-based compensation expense - ESOP	9 613 936	8 970 560
Share based compensation benefits - AFT	4 200 000	-
Cash payment to employees in lieu of vested ESOP shares	8 518 262	-
Share-based payment - fair value adjustment	9 983 167	-
Implementation of LTIP	(5 764 857)	-
<b>Total employee costs</b>	<b>292 667 698</b>	<b>203 769 672</b>
<b>Depreciation and amortisation</b>		
Depreciation of property, plant and equipment	6 386 377	16 327 015
Depreciation of right-of-use assets	7 649 223	10 586 015
Amortisation of intangible assets	-	8 416 369
<b>Total depreciation and amortisation</b>	<b>14 035 600</b>	<b>35 329 399</b>
<b>Impairment losses</b>		
Property, plant and equipment	1 246 867	2 499 955
<b>Non-claimable VAT</b>		
Value Added Tax	48 289 648	25 010 383

The non-claimable Value Added Tax (VAT) relates to irrecoverable input VAT, as the Group earns certain types of income that are exempt from VAT, which results in the application of an apportionment method against the VAT input incurred in the ordinary course of business.

# Notes to the Annual Financial Statements

	2022 R	2021 R
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## 24. Other operating expenses (continued)

### Expenses by nature

The total operating expenses are analysed by nature as follows:

Bank charges	1 586 709	1 348 657
Card losses	103 543	198 162
Consulting and professional fees	144 393 563	135 433 682
Customer card costs	47 582 761	70 550 825
Depreciation, amortisation and impairment	15 282 467	37 829 354
Employee costs	292 667 698	203 769 672
External audit fees	5 816 601	5 762 754
Facilities expense	2 319 933	3 067 410
Fraud and operational risk losses	3 307 730	4 591 270
Insurance	2 166 315	1 785 929
Local and foreign travel costs	1 276 658	357 300
Marketing	110 990 247	82 661 350
Membership fees	63 303 181	22 420 503
Non-claimable VAT	48 289 648	25 010 383
Office consumables	2 016 197	1 052 967
Outsourced services	345 482 182	313 050 750
Partnership fees	60 000 000	60 000 000
Postage and stationery	3 022 156	385 289
Rental expense	1 032 162	-
Repairs and maintenance	12 019 108	6 954 223
Software expense	182 774 702	124 305 792
Telephone	477 397	541 235
	<b>1 345 902 958</b>	<b>1 101 075 507</b>



# Notes to the Annual Financial Statements

	2022 R	2021 R
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## 25. Taxation

### Reconciliation of the tax expense

Reconciliation between accounting loss and tax expense.

Accounting loss	(976 822 226)	(925 364 294)
Tax at the applicable tax rate of 28% (2021: 28%)	(273 510 223)	(259 102 002)
<b>Tax effect of adjustments on taxable income</b>		
Non-taxable income	2 994 239	(21 620)
Non-deductible expenses	485 560	(1 798 295)
Tax losses benefit not recognised	260 386 480	260 921 918
Change in Rate	9 643 944	-
	-	-

No provision has been made for tax as the Bank has no taxable income. The estimated tax loss is R5 318 331 533 (2021: R4 032 008 045). The assessed tax loss available for set off against future taxable income is R4 343 701 538 (2021: R3 147 044 502).

## 26. Joint operations

The Bank has entered into a revenue and cost-sharing arrangement with The Foschini Group ('TFG') in terms of which kiosks will be placed in TFG stores. The Bank's share of kiosk purchases has been included in the financial results. Revenues and operating costs are expected to be incurred during the next financial year.

The following amounts relate to the Bank's 50% share of the joint operation:

Purchase of kiosks	52 815 166	-
Card stock on hand	966 000	-
	<b>53 781 166</b>	-

## 27. Cash generated from operations

Loss before taxation	(976 822 226)	(925 364 294)
<b>Adjustments for:</b>		
Depreciation and amortisation	14 035 601	37 829 355
Loss on sale of property, plant and equipment	22 181	(77 217)
Interest income	(205 475 949)	(119 416 573)
Interest expense	93 911 420	61 195 789
Loss on disposal of money market investment	-	49 534
Movement in impairment and expected credit losses	664 945	2 309 831
Other non-cash items		(232 365)
Movements in provisions	27 555 386	13 480 498
Share-based payment expense	18 032 247	8 970 560
Expense related to vested ESOP shares settled in cash	8 518 262	-
Impairment loss on plant and equipment	1 246 867	-
<b>Changes in working capital:</b>		
Inventories	175 719	7 600 934
Receivables	(34 970 273)	(29 899 552)
Customer advances	297 042	3 853 819
Trade and other payables	28 776 950	(12 197 714)
Deposits from customers	1 075 230 924	966 293 020
	<b>51 196 147</b>	<b>14 421 861</b>

