Tyme Bank Limited
(Registration number 2015/231510/06)
Annual financial statements
for the year ended 30 June 2021

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Digital banking services
Directors	M Boakgomo TA Boardman AB Desai T Eboka TSB Jali CJ Jonker T Keraan M Milutinovic K Morule PA Wessels
Registered office	30 Jellicoe Avenue Rosebank Johannesburg Gauteng 2196
Holding company	Tyme Bank Holdings Limited incorporated in South Africa
Ultimate holding company	Ubuntu-Botho Investments Proprietary Limited incorporated in South Africa
Bankers	Absa Bank First National Bank Standard Bank Nedbank Mercantile Bank Investec Bank
Auditors	PricewaterhouseCoopers
Secretary	Lonwabo Jwili
Company registration number	2015/231510/06
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Prepared by	The preparation of the annual financial statements was supervised by the Chief Financial Officer, AB Desai CA(SA).
Issued	19 October 2021

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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 board sets 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 2022 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 11 to 13.

The annual financial statements set out on pages 14 to 54, which have been prepared on the going concern basis, were approved by the board on 19 October 2021 and were signed on their behalf by:

T Keraan

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 2021, the company has filed all required returns and notices in terms of the Companies Act No. 71 of 2008 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.

Lonwabo Jwili
Company Secretary
Johannesburg
19 October 2021

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 2021.

1. Incorporation

The company was incorporated on 08 July 2015 and obtained its licence 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 on 25 February 2019. To date, the Bank has attracted circa 3.5 million customers and over R2.2 billion in retail deposits. The Bank has been continually enhancing and increasing its products and features to the market, so as to continually drive adoption by the market and customer activity.

3. 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 non-essential 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 faced multiple waves of varying levels of lockdowns, which has impacted the economy and consumers adversely.

With the impact of the Covid-19 pandemic on our country, the bank has seen an 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. The bank is continually monitoring the effects of the pandemic, to ascertain the potential implications on its strategy and capital requirements.

4. 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 No. 71 of 2008. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new accounting standards.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

5. Significant accounting matters

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 year, management implemented enhanced reporting processes, which included sourcing more accurate and detailed data from the core banking system, which is used for financial reporting purposes. As a result, an adjustment was identified when analysing the volume of cards issued to customers, which is expensed through operating expenses in the statement of profit or loss and other comprehensive income. The adjustment has been classified as a provision as at 30 June 2021, due to ongoing efforts to validate the most appropriate and accurate data source.

Furthermore, management has also performed a detailed assessment on the existence of customer card stock as at 30 June 2021 as a physical stock count was deemed to be impracticable. This adjustment has resulted in a provision for shrinkage, damaged or obsolete stock items.

As a result, a provision for obsolescence amounting to R30,127,866 (2020: R nil) has been raised. Management will continue to refine and enhance all operational and financial reporting processes for customer card stock.

6. Share capital

Refer to note 14 of the annual financial statements for detail of the movement in authorised and issued share capital.

7. Dividends

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

Directors' Report

8. Directorate

The directors in office at the date of this report are as follows:

Directors	Changes
M Boakgomo	Appointed 4 December 2020
TA Boardman	
AB Desai	Resigned 31 October 2021
T Eboka	Appointed 27 November 2020
TSB Jali	
CJ Jonker	
T Keraan	
M Milutinovic	
K Morule	
PA Wessels	

9. 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.

Coenraad 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 10.11% (2020: 18.09%) shareholding in Tyme Bank Holdings Limited, the sole shareholder of Tyme Bank Limited.

Furthermore, Tauriq 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 Tauriq Keraan is a director of both Tyme Bank Limited and Tyme Bank Holdings Limited.

Please refer to note 28 for further disclosure on related party transactions.

10. Holding company

The bank's holding company is Tyme Bank Holdings Limited which holds 100% (2020: 100%) of the bank's equity. Tyme Bank Holdings Limited is incorporated in South Africa.

11. Ultimate holding company

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

12. Special resolutions

No special resolutions were noted during the year.

13. Subsequent events

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 with the Bank or perform selected services. During this period, 100 kiosks with a replacement value of R6,1m were damaged/destroyed. A claim has been raised through the bank’s insurers for the losses incurred.

Directors' Report

Share-based payments

On 1 July 2021, the Employee Share Appreciation Rights Scheme (‘ESOP’) issued a further 67,588,811 shares to its employees. The total expected cost of the share issue is estimated to be R19,857,102 over the next 6 years.

Shares for issue reserve (including capital contributions received subsequent to year end)

On 30 July 2021, Tyme Bank Limited issued 1,058,283,339 ordinary shares at R0.10 per share. The reserve pertaining to shares held for issue, (note 15), was utilised for this purpose and was transferred to share capital (R105,828,334) and share premium (R270,975,156) accordingly.

Subsequent to year end, a consideration of R400,512,741 was received as additional capital contributions for which the bank intends to issue ordinary shares.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

14. Going concern

We draw attention to the fact that at 30 June 2021, the bank had accumulated losses of R4,793,322,479 (2020: R3,867,958,185). 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 give assurance that the bank will have access to continued capital and funding from them 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 2022.

The ability of the bank to continue as a going concern beyond the period 31 October 2022 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 2022, which may cast significant doubt on the bank’s ability to continue as a going concern, and therefore that it may be unable 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.

15. Auditors

PricewaterhouseCoopers will continue in office in accordance with section 90 of the Companies Act No. 71, of 2008.

16. Secretary

The Company Secretary is Lonwabo Jwili.

Business address:	30 Jellicoe Avenue Rosebank Johannesburg Gauteng 2196

17. Date of authorisation for issue of financial statements

The annual financial statements have been authorised for issue by the directors on 19 October 2021. 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 2021 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 Philip Wessels, an independent non-executive 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, audit fees, nature and extent of non-audit services, 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 2021, 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 2021.

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 impairment 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;
- 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:

- approved:
    - the compliance monitoring plan, and structure, as well as the compliance plan and compliance charter;
    - 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:
    - the approach to risk assessment to ensure the integrity of the bank's internal controls.;
    - the overall status of compliance in the bank and any significant breakdowns that could cause material loss or penalty;
    - 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 Compliance'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, significant IT programmes and IT intangible assets.

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.

