



TymeBank
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Tyme Bank Limited
Annual Financial Statements
for the year ended 30 June 2023

(Reg no. 2015/231510/06)

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Digital banking services
Directors	CJ Jonker Y Dockrat TSB Jali M Boakgomo M Milutinovic NL Smalle PA Wessels R Ramcharan S Barrett TNM Eboka TA Boardman
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 FirstRand Bank Standard Bank Nedbank Investec Bank
Auditors	PricewaterhouseCoopers Inc.
Secretary	L Jwili
Bank 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 Annual Financial Statements were prepared by the Financial Controller: NJ Dewar CA(SA); and supervised by the Chief Financial Officer: Y Dockrat CA(SA).
Issued	18 October 2023

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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 Tyme Bank Limited ("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 judgment and estimates.

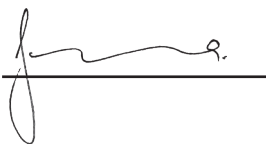
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Bank and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal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

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

The directors have reviewed the Bank's cash flow forecast for the year to 18 October 2024 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. Refer to note 32 for additional information.

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 12 to 14.

The annual financial statements set out on pages 15 to 75, which have been prepared on the going concern basis, were approved by the board of directors on 18 October 2023 and were signed on their behalf by:



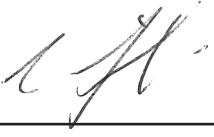
CJ Jonker



TSB Jali

Company Secretary's Certification

I hereby confirm, in my capacity as Company Secretary of the Bank that for the year ended 30 June 2023, the company filed all required returns and notices in terms of the Companies Act of South Africa to the Commissioner of Companies and Intellectual Property Commission and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.



L Jwili
Company Secretary
Johannesburg
18 October 2023

Directors' Report

1. Incorporation

The Bank was incorporated on 08 July 2015 and obtained its approval to commence business on 14 September 2017.

2. Nature of business

The Bank provides digital banking services to customers in South Africa. The Bank soft-launched in August 2018 and marketed its transaction and savings accounts publicly from 25 February 2019. To date, the Bank has attracted circa 7.5 million customers and over R4 billion in retail deposits. The Bank has been continually enhancing and increasing its products and features, so as to continually drive adoption by the market and increase customer activity.

Other than the acquisition in note 4 below, there have been no material changes to the nature of the Bank's business from the prior year.

3. Restructuring of the Tyme Global Group

During the financial year, the Tyme Global Group ("Tyme Global") introduced new holding companies for the South African and international businesses in Tyme Global. As a result, all shareholders in Tyme Bank Holdings Limited became shareholders in Tyme SA Holdings Proprietary Limited, a South African domiciled entity and Tyme Group Pte. Ltd, incorporated in Singapore. Tyme Bank Holdings Limited has two shareholders, namely Tyme SA Holdings Proprietary Limited and Tyme Group Pte. Ltd. Tyme Bank's ultimate shareholder, namely Ubuntu-Botho Investments, remains unchanged.

4. Acquisition of Retail Capital Limited

Tyme Bank Holdings Limited acquired award-winning fintech funder Retail Capital Limited ("Retail Capital") with effect from 15 December 2022 in order to bolster the Bank's business banking offering. The Bank subsequently acquired the business of Retail Capital from Tyme Bank Holdings Limited. Retail Capital is now a division of the Bank and offers turnover-based lending to small and medium-sized businesses.

Retail Capital's funding expertise has been combined with the Bank's deposit base and operations to serve a broader customer base. This enables efficient channelling of funding to South African businesses and will expand services to the historically underserved small business sector.

5. Economic conditions

The Bank operated against a backdrop of increasing economic volatility, inflationary impacts and supply chain pressures in this financial year. The economy simultaneously entered increasing wage, energy price and interest rate cycles, placing pressure on retail banking customers. Despite this, the Bank experienced increased transactions per active customer and continued to progress towards its long-term financial targets.

6. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

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

Directors' Report

7. Significant accounting matters

7.1. Divisionalisation of Retail Capital

On 15 December 2022 Tyme Bank Holdings Limited acquired 100% of the equity of the Retail Capital group of companies and has accounted for this acquisition with effect from 1 December 2022. The business of the Retail Capital group was then divisionalised into the Bank.