# Notes to the Annual Financial Statements

	2022 R	2021 R
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## 28. Related parties

### 28.1. Relationships

Members of key management (includes immediate family members)	The directors are considered members of key management
Ultimate holding company	Ubuntu-Botho Investments Proprietary Limited
Holding company	Tyme Bank Holdings Limited
Fellow subsidiary	None (2021: Tyme Technical Solutions Proprietary Limited)
Entities within African Rainbow Capital Financial Services Holdings Proprietary Limited Group ('ARC' Group'), with which the Group transacts	Ubuntu - Botho Community Development Trust Rain Proprietary Limited EOH Mthombo Proprietary Limited Tyme Limited
Former Ultimate holding company	Commonwealth Bank of Australia
Entities where key management personnel hold interests	African Fig Tree Investments Proprietary Limited Tyme Limited (Associate)

### 28.2. Related party balances

#### Income received in advance

Ubuntu - Botho Community Development Trust	(3 196 046)	(4 294 814)
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#### Provision for loss on sale of kiosks

Ubuntu - Botho Community Development Trust	(945 730)	(1 244 608)
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#### Customer deposits

Key management personnel	(502 162)	(853 070)
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#### Receivables

Ubuntu - Botho Community Development Trust	-	3 381 733
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# Notes to the Annual Financial Statements

	2022 R	2021 R
<b>28. Related parties (continued)</b>		
<b>28.3 Related party transactions</b>		
<b>Sale of kiosks</b>		
Ubuntu - Botho Community Development Trust	(376 066)	(2 366 326)
<b>Fees earned - Non-banking services</b>		
Tyme Limited *	(25 040 991)	(15 748 854)
<b>Fees and commission income</b>		
Ubuntu – Botho Community Development Trust	-	(3 381 733)
<b>Outsourced services</b>		
Tyme Limited *	175 273 804	162 976 296
<b>Interest paid</b>		
Key management personnel	22 798	38 133
Compensation of key management personnel		
Salaries and other short term benefits	15 311 720	13 501 343
Share-based payments	1 663 311	2 040 745
	<b>16 975 031</b>	<b>15 542 088</b>
Compensation of the executive committee		
Salaries and other short-term benefits	37 378 333	20 227 085

No ECL was raised in respect of the receivable from the Ubuntu-Botho Community Development Trust as there are no indicators of impairment.

All related party transactions are carried out on normal trade terms, at an agreed upon and market related rate.

## Directors interests in contracts

On 1 January 2019, a contract was concluded between Tyme Bank Limited and Tyme Limited. The purpose of the contract is to provide right of use of intellectual property by Tyme Limited to Tyme Bank Limited.

In addition, Tyme Bank Limited entered into an agreement with African Fig Tree Investments Proprietary Limited during June 2020. The intention of this contract is to provide services for the purposes of procuring capital raises for the Group.

C Jonker is appointed as a director of both Tyme Bank Limited and Tyme Bank Holdings Limited. He is also a director of Tyme Limited and African Fig Tree Investments Proprietary Limited, and has direct investments in both entities, which has duly been noted by the Board. African Fig Tree Investments Proprietary Limited has 8.44% (2021: 10.11%) shareholding in Tyme Bank Holdings Limited, the sole shareholder of Tyme Bank Limited.

Furthermore, T Keraan has an indirect interest in Tyme Limited and Tyme Bank Holdings Limited through his shareholding in African Fig Tree Investments (Proprietary) Limited, which in turn has a shareholders' interest in Tyme Global Limited.

Tyme Limited is a wholly owned subsidiary of Tyme Global Limited, and T Keraan is a director of both Tyme Bank Limited and Tyme Bank Holdings Limited.

# Notes to the Annual Financial Statements

## 29. Directors' emoluments

<b>Executive</b>					
<b>2022</b>					
Directors' emoluments	Emoluments	Bonuses	Share-based payments	Fees	Total
<b>Executive</b>					
AB Desai *	1 139 720	-	-	-	1 139 720
T Keraan *	4 725 000	1 097 000	1 266 894	-	7 088 894
	<b>5 864 720</b>	<b>1 097 000</b>	<b>1 266 894</b>	-	<b>8 228 614</b>

<b>Non-executive</b>					
M Boakgomo	-	-	-	950 000	950 000
TA Boardman**	3 000 189	-	-	1 800 000	4 800 189
T Eboka	-	-	-	1 000 000	1 000 000
TSB Jali	-	-	-	2 000 000	2 000 000
M Milutinovic**	3 412 500	3 696 875	750 000	-	7 859 375
K Morule	-	-	-	1 200 000	1 200 000
NL Smalle	-	-	-	-	-
PA Wessels	-	-	-	1 400 000	1 400 000
	<b>6 412 689</b>	<b>3 696 875</b>	<b>750 000</b>	<b>8 350 000</b>	<b>19 209 564</b>
	<b>12 277 409</b>	<b>4 793 875</b>	<b>2 016 894</b>	<b>8 350 000</b>	<b>27 438 178</b>

<b>2021</b>					
Directors' emoluments	Emoluments	Bonuses	Share-based payments	Fees	Total
<b>Executive</b>					
AB Desai *	3 256 344	-	377 434	-	3 633 778
T Keraan *	4 500 000	-	1 663 311 ***	-	6 163 311
	<b>7 756 344</b>	-	<b>2 040 745</b>	-	<b>9 797 089</b>