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 financial statements 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(4) 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

Philip Wessels

19 October 2021

Independent auditor's report

To the Shareholder of Tyme Bank Limited

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 2021, 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

Tyme Bank Limited's financial statements set out on pages 14 to 54 comprise:

- the statement of financial position as at 30 June 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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 R4,793,322,479 as at 30 June 2021 and incurred a loss of R925,364,294 for the year then ended. The ability of the Company to continue as a going concern beyond the period October 2022 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. 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Tyme Bank Limited (Registration number 2015/231510/06) Annual Financial Statements for the year ended 30 June 2021"*, which includes the Directors' Report, the Audit Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 6 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Gino Fraser
Registered Auditor
Johannesburg
19 October 2021

Statement of Financial Position as at 30 June 2021

	Note	2021 R	2020 R
Assets			
Non-Current Assets			
Property, plant and equipment	4	33,613,663	48,689,600
Right-of-use assets	5	30,552,241	9,112,414
Intangible assets	6	-	8,416,369
Bonds	7	969,824,798	147,131,907
		1,033,990,702	**213,350,290**
Current Assets			
Receivables	9	82,760,190	52,860,637
Financial assets	10	1,253,144,652	856,674,091
Customer advances	11	821,079	4,674,898
Inventory	12	18,458,257	26,059,191
Cash and cash equivalents	13	498,308,991	611,049,500
		1,853,493,169	**1,551,318,317**
Total Assets		**2,887,483,871**	**1,764,668,607**
Equity and Liabilities			
Equity			
Share capital	14	4,878,752,668	3,975,779,787
Shares for issue reserve	15	376,803,490	230,000,000
Share-based payment reserve	16	55,338,006	46,367,446
Accumulated loss		(4,793,322,479)	(3,867,958,185)
		517,571,685	**384,189,048**
Liabilities			
Non-Current Liabilities			
Lease liabilities	5	26,001,672	1,384,869
Current Liabilities			
Trade and other payables	17	108,443,751	120,615,227
Lease liabilities	5	5,721,651	8,507,868
Provisions	18	28,323,957	14,843,459
Deposits from customers	19	2,201,421,155	1,235,128,136
		2,343,910,514	**1,379,094,690**
Total Liabilities		**2,369,912,186**	**1,380,479,559**
Total Equity and Liabilities		**2,887,483,871**	**1,764,668,607**

Statement of Profit or Loss and Other Comprehensive Income

	Note	2021 R	2020 R
Net interest income		**58,220,784**	**32,539,543**
Interest income	20	119,416,573	64,141,825
Interest expense	21	(61,195,789)	(31,602,282)
Net fee and commission income	22	**102,007,980**	**17,458,725**
Fee and commission income		173,362,950	47,373,322
Fee and commission expense		(71,354,970)	(29,914,597)
Credit impairment charge	23	(2,309,831)	(2,339,356)
Other operating gains	24	17,792,280	19,467,131
Net operating income		**175,711,213**	**67,126,043**
Other operating expenses	25	(1,101,075,507)	(1,363,657,175)
Loss before taxation		**(925,364,294)**	**(1,296,531,132)**
Taxation	26	-	-
Loss for the year		**(925,364,294)**	**(1,296,531,132)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(925,364,294)**	**(1,296,531,132)**

Statement of Changes in Equity

	Share capital R	Share premium R	Total share capital R	Shares for issue reserve R	Share-based payment reserve R	Total reserves R	Accumulated loss R	Total equity R
Balance at 1 July 2019	**3,050,665,641**	**54,714,146**	**3,105,379,787**	**200,000,000**	**-**	**200,000,000**	**(2,571,427,053)**	**733,952,734**
Loss for the year	-	-	-	-	-	-	(1,296,531,132)	(1,296,531,132)
Issue of shares	95,891,696	774,508,304	870,400,000	(200,000,000)	-	(200,000,000)	-	670,400,000
Shares for issue	-	-	-	230,000,000	-	230,000,000	-	230,000,000
Share conversion - R1 to R0.10 per share	(2,745,599,077)	2,745,599,077	-	-	-	-	-	-
Share-based payment	-	-	-	-	46,367,446	46,367,446	-	46,367,446
Balance at 30 June 2020	**400,958,260**	**3,574,821,527**	**3,975,779,787**	**230,000,000**	**46,367,446**	**276,367,446**	**(3,867,958,185)**	**384,189,048**
Loss for the year	-	-	-	-	-	-	(925,364,294)	(925,364,294)
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
Balance at 30 June 2021	**699,267,665**	**4,179,485,003**	**4,878,752,668**	**376,803,490**	**55,338,006**	**432,141,496**	**(4,793,322,479)**	**517,571,685**
Note	14	14	14	15	16			

The accounting policies on pages 18 to 27 and the notes on pages 28 to 54 form an integral part of the annual financial statements.

Statement of Cash Flows

	Note	2021 R	2020 R
Cash flows from operating activities			
Cash generated from/(used in) operations	27	14,654,227	(58,823,973)
Interest received		111,874,994	60,009,299
Interest paid		(54,432,578)	(29,916,351)
Net cash from operating activities		**72,096,643**	**(28,731,025)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(11,095,641)	(31,718,085)
Proceeds from sale of property, plant and equipment		317,072	1,356,662
Purchase of financial assets		(395,505,972)	(630,594,180)
Proceeds from term deposit investments		-	33,000,000
Purchase of bonds		(816,789,730)	(146,553,977)
Net cash from investing activities		**(1,223,074,271)**	**(774,509,580)**
Cash flows from financing activities			
Proceeds on share issue		672,972,881	670,400,000
Shares for issue	15	376,803,490	230,000,000
Payment of principal lease liability		(12,151,554)	(13,367,029)
Net cash from financing activities		**1,037,624,817**	**887,032,971**
Total cash movement for the year		**(113,352,811)**	**83,792,366**
Cash at the beginning of the year		611,894,167	528,101,801
Total cash at end of the year	13	**498,541,356**	**611,894,167**

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 in accordance with the International Financial reporting Standards ('IFRS') and interpretations issued by the IFRS Interpretations Committee ('IFRIC') issued and effective at the time of preparing these annual financial statements and the Companies Act No. 71 of 2008 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.

These accounting policies are consistent with the previous period.

1.2 Critical judgements and estimates in applying accounting policies

The preparation of the 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

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.

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.

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.

Accounting Policies

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

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, as this is how customer deposits are ringfenced. No bonds have been previously sold.

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

Determination of grant date and settlement - Tyme Bank Employee Share Ownership Programme ('ESOP')

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 Employee Share Ownership Programme. The ESOP is settled by ARC in cash, therefore management has exercised judgement that no obligation to settle is carried by Tyme Bank and thus is equity settled.

1.2.2 Estimates

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.

Expected useful life of intangible assets

In an effort to incorporate the latest technological advancements, our digital infrastructure is redefined and enhanced on a regular basis. Management has exercised significant judgement when determining the expected useful lives of the intangible assets (namely the Core Banking software and the Tyme Coach application) and believe that the useful lives appropriately represent expected future economic benefits to be obtained from these intangible assets in their current form. The expected useful life is reassessed by management on a regular basis.

Capital work-in-progress

The bank has recognised capital work-in-progress in property, plant and equipment amounting to R15,872,838 (2020: R20,797,466). These assets relate to the development of kiosks. 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.

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.

Inventory – Card stock obsolescence provision

The bank 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. Damaged cards are identified and written down through inventory verification processes. Management assesses the obsolescence provision continuously, taking into account factors existing at the reporting date. Refer to note 12.