Being a combination of businesses under common control of Tyme Bank Holdings Limited, the pooling of interests method was used to account for the transaction between the Bank and Retail Capital. The Retail Capital division's results are included in profit and loss with effect from 1 December 2022. Refer to note 36 for additional information related to the division.

8. Share capital

Refer to note 17 of the annual financial statements for detail of the movement in authorised and issued share capital.

9. Dividends

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

10. Capital Adequacy Ratio (CAR)

The Bank's capital adequacy ratio at 30 June 2023 is 27.4% (2022: 137%) and remained above the minimum prudential requirement level throughout the year.

11. Directorate

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

Directors	Designation	Designation
CJ Jonker	Chief Executive Officer	Appointed 01 July 2022
Y Dockrat	Chief Financial Officer	Appointed 01 July 2022
TSB Jali	Non-executive	
M Boakgomo	Non-executive	
M Milutinovic	Non-executive	
NL Smalle	Non-executive	
PA Wessels	Non-executive	
R Ramcharan	Non-executive	Appointed 01 June 2023
S Barrett	Non-executive	Appointed 01 June 2023
TNM Eboka	Non-executive	
TA Boardman	Non-executive	
K Morule	Non-executive	Resigned 31 March 2023

12. Directors' interests in contracts

On 4 December 2018, a contract was concluded between the Bank and Tyme Limited. The purpose of the contract is to provide right of use of intellectual property by Tyme Limited to the Bank.

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

C Jonker is appointed as a director of both the Bank 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 holds 13.3% in Tyme Group Pte Limited (2022: this shareholding was 8.44% in Tyme Bank Holdings Limited, the sole shareholder of the Bank).

Please refer to note 30 for further disclosure on related party transactions.

Directors' Report

13. Holding company

The Bank's holding company is Tyme Bank Holdings Limited which holds 100% (2022: 100%) of the Bank's equity. Tyme Bank Holdings Limited is incorporated in South Africa.

14. Ultimate holding company

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

15. Subsequent events

Long-term incentive plan awards

Long-term incentive plan (LTIP) units are expected to be awarded to new and existing employees during the 2024 financial year. These had no impact on the financial results for the year ended 30 June 2023 as the service-related period related to the award had not yet commenced.

16. Going concern

We draw attention to the fact that at 30 June 2023, the Bank had accumulated losses of R6 636 671 446 (2022: R5 778 573 833) and incurred a loss of R858 097 412 (2022: R976 822 225) for the year then ended. These losses substantially represent the Bank establishment and build costs. The ability of the Bank to continue as a going concern is dependent on ongoing procurement of capital and funding for the operations of the Bank.

During the current financial year, the Ubuntu-Botho Investments Proprietary Limited Group, as majority shareholder, along with other shareholders, continued to provide adequate capital and funding to the Bank. In addition, the Ubuntu-Botho Investments Proprietary Limited Group continues to provide assurance that the Bank will have access to continued capital and funding to be able to settle its debts as they fall due and be able to continue business as a going concern for the period ending 31 October 2024.

The ability of the Bank to continue as a going concern beyond the period 31 October 2024 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 global economic conditions on socio-economic conditions in the country.

These conditions give rise to a material uncertainty for the period beyond 31 October 2024, which may cast significant doubt on the Bank's ability to continue as a going concern, and therefore its ability to settle its debts as they become due in the normal course of business.

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

17. Auditors

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

Directors' Report

18. Secretary

The company secretary is L Jwili.

Business address: 30 Jellicoe Avenue
Rosebank
Johannesburg
Gauteng
2196

19. Date of authorisation for issue of financial statements

The annual financial statements have been authorised for issue by the directors on 18 October 2023. 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 2023 financial year of the Bank 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 of (Independent) Non-executive members and is chaired by P Wessels, an independent non-executive director. The members of the Audit and Compliance Committee also attend, by invitation the Risk and Capital Management Committee to ensure alignment on risk matters and to increase and enhance oversight.