<b>Non-executive</b>					
M Boakgomo	-	-	-	466 666	466 666
TA Boardman **	3 788 388	-	-	1 350 000	5 138 388
T Eboka	-	-	-	583 333	583 333
TSB Jali	-	-	-	1 700 000	1 700 000
CJ Jonker	-	-	-	-	-
M Milutinovic **	3 150 900	1 628 393	-	-	4 779 293
K Morule	-	-	-	1 108 333	1 108 333
PA Wessels	-	-	-	1 120 000	1 120 000
	<b>6 939 288</b>	<b>1 628 393</b>	-	<b>6 328 332</b>	<b>14 896 013</b>
	<b>14 695 632</b>	<b>1 628 393</b>	<b>2 040 745</b>	<b>6 328 332</b>	<b>24 693 102</b>

\* AB Desai resigned on 31 October 2021. T Keeran resigned on 30 June 2022.

\* The executive directors are the prescribed officers of the Bank.

\*\* Directors' emoluments (excluding fees) are paid by entities within the ARC Group.

\*\*\* Relates to the purchase of shares in Tyme Bank Holdings Limited by African Fig Tree Investments Proprietary Limited. Refer to note 15.

# Notes to the Annual Financial Statements

## 30. Going concern

We draw attention to the fact that at 30 June 2022, the Bank had accumulated losses of R5 778 573 834 (2021: R4 793 322 475) and incurred a loss of R976 822 226 (2021: R925 364 294) for the year then ended. These losses substantially represent Bank establishment and build costs. The ability of the Bank to continue as a going concern is dependent on ongoing procurement of capital and funding for the operations of the Bank.

During the current financial year, the Ubuntu-Botho Investments Proprietary Limited Group, as majority shareholder, along with other shareholders, continued to provide adequate capital and funding to the Bank. In addition, the Ubuntu-Botho Investments Proprietary Limited Group continues to provide assurance that the Bank will have access to continued capital and funding to be able to settle its debts as they fall due and be able to continue business as a going concern for the period ending 31 October 2023.

The ability of the Bank to continue as a going concern beyond the period 31 October 2023 is dependent on a number of factors, the most significant ones being the ongoing support from existing shareholders, the sourcing of capital from potential new shareholders, raising of working capital facilities as required, along with the execution plans for the scaling of existing services and delivery of new products and features into the market, and the impact of the COVID-19 pandemic on socio-economic conditions in the country.

These conditions give rise to a material uncertainty for the period beyond 31 October 2023, which may cast significant doubt on the Bank's ability to continue as a going concern, and therefore its ability to settle its debts as they become due in the normal course of business.

The directors have reviewed the Bank's cashflow forecast and are satisfied that the Bank will have access to capital and funding to continue as a going concern provided that the above-mentioned factors materialise. The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the Bank will continue to have ongoing access to capital and funding and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

## 31. Subsequent events

### Acquisition of Retail Capital

In August 2022 Tyme Bank Holdings Limited announced that it will proceed with the acquisition of fintech firm Retail Capital, which provides award-winning funding services to SMEs in the country. The acquisition, which is still subject to regulatory approvals, would see Retail Capital become a division of TymeBank. The deal will see Retail Capital's funding expertise and TymeBank's deposit base and operations combined to serve a broader customer base. The transaction will be funded by way of a subscription for new shares to be issued by Tyme Bank Holdings Limited. It is anticipated that the acquisition will enable synergies between Retail Capital and Tyme Bank in the SME lending space.

This acquisition forms part of a global restructuring of the Tyme Group, which will result in a new South African holding company for Tyme Bank Holdings Limited. All current shareholders will have shares in "SA Holdco" instead of directly in Tyme Bank Holdings Limited.

### Long-term incentive plan awards

Long-term incentive plan (LTIP) units were awarded to new and existing employees on 4 July 2022. These had no impact on the financial results for the year ended 30 June 2022 as the service-related period related to the award had not yet commenced.

## 32. Payable to Commonwealth Bank of Australia

The sale agreement between the Commonwealth Bank of Australia and African Rainbow Capital requires that if, at any time, within 5 years after 31 October 2018, the Bank declares an audited statutory profit, after providing for an amount of R100,000,000, an amount of R200,000,000 will be payable to the Commonwealth Bank of Australia over a 12 month period. Based on the bank's current performance the payable has been valued at zero.

## 33. Contingencies

The Foschini Group has a right to claw back its amortised contribution towards the cost of the kiosks on termination of the joint operations agreement. No liability has been recognised as this termination is not expected to occur.

## 34. Change in accounting estimate Plant and equipment

The estimated useful lives of certain items of plant and equipment were revised. The net effect of the changes in the current financial year was a decrease in depreciation expense of R6 740 205.

Assuming the assets are held until the end of their estimated useful lives, depreciation in future years in relation to these assets will be increased accordingly.