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.

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

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 18.

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.

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 depends 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.

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 or minus transaction costs, if any.

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

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.

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.

1.3 Financial instruments (continued)

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.

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'). 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.

Accounting Policies

1.3 Financial instruments (continued)

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

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.

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.

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.

Credit risk

Details of credit risk related to financial assets are included in the financial instruments and risk management (note 3).

Financial liabilities

Financial liabilities are subsequently recognised at amortised cost.

1.3 Financial instruments (continued)

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 Property, plant and equipment

Property, plant and equipment are tangible assets that the bank holds for its own use which are expected to be used for more than one year.

An item of property, 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.

Property, plant and equipment is initially measured at cost and is subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

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.

The useful lives of items of property, 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	3 - 4 years
Computer software	Straight line	2 years
Kiosks	Straight line	3 years
Tools and equipment	Straight line	6 years
Generators	Straight line	15 years

The residual value, useful life and depreciation method of each asset is 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 property, plant and equipment when there is an indicator that they may be impaired.

An item of property, 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 property, 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 Intangible assets

Internally generated intangible assets

Development costs that are directly attributable to the design and testing of identifiable and unique software products are recognised as intangible assets when the following criteria are met;

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product and generate future economic benefits;
- there are available technical, financial and other resources to complete the development and to use the software product;
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Accounting Policies

1.5 Intangible assets (continued)

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.

Amortisation of an asset commences when the asset is available for use as intended by management. Amortisation is charged to write off the assets carrying amount over its estimated useful life.

Intangible assets are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Useful lives of internally generated intangible assets are as follows:

Item	Amortisation method	Useful life
Core Banking software	Straight line	6 - 24 months
Tyme Coach application	Straight line	24 months

The useful life and amortisation method of the software is 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.

1.6 Inventory

Inventory represents cards on hand, not yet issued to customers 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 issued to customers is recognised in the income statement in the period in which it occurs.

1.7 Tax

Current tax assets and liabilities

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.

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.

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 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.

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.

1.8 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

1.8 Leases (continued)

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.

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.

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.

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.

1.9 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.

1.10 Share capital and equity

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

1.10 Share capital and equity (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.

1.11 Share-based payments

Tyme Bank has two share-based payment transactions, both 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.

Employee share appreciation rights scheme

Share-based compensation benefits are provided to employees (including senior executives) of the bank via the Tyme Bank Employee Share Ownership Programme (‘ESOP’). 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 this scheme is set out in note 16.

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)
- 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.

The bank’s share appreciation rights scheme is administered by the Tyme Bank Employee Share Trust, which is consolidated in accordance with the principles of IFRS 10 within the greater ARC group. When the shares vest, the trust transfers the appropriate value of shares to the employee. The amount of the proceeds received by the employees is accounted for by the Trust and is applied to reduce its liability to the employees of the bank.

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

Share-based payment compensation is received by certain employees of Tyme 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.

1.12 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.

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.

1.13 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.

Accounting Policies

1.14 Revenue recognition

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

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.

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 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.

1.15 Translation of foreign currencies

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.

1.16 Prepayments

Prepayments are included in receivables and relate to annual service contracts for IT support services, networks and licences.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

Effective date for financial periods beginning on or after:	Amendments not yet effective	Impact
1 January 2022	**IFRS 9** ***Financial Instruments*** **Fees in the "10 per cent" test for derecognition of financial liabilities** This clarifies which fees must be applied in the application of the ‘10 per cent’ test when assessing whether to derecognise a financial liability. Only include fees paid or received between the borrower and the lender, including those paid or received on the other’s behalf.	Not material
1 January 2023	**IAS 1** ***Presentation of Financial Statements*** **Classification of liabilities as current or non-current** Classification to be based on whether the right to defer settlement by at least twelve months exists at the end of the reporting period. Classification is unaffected by expectation of settlement. Settlement refers to transfer of cash equity instruments, other assets or services. 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.	Not material
1 January 2023	**IAS 8** ***Accounting Policies, Changes in Accounting Estimates and Errors*** **Definition of Accounting Estimates** Distinguishes clearly between a change in accounting policy and a change in accounting estimate. Revises the definition of an accounting estimate. Provides reworded and specific examples of accounting estimates. Clarifies that measurement techniques and inputs used in developing accounting estimates are not accounting policies.	Not material

2. New Standards and Interpretations (continued)

1 January 2023	**IAS 12 *Income taxes*** **Deferred Tax related to Assets and Liabilities arising from a Single Transaction** 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. 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.	Not material

Notes to the Annual Financial Statements

3. Financial instruments and risk management

Categories of financial assets

2021

	Note	Fair value through profit or loss	Amortised cost	Total
Bonds	7	-	969,824,798	969,824,798
Receivables	9	-	35,338,811	35,338,811
Financial assets	10	112,126,929	1,141,017,723	1,253,144,652
Customer advances	11	-	821,079	821,079
Cash and cash equivalents	13	-	498,308,991	498,308,991
		112,126,929	**2,645,311,402**	**2,757,438,331**

2020

	Note	Fair value through profit or loss	Amortised cost	Total
Bonds	7	-	147,131,907	147,131,907
Receivables	9	-	18,217,653	18,217,653
Financial assets	10	-	856,674,091	856,674,091
Customer advances	11	-	4,674,898	4,674,898
Cash and cash equivalents	13	-	611,049,500	611,049,500
		-	**1,637,748,049**	**1,637,748,049**

The fair value of the financial assets is R2,782,130,120 (2020: R1,639,615,093).

Bonds have a fair value of R994,516,587 (2020: R148,946,468). 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.

Categories of financial liabilities

2021

	Note	Amortised cost	Total
Trade and other payables	17	104,148,937	104,148,937
Deposits received from customers	19	2,201,421,155	2,201,421,155
		2,305,570,092	**2,305,570,092**

2020

	Note	Amortised cost	Total
Trade and other payables	17	111,007,790	111,007,790
Deposits received from customers	19	1,235,128,136	1,235,128,136
		1,346,135,926	**1,346,135,926**

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

Capital risk management

The bank's objective when managing capital (comprising mainly of share capital and other reserves), is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level 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.

3. Financial instruments and risk management (continued)

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 of the bank's capital.

As part of the RAS process, capital will not be optimised and 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 well above the minimum regulatory requirement.

Financial risk management

Overview

The bank is exposed to the following financial risks from its use of financial instruments:
- Credit risk;
- Liquidity risk;
- Market risk (currency risk); and
- Interest rate risk (re-pricing risk).

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.

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

		2021			2020		
		Gross carrying amount	Expected credit loss	Net carrying amount	Gross carrying amount	Expected credit loss	Net carrying amount
Bonds	7	970,193,514	(368,716)	969,824,798	147,190,783	(58,876)	147,131,907
Receivables	9	35,338,811	-	35,338,811	18,217,653	-	18,217,653
Financial assets	10	1,253,633,023	(488,371)	1,253,144,652	857,040,966	(366,875)	856,674,091
Bank balances pledged		15,058,952	(7,136)	15,051,816	24,058,952	(33,683)	24,025,269
Money market investments		112,180,085	(53,156)	112,126,929	-	-	-
Treasury bills		1,126,393,986	(428,079)	1,125,965,907	832,982,014	(333,192)	832,648,822
Customer advances	11	1,486,048	(664,969)	821,079	5,425,332	(750,434)	4,674,898
Cash and cash equivalents	13	498,541,356	(232,365)	498,308,991	611,894,167	(844,667)	611,049,500
		2,759,192,752	**(1,754,421)**	**2,757,438,331**	**1,639,768,901**	**(2,020,852)**	**1,637,748,049**

The bank has reviewed all categories of financial assets in light of the COVID-19 pandemic, South Africa's sovereign credit downgrade, as well as the downturn in local and international economies.

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

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.

Receivables

Receivables credit risk has been considered by management by assessing the historical movements in the balances for any indication of any credit losses, however given that the cash in transit is received from the debtor within 36 hours, no significant credit risk has been identified. Receivables are considered to be fully recoverable, therefore no expected credit losses have been recognised.

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.

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.

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.

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.

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.

3. Financial instruments and risk management (continued)

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** **(Under-performing)**	**Stage 3** **Lifetime credit losses** **(Non-performing)**
Initial recognition Characteristics: • No arrears (current) • Non-distressed restructures within normal product parameters • Paying restructures (moved from Stage 3 post 6 months of payments)	SICR since initial recognition Characteristics: • Advances up to two months in arrears	Credit-impaired advances Characteristics: • Advances that are three months in arrears or have been handed over • Deceased customers • Distressed restructures • Debt review and terminated debt review customers

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 lifetime 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.

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.

3. Financial instruments and risk management (continued)

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.

Tyme Bank's treasury function is responsible for the bank’s 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. Customer deposits are separately ringfenced and appropriately invested. These deposits are not utilised in the day to day operations of the bank.

Since March 2020, the spread of COVID-19 has negatively impacted the local economy. Many businesses have been forced to cease or limit operations for long or indefinite periods of time. The duration and 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.

2021

		Less than 1 year	1 to 5 years	Total
Non-current liabilities				
Lease liabilities	5	-	31,852,614	31,852,614
Current liabilities				
Trade and other payables *	17	104,148,937	-	104,148,937
Lease liabilities		9,048,349	-	9,048,349
Deposits received from customers *	19	2,201,421,155	-	2,201,421,155
		2,314,618,441	**31,852,614**	**2,346,471,055**

2020

		Less than 1 year	1 to 5 years	Total
Non-current liabilities				
Lease liabilities		-	1,509,184	1,509,184
Current liabilities				
Trade and other payables *	17	111,007,790	-	111,007,790
Lease liabilities		8,507,868	-	8,507,868
Deposits received from customers *	19	1,235,128,136	-	1,235,128,136
		1,354,643,794	**1,509,184**	**1,356,152,978**

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

3. Financial instruments and risk management (continued)

Foreign currency risk

Exposure in Rand

The net carrying amount, in Rand, of the various exposure, is denominated in the following currency. The amount have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

		2021 R	2020 R
South African Rand			
Current liabilities:			
Trade and other payables	17	1,207,663	2,926,407

Exposure in foreign currency amounts

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

US Dollar exposure			
Current liabilities:			
Trade and other payables	17	84,275	169,549

Exchange rate

Rand per unit of foreign currency:		
US Dollar	14.33	17.26

Foreign currency sensitivity analysis

The following information presents the sensitivity of the company 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.

	2021	2021	2020	2020
Increase or decrease in rate	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
10% (2020: 10%)	120,766	(120,766)	292,641	(292,641)

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 60 months.

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

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.

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.

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

2021

Static re-pricing 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)
Net static gap	**(688,695)**	**255,252**	**772,923**	**98,872**	**447**	**-**	**970,194**	**-**	**(1,408,991)**	**-**

2020

Static re-pricing 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	721,619	57,409	86,017	656,814	26,541	24,402	32,753	-	159,113	1,764,668
Liabilities, capital and reserve funds	(760,967)	-	-	-	-	-	-	-	(1,003,701)	(1,764,668)
Net static gap	**(39,348)**	**57,409**	**86,017**	**656,814**	**26,541**	**24,402**	**32,753**	**-**	**(844,588)**	**-**

Notes to the Annual Financial Statements

4. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation /impairment	Carrying value	Cost	Accumulated depreciation /impairment	Carrying value
Furniture and fixtures	5,382,861	(4,347,043)	1,035,818	5,382,861	(3,348,311)	2,034,550
Office equipment	1,127,419	(841,582)	285,837	1,098,514	(683,608)	414,906
Computer equipment	77,760,500	(75,831,523)	1,928,977	77,017,002	(72,278,800)	4,738,202
Computer software	-	-	-	4,148,489	(4,148,489)	-
Leasehold improvements	5,089,351	(3,463,616)	1,625,735	5,045,291	(1,451,708)	3,593,583
Tools and equipment	687,919	(151,783)	536,136	687,919	(37,007)	650,912
Generators	1,014,839	(299,198)	715,641	1,014,839	(227,120)	787,719
Kiosks	61,247,061	(49,634,380)	11,612,681	54,196,503	(38,524,241)	15,672,262
Capital work-in-progress	43,902,083	(28,029,245)	15,872,838	48,018,071	(27,220,605)	20,797,466
Total	**196,212,033**	**(162,598,370)**	**33,613,663**	**196,609,489**	**(147,919,889)**	**48,689,600**

Reconciliation of property, 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
	48,689,600	**11,095,641**	**(7,344,608)**	**-**	**(16,327,015)**	**(2,499,955)**	**33,613,663**

Notes to the Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Furniture and fixtures	3,098,914	-	-	-	(1,064,364)	-	2,034,550
Office equipment	293,581	341,921	-	-	(220,596)	-	414,906
Computer equipment	13,826,505	2,310,034	(116,390)	-	(11,281,947)	-	4,738,202
Computer software	817,107	-	-	-	(817,107)	-	-
Leasehold improvements	2,597,273	1,771,523	-	-	(775,213)	-	3,593,583
Tools and equipment	-	687,919	-	-	(37,007)	-	650,912
Generators	859,797	-	-	-	(72,078)	-	787,719
Kiosks	19,775,492	-	-	4,599,940	(8,703,170)	-	15,672,262
Capital work-in-progress	27,218,695	26,606,688	(1,207,372)	(4,599,940)	-	(27,220,605)	20,797,466
	68,487,364	**31,718,085**	**(1,323,762)**	**-**	**(22,971,482)**	**(27,220,605)**	**48,689,600**

Property, 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. There were no changes in estimates during the current year.

Disposals

During the current year, disposals from Capital Work-in-progress amounting to R7,104,755 (2020: R1,207,372) relate to kiosks manufactured and sold to third parties.

4. Property, plant and equipment (continued)

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 R2,499,955 (2020: R27,220,605) 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, our digital infrastructure is redefined and enhanced on a regular basis. As a result, an impairment to capital-work-in-progress of R808,640 (2020: R24,116,384) 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.

R534,851 (2020: R3,104,221) 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 2021.

Further included in this amount is R1,156,464 (2020: R nil) which relates to leasehold improvements pertaining to a rental property which is no longer occupied by the bank.

5. Right-of-use asset 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 are 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% - 11.41% (2020: 10.91%).

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

The bank has office equipment with low value of 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.

	2021			2020		
Right-of-use assets	Cost	Accumulated depreciation/ impairment	Carrying value	Cost	Accumulated depreciation/ impairment	Carrying value
	34,571,420	(4,019,179)	30,552,241	21,573,836	(12,461,422)	9,112,414
	34,571,420	**(4,019,179)**	**30,552,241**	**21,573,836**	**(12,461,422)**	**9,112,414**

Reconciliation of right of use asset

Reconciliation of right of use asset - 2021	**Opening balance**	**Additions**	**Depreciation**	**Impairment loss**	**Closing balance**
Office space	9,112,414	32,025,842	(10,586,015)	-	30,552,241
	9,112,414	**32,025,842**	**(10,586,015)**	**-**	**30,552,241**

Reconciliation of right of use asset - 2020	**Adoption of IFRS 16**	**Additions**	**Depreciation**	**Impairment loss**	**Closing balance**
Office space	21,573,836	-	(12,461,422)	-	9,112,414
	21,573,836	**-**	**(12,461,422)**	**-**	**9,112,414**

Lease liabilities

	2021 R	**2020 R**
Balance - 1 July	9,892,737	21,573,836
Additions	32,025,842	-
Interest expense	1,956,297	1,685,931
Payments	(12,151,553)	(13,367,029)
Balance - 30 June	**31,723,323**	**9,892,737**

	2021 R	2020 R

5. Right-of-use asset and lease liabilities (continued)

Non-current liabilities	26,001,672	1,384,869
Current liabilities	5,721,651	8,507,868
	31,723,323	**9,892,737**

The bank had total cash outflows relating to leases of R12,151,553 (2020: R13,367,029).

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

Depreciation expense on right-of-use assets	10,586,015	12,461,422
Interest expense on lease liabilities	1,956,297	1,685,931
Expense relating to low-value assets	173,430	95,514
Rental concession	(1,011,830)	-
Total amount recognised in profit or loss	**11,703,912**	**14,242,867**

6. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation /impairment	Carrying value	Cost	Accumulated amortisation /impairment	Carrying value
Core Banking software	413,444,280	(413,444,280)	-	413,444,280	(412,377,356)	1,066,924
Tyme Coach application	29,397,780	(29,397,780)	-	29,397,780	(22,048,335)	7,349,445
Total	**442,842,060**	**(442,842,060)**	**-**	**442,842,060**	**(434,425,691)**	**8,416,369**

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Core Banking software	1,066,924	(1,066,924)	-
Tyme Coach application	7,349,445	(7,349,445)	-
	8,416,369	**(8,416,369)**	**-**

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Impairment loss	Total
Core Banking software	121,369,098	(104,369,047)	(15,933,128)	1,066,924
Tyme Coach application	22,048,335	(14,698,890)	-	7,349,445
	143,417,433	**(119,067,937)**	**(15,933,128)**	**8,416,369**

	2021 R	2020 R

6. Intangible assets (continued)

Impairment loss

Intangible assets were tested for impairment by comparing the carrying amount to its recoverable amount, and as a result an impairment charge of R nil (2020: R15,933,128) was recorded in the statement of profit or loss and other comprehensive income for the year.

During 2019, impairment drivers were identified due to corporate rebranding requirements and a change in the bank's strategy following the sale of the business by the Commonwealth Bank of Australia. During 2020, in an effort to incorporate the latest technological advancements, our Core Banking software was redefined and enhanced, which resulted in a further impairment loss.

7. Bonds

	2021 R	2020 R
Government bonds	970,193,514	147,190,783
Adjustment: ECL	(368,716)	(58,876)
	969,824,798	**147,131,907**

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 in terms of the regulatory capital requirements.

The ECL is raised on credit risk arising from counterparties with whom the bonds are held. 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.

8. Deferred tax

Unrecognised deferred tax asset

	2021 R	2020 R
Deductible temporary differences not recognised as deferred tax assets	57,205,071	2,798,017
Unused tax losses not recognised as a deferred tax asset	1,087,687,325	847,759,659
Adjustment for change in estimate of capital allowances	41,274,927	67,431,646
	1,186,167,323	**917,989,322**

9. Receivables

	2021 R	2020 R
Financial instruments:		
Trade receivables	7,750,524	-
Deposits	1,721,570	1,721,570
Cash in transit *	25,866,717	16,496,083
Non-financial instruments:		
Value Added Tax	10,661,838	5,297,618
Prepayments **	36,759,541	29,345,366
Receivables	**82,760,190**	**52,860,637**

* 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.

	2021 R	2020 R

9. Receivables (continued)

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

	2021 R	2020 R
Amortised cost	35,338,811	18,217,653
Non-financial instruments	47,421,379	34,642,984
	82,760,190	**52,860,637**

10. Financial assets

	2021 R	2020 R
Bank balances pledged	15,058,952	24,058,952
Money market investments	112,180,085	-
Treasury bills	1,126,393,986	832,982,014
Gross other financial assets	1,253,633,023	857,040,966
Adjustment: ECL	(488,371)	(366,875)
Net financial assets	**1,253,144,652**	**856,674,091**

	2021 R	2020 R
Classification of financial assets		
Amortised cost	1,141,017,723	856,674,091
Fair value through profit or loss	112,126,929	-
	1,253,144,652	**856,674,091**

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.

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

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. Fair value gains and losses are also recorded.

Treasury bills

As part of Tyme Bank's liquidity risk management strategy, the bank holds investments in interest bearing securities in the banking book (treasury bills issued by the South African Reserve Bank) 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.

11. Customer advances

	2021 R	2020 R
Gross customer advances	1,486,048	5,425,332
Expected credit losses	(664,969)	(750,434)
Net customer advances	**821,079**	**4,674,898**

11. Customer advances (continued)

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	567,083	211,518	707,448	1,486,048
Expected credit losses	(72,007)	(33,143)	(559,820)	(664,969)
Net customer advances	**495,076**	**178,375**	**147,628**	**821,079**
ECL coverage %	12.70 %	15.67 %	79.13 %	44.75 %

Reconciliation of gross customer advances	**Stage 1 R**	**Stage 2 R**	**Stage 3 R**	**Total**
Balance - 1 July 2020	4,037,589	1,213,746	173,998	5,425,333
New advances	177,218	-	-	177,218
Income accrued for the year	572,905	169,923	43,558	786,386
Transfers	(2,124,251)	(1,037,876)	3,162,127	-
Stage 1 to Stage 2	(2,472,570)	2,472,570	-	-
Stage 1 to Stage 3	(141,461)	-	141,461	-
Stage 2 to Stage 3	-	(3,065,474)	3,065,474	-
Stage 2 to Stage 1	477,584	(477,584)	-	-
Stage 3 to Stage 1	12,196	-	(12,196)	-
Stage 3 to Stage 2	-	32,613	(32,613)	-
Repayment	(2,096,378)	(134,275)	(87,211)	(2,317,864)
Write-offs	-	-	(2,585,024)	(2,585,024)
Balance - 30 June 2021	567,082	211,518	707,448	1,486,048

Reconciliation of expected credit losses	**Stage 1 R**	**Stage 2 R**	**Stage 3 R**	**Total R**
Balance - 1 July 2020	407,264	200,141	143,029	750,434
New advances	6,881	-	-	6,881
Transfers *	(260,090)	(169,008)	2,574,329	2,145,231
Stage 1 to Stage 2	(280,588)	460,624	-	180,036
Stage 1 to Stage 3	(19,999)	-	124,416	104,417
Stage 2 to Stage 3	-	(568,422)	2,485,733	1,917,311
Stage 2 to Stage 1	40,370	(67,049)	-	(26,679)
Stage 3 to Stage 1	126	-	(9,730)	(9,604)
Stage 3 to Stage 2	-	5,839	(26,090)	(20,251)
Remain in same stage	(54,732)	5,387	84,276	34,931
Repayments	(27,314)	(3,377)	(79)	(30,770)
Write-offs	-	-	(2,241,736)	(2,241,736)
Balance - 30 June 2021	72,007	33,143	559,819	664,969

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

Notes to the Annual Financial Statements

	2021 R	2020 R

12. Inventory

Customer card stock	48,586,123	26,059,191
Provision for obsolescence	(30,127,866)	-
	18,458,257	**26,059,191**

The balance represents customer cards on hand. The cost of cards issued to customers is recognised in the income statement in the period in which it occurs.

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

During the current year, management implemented enhanced reporting processes, which included sourcing more accurate and detailed data from the core banking system, which is used for financial reporting purposes. As a result, an adjustment was identified when analysing the volume of cards issued to customers, which is expensed through operating expenses in the statement of profit or loss and other comprehensive income. The adjustment has been classified as a provision as at 30 June 2021, due to ongoing efforts to validate the most appropriate and accurate data source.

Furthermore, management has also performed a detailed assessment on the existence of customer card stock as at 30 June 2021 as a physical stock count was deemed to be impracticable. This adjustment has resulted in a provision for shrinkage, damaged or obsolete stock items.

As a result, a provision for obsolescence amounting to R30,127,866 (2020: R nil) has been raised. Management will continue to refine and enhance all operational and financial reporting processes for customer card stock.

Write-downs to customer card stock amount to R1,336,735 (2020: R2,636,411). These write downs have been recognised as an expense and included in other operating expenses on the statement of profit and loss.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	457,327,756	599,908,834
Balances with the South African Reserve Bank	41,213,600	11,985,333
Gross cash and cash equivalents	498,541,356	611,894,167
Non cash adjustment: ECL	(232,365)	(844,667)
Net cash and cash equivalents	**498,308,991**	**611,049,500**

Cash and cash equivalents include balances with the South African Reserve Bank of R41,213,600 (2020: R 11,985,333). These balances primarily comprise of reserving requirements held with the South African Reserve Bank.

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.

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, Nedbank, Investec Bank, Mercantile Bank and the South African Reserve Bank.

Credit rating - (Fitch)		
ABSA Bank: BB-	55,423	65,871,832
First National Bank: BB-	927,674	1,664,470
Investec : BB-	470	3,120,869
Mercantile Bank: BB-	-	99,592,851
Nedbank: BB-	-	76,681,548
South African Reserve Bank: BB-	52,386,998	467,310
Standard Bank: BB-	403,957,191	275,702,921
	457,327,756	**523,101,801**

	2021 R	2020 R
14. Share capital		
Authorised		
10,000,000,000 Ordinary shares of R0.10 each	10,000,000,000	10,000,000,000
Reconciliation of number of shares issued		
Balance - 1 July 2020	4,009,583,603	3,050,665,641
Issue of shares	2,983,094,053	958,917,962
Balance - 30 June 2021	**6,992,677,656**	**4,009,583,603**
Reconciliation of share capital issued		
Balance - 1 July 2020	400,958,260	3,050,665,641
Share conversion - R1 to R0.10 per share	-	(2,745,599,077)
Issue of shares – ordinary shares	298,309,405	95,891,696
Balance - 30 June 2021	**699,267,665**	**400,958,260**
Reconciliation of share premium		
Balance - 1 July 2020	3,574,821,527	54,714,146
Share conversion - R1 to R0.10 per share	-	2,745,599,077
Issue of shares	604,663,476	774,508,304
Balance - 30 June 2021	**4,179,485,003**	**3,574,821,527**
Issued		
Ordinary shares of R0.10 each	699,267,665	400,958,260
Share premium	4,179,485,003	3,574,821,527
	4,878,752,668	**3,975,779,787**

On 21 August 2019, approval was granted to Tyme Bank Limited by the Prudential Authority to alter the Memorandum of Incorporation ("MoI"). This change resulted in a decrease in the par value of issued ordinary shares from R1 to R0.10 per share. The difference arising from the share conversion has been included in share premium.

15. Shares for issue reserve

	2021 R	2020 R
Shares for issue reserve	376,803,490	230,000,000

On 17 September 2020, Tyme Bank Limited issued 1,009,748,025 ordinary shares at R0.10 per share. The reserve, (R230,000,000), pertaining to shares held for issue was utilised for this purpose and was transferred to share capital (R100,974,803) and share premium (R129,025,197) accordingly.

The remaining reserve of R376,803,490, relates to shares issued subsequent to year end. Refer to note 31 - Subsequent events

16. Share-based payment reserve

	2021 R	2020 R
Employee share appreciation rights scheme	9,943,480	5,131,197
Purchase of shares by African Fig Tree Investments (Proprietary) Limited	45,394,526	41,236,249
	55,338,006	**46,367,446**

Employee share appreciation rights scheme

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

Under the programme, participants are granted shares which only vest if certain service conditions are met. Participation in the plan is at the trustee's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

	2021 R	2020 R

16. Share-based payment reserve (continued)

The amount of shares that will vest is redeemable at the fair value appreciation of the bank's share allocated between grant date and vesting date. The scheme vests in tranches over 5 years, (30% over 3 years, 30% over 4 years and 40% over 5 years). Shares are granted under the programme for no consideration and carry no dividend or voting rights.

Set out below is a summary of shares granted under the share scheme:

	2021	2020
Reconciliation of number of shares issued		
Balance - 1 July	44,285,842	-
Granted during the year	-	44,285,842
Forfeited during the year	-	-
Balance - 30 June	**44,285,842**	**44,285,842**

No shares were vested or exercisable at 30 June 2021.

Shares outstanding at the end of the year have the following expiry date and redemption price

- Grant date: 11 November 2019
- Expiry date: 31 December 2023
- Redemption price: R0.01
- Number of shares at 30 June 2021: 44,285,842 (2020: 44,285,842)

The weighted average remaining contractual life of shares outstanding at the end of the period was 2.5 years

The assessed fair value at grant date of shares granted during the year ended 30 June 2020 was R 0.56 per share. The fair value at grant date is independently determined using a free cashflow to equity model that takes into account marketability and minority discounts, equity market premiums, small stock premiums and the risk-free interest rate for the term of the share.

The model inputs for shares granted during the year ended 30 June 2021 include:

- Redemption price: R0.01
- Grant date: 11 November 2019
- Expiry date: 31 December 2023
- Share price at grant date: R0.56
- Attrition rate: 12% (2020: 15%)

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 of a discount to their fair value and a share-based payment expense is 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.

	2021 R	2020 R

16. Share-based payment reserve (continued)

Reconciliation of number of shares issued		
Opening balance - 1 July	9,600	-
Shares granted	-	30,000
Shares vested immediately	-	(18,000)
Shares vested during the year	(2,400)	(2,400)
Exercised during the year	-	-
Balance - 30 June	**7,200**	**9,600**
		-
Exercisable - 30 June	22,800	20,400

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%

17. Trade and other payables

Financial instruments:		
Trade payables	1,798,248	37,973,967
Settlements payable *	53,223,822	40,805,299
Income received in advance	4,294,814	9,607,438
Accrued expenses	44,052,379	32,228,523
Insurance clawback obligation	5,074,488	-
	108,443,751	**120,615,227**

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

18. Provisions

Reconciliation of provisions - 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
	14,843,459	**15,980,000**	**(2,499,502)**	**28,323,957**

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Total
Provision for loss on sale of kiosks	-	3,610,934	-	3,610,934
Leave pay provision	8,494,158	2,738,367	-	11,232,525
Short term incentive provision	41,515,316	-	(41,515,316)	-
	50,009,474	**6,349,301**	**(41,515,316)**	**14,843,459**

	2021 R	2020 R

18. Provisions (continued)

Provision for loss on sale of kiosks

During the prior year, a contract was entered into to manufacture and distribute kiosks to the Ubunto-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.

19. Deposits from customers

	2021 R	2020 R
Money transfer	2,390,106	4,215,424
Transactional accounts	2,199,031,049	1,230,912,712
	2,201,421,155	**1,235,128,136**

20. Interest income

	2021 R	2020 R
Interest income		
Bank and other cash	19,950,708	30,049,257
Treasury bills	42,747,786	32,796,631
Money market investment *	2,617,072	-
Bonds	53,338,285	974,768
Customer advances	762,722	321,169
	119,416,573	**64,141,825**

* Interest on money market investments includes components of a fair value adjustment.

21. Interest paid

	2021 R	2020 R
Lease liabilities	1,956,297	1,685,931
Tax authorities	48,121	-
South African Reserve Bank *	3,443,425	-
Interest paid to customers	55,747,946	29,916,351
	61,195,789	**31,602,282**

* During the year, the bank entered into a borrowing arrangement with the South African Reserve Bank. As at 30 June 2021, all capital and interest amounts had been settled.

Notes to the Annual Financial Statements

	2021 R	2020 R

22. Net fee and commission income

	2021 R	2020 R
Fee and commission income		
Transactional banking	156,114,390	47,373,322
Insurance	17,248,560	-
	173,362,950	**47,373,322**
Fee and commission expense		
Transactional banking	(71,354,970)	(29,914,597)
Insurance	-	-
	(71,354,970)	**(29,914,597)**
	102,007,980	**17,458,725**

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.

23. Credit impairment charge

	2021 R	2020 R
Net movement in expected credit losses	(266,431)	2,020,852
Gross advances written off	2,585,024	336,751
Net impairment charge	2,318,593	2,357,604
Post write off recoveries	(8,762)	(18,247)
Total credit impairment charge	**2,309,831**	**2,339,356**

24. Other operating gains (losses)

	2021 R	2020 R
Gains on disposal of property, plant and equipment	77,217	32,900
Net foreign exchange gain (loss)	994,127	(163,678)
Fees earned - non-banking services	16,770,470	19,977,936
Loss on sale of kiosks	-	(380,027)
Fair value adjustment - Money market investments	(49,534)	-
	17,792,280	**19,467,131**

25. Other operating expenses

Operating loss for the year is stated after charging the following, amongst others:

	2021 R	2020 R
Auditor's remuneration - external		
External audit fees	5,762,754	6,200,059
Consulting and professional service fees		
Other professional services	135,433,682	132,520,911
Employee costs		
Salaries, bonuses and other benefits	194,799,112	174,548,975
Share-based compensation expense	8,970,560	46,367,446
Total employee costs	**203,769,672**	**220,916,421**
Depreciation and amortisation		
Depreciation of property, plant and equipment	16,327,015	22,971,482
Depreciation of right-of-use assets	10,586,015	12,461,422
Amortisation of intangible assets	8,416,369	119,067,937
Total depreciation and amortisation	**35,329,399**	**154,500,841**

	2021 R	2020 R

25. Other operating expenses (continued)

Impairment losses

Property, plant and equipment	2,499,955	27,220,605
Intangible assets	-	15,933,128
	2,499,955	**43,153,733**

Non-claimable VAT

Value Added Tax	25,010,383	43,344,288

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

Expenses by nature

The total operating expenses are analysed by nature as follows:

Outsourced services	313,050,750	318,373,950
Employee costs	203,769,672	220,916,421
Depreciation, amortisation and impairment	37,829,354	197,654,574
Software expense	124,305,792	165,300,600
Consulting and professional fees	135,433,682	132,520,911
Partnership fees	60,000,000	101,910,516
Marketing	82,661,350	82,562,979
Customer card costs	70,550,825	35,079,035
Non-claimable VAT	25,010,383	43,344,288
Membership fees	22,420,503	22,476,728
Repairs and maintenance	6,954,223	8,808,457
External audit fees	5,762,754	6,200,059
Fraud and operational risk losses	4,789,432	10,241,214
Facilities expense	3,067,410	3,348,179
Insurance	1,785,929	1,023,789
Bank charges	1,346,657	896,242
Office consumables	1,052,967	3,602,783
Telephone	541,235	1,085,489
Postage and stationery	385,289	650,411
Local and foreign travel costs	357,300	4,049,616
Loss provision on onerous contracts	-	3,610,934
	1,101,075,507	**1,363,657,175**

26. Taxation

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting loss	(925,364,294)	(1,296,531,132)
Tax at the applicable tax rate of 28% (2020: 28%)	(259,102,002)	(363,028,717)
Tax effect of adjustments on taxable income		
Non-taxable income	(21,621)	(9,212)
Non-deductible expenses	(1,798,295)	25,345,929
Tax losses benefit not recognised	260,921,918	337,692,000
	-	**-**

No provision has been made for 2021 tax as the company has no taxable income. The assessed tax loss available for set off against future taxable income is R3,147,044,502. The estimated tax loss is R4,032,008,045 (2020: R3,268,540,377).

Notes to the Annual Financial Statements

27. Cash generated from/(used in) operations

	2021 R	2020 R
Loss before taxation	(925,364,294)	(1,296,531,132)
Adjustments for:		
Depreciation and amortisation	37,829,355	154,500,841
Gains on disposal of property, plant and equipment	(77,217)	(32,900)
Interest received	(119,416,573)	(64,141,825)
Interest paid	61,195,789	31,602,282
Loss on disposal of money market investment	49,534	-
Impairment and expected credit losses	2,309,831	44,424,151
Movements in provisions	13,480,498	(35,166,015)
Movement in share-based payment reserve	8,970,560	46,367,446
Changes in working capital:		
Inventory	7,600,934	(18,275,685)
Receivables	(29,899,553)	30,920,825
Customer advances	3,853,819	(4,674,898)
Trade and other payables	(12,171,476)	35,048,577
Deposits from customers	966,293,020	1,017,134,360
	14,654,227	**(58,823,973)**

28. Related parties

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	Tyme Technical Services Proprietary Limited
Entities within African Rainbow Capital Financial Services Holdings Proprietary Limited Group, with whom we transact	Ubuntu - Botho Community Development Trust Rain Proprietary Limited EOH Mthombo Proprietary Limited Tyme Limited (Associate)
Former Ultimate holding company	Commonwealth Bank of Australia
Entities where key management personnel hold interests	African Fig Tree Investments Proprietary Limited Tyme Limited (Associate)
Entities within Commonwealth Bank of Australia Group	CBA Digital Solutions Development Company Limited

Related party balances

	2021 R	2020 R
Income received in advance		
Ubuntu - Botho Community Development Trust	(4,294,814)	(9,607,438)
Provision for loss on sale of kiosks		
Ubuntu - Botho Community Development Trust	(1,244,608)	(3,610,934)
Customer deposits		
Key management personnel	(853,070)	(702,299)
Receivables		
Ubunto – Botho Community Development Trust	3,381,733	-

	2021 R	2020 R

28. Related parties (continued)

Related party transactions

Transitional services agreement		
Commonwealth Bank of Australia	-	(36,670)
Sale of kiosks		
Ubuntu - Botho Community Development Trust	(2,366,326)	(380,027)
Fees earned - Non-banking services		
Tyme Limited *	(15,748,854)	(19,974,860)
Fees and commission income		
Ubunto – Botho Community Development Trust	(3,381,733)	-
Outsourced services		
Tyme Limited *	162,976,296	173,398,439
African Fig Tree Investments Proprietary Limited *	-	1,000,000
Professional fees expense		
EOH Mthombo Proprietary Limited	-	3,203,344
Interest paid		
Key management personnel	38,133	29,409
Compensation of key management personnel		
Salaries and other short term benefits	13,501,343	33,457,009
Share based payments	2,040,745	16,896,947

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 bank.

Coenraad 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 10.11% (2020: 18.09%) shareholding in Tyme Bank Holdings Limited, the sole shareholder of Tyme Bank Limited.

Furthermore, Tauriq 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 Tauriq Keraan is a director of both Tyme Bank Limited and Tyme Bank Holdings Limited.

29. Directors' emoluments

2021

Executive	**Emoluments**	**Bonuses**	**Share-based payments**	**Fees**	**Total**
AB Desai *	3,256,344	-	377,434	-	3,633,778
T Keraan *	4,500,000	-	***1,663,311	-	6,163,311
	7,756,344	-	2,040,745	-	9,797,089
Non-executive					
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
	6,939,288	1,628,393	-	6,328,332	14,896,013
	14,695,632	**1,628,393**	**2,040,745**	**6,328,332**	**24,693,102**

2020

Executive	**Emoluments**	**Bonuses**	**Share-based payments**	**Fees**	**Total**
AB Desai *	3,256,414	1,426,589	402,447	-	5,085,450
T Keraan *	4,098,408	1,440,000	16,494,500	-	22,032,908
SL Shabalala	3,268,206	14,517,392	-	-	17,785,598
	10,623,028	17,383,981	16,896,947	-	44,903,956
Non-executive					
TA Boardman **	3,072,500	-	-	1,800,000	4,872,500
TSB Jali	-	-	-	2,000,000	2,000,000
CJ Jonker	-	-	-	-	-
M Milutinovic **	2,713,988	1,389,150	764,688	-	4,867,826
K Morule	-	-	-	250,000	250,000
PA Wessels	-	-	-	1,400,000	1,400,000
	5,786,488	1,389,150	764,688	5,450,000	13,390,326
	16,409,516	**18,773,131**	**17,661,635**	**5,450,000**	**58,294,282**

AB Desai resigned on 31 October 2021.

* 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 16.

30. Going concern

We draw attention to the fact that at 30 June 2021, the bank had accumulated losses of R4,793,322,479 (2020: R3,867,958,185) and incurred a loss of R925,364,294 (2020: R1,296,531,132) 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 give assurance that the bank will have access to continued capital and funding from them 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 2022.

30. Going concern (continued)

The ability of the bank to continue as a going concern beyond the period 31 October 2022 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 2022, which may cast significant doubt on the bank's ability to continue as a going concern, and therefore that it may be unable 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.

31. Subsequent events

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 with the Bank or perform selected services. During this period, 100 kiosks with a replacement value of R6,1m were damaged/destroyed. A claim has been raised through the bank's insurers for the losses incurred.

Share-based payments

On 1 July 2021, the Employee Share Appreciation Rights Scheme ('ESOP') issued a further 67,588,811 shares to its employees. The total expected cost of the share issue is estimated to be R19,857,102 over the next 6 years.

Shares for issue reserve (including capital contributions received subsequent to year end)

On 30 July 2021, Tyme Bank Limited issued 1,058,283,339 ordinary shares at R0.10 per share. The reserve pertaining to shares held for issue, (note 15), was utilised for this purpose and was transferred to share capital (R105,828,334) and share premium (R270,975,156) accordingly.

Subsequent to year end, a consideration of R400,512,741 was received as additional capital contributions for which the bank intends to issue ordinary shares.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

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.