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

Execution of functions

The Audit and Compliance Committee has executed its duties and responsibilities during the financial year in accordance with its mandate as it relates to the nomination of the external auditor, verifying the independence of the auditor, approving the audit fees and assessing the nature and extent of non-audit services. In addition, the Committee has also considered the Bank's accounting, internal auditing, internal financial control, 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 2023, 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 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 2023.

In respect of the financial statements:

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

In respect of financial accounting and reporting developments:

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

In respect of internal control and internal audit:

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

Report of the Audit and Compliance Committee

In respect of compliance requirements, the committee:

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

In respect of legal and regulatory requirements:

- reviewed and approved the annual compliance mandate and compliance plan;
- reviewed, with management, matters that could have a material impact on the Bank;
- monitored compliance with the Companies Act, the Banks Act, the King Code of Corporate Governance and other applicable legislation and governance codes and reviewed reports from internal audit, external auditors and the compliance function 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 and potential violations of the law.

In respect of risk management and information technology:

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

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

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

Independence, skills and expertise of the external auditors

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

- the representations made by PricewaterhouseCoopers to the Committee, including confirmation of the firm's and individual auditor's accreditation;
- the auditors do not, except as external auditors or in rendering permitted and approved 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.

Report of the Audit and Compliance Committee

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

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

On behalf of the Audit and Compliance Committee:



P Wessels
18 October 2023



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 2023, and its financial performance and its 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 15 to 75 comprise:

- the statement of financial position as at 30 June 2023;
- 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;
- the accounting policies; and
- the notes to the annual financial statements.

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 32 in the financial statements, which indicates that the Company had accumulated losses of R6.637 billion as at 30 June 2023 and incurred a net loss of R858.1 million for the year then ended. The ability of the Company to continue as a going concern beyond October 2024

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Chief Executive Officer: L S Machaba

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

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 global economic conditions on socio-economic conditions in the country. As stated in Note 32, 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 Annual Financial Statements for the year ended 30 June 2023*", which includes the Directors' Report, the Report of the Audit and Compliance Committee 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 8 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Rivaan Roopnarain

Registered Auditor

Johannesburg, South Africa

18 October 2023

Statement of Financial Position as at 30 June 2023

	Notes	2023 R '000	2022 Restated * R '000	2021 Restated * R '000
Assets				
Cash and balances with SARB	4	1 644 120	307 818	93 384
Cash and balances with other banks	4	35 899	118 539	404 925
Customer advances	5	1 668 352	913	821
Receivables	6	193 852	118 077	82 760
Financial assets	7	1 908 530	3 512 492	2 222 970
Current tax receivable	8	10 641	-	-
Inventories	9	40 111	18 283	18 458
Plant and equipment	10	113 665	90 437	33 613
Right-of-use assets	11	32 128	23 736	30 552
Goodwill and other intangible assets	12	1 020 701	-	-
Total Assets		6 667 999	4 190 295	2 887 483
Liabilities				
Deposits from customers	13	4 005 020	3 278 718	2 201 421
Trade and other payables	14	815 564	137 563	108 442
Lease liability	11	33 295	26 896	31 724
Provisions	15	74 739	55 880	28 324
Total Liabilities		4 928 618	3 499 057	2 369 911
Equity				
Share capital	17	1 144 989	805 096	699 268
Share premium	17	6 044 831	4 450 460	4 179 485
Share for issue reserve	18	-	1 140 951	376 803
Share-based payment reserve	19	99 823	73 304	55 338
Common control equity reserve	36	1 086 409	-	-
Accumulated loss		(6 636 671)	(5 778 573)	(4 793 322)
		1 739 381	691 238	517 572
Total Equity and Liabilities		6 667 999	4 190 295	2 887 483

* Restated as shown in note 1.19.

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2023 R '000	2022 Restated * R '000
Interest income	21	672 604	205 476
Interest expense*	22	(142 804)	(93 911)
Net interest income		529 800	111 565
Fee and commission income		706 075	365 616
Fee and commission expense*		(369 936)	(225 787)
Net fee and commission income	23	336 139	139 829
Credit impairment charge	24	(247 029)	(1 106)
Other operating gains	25	42 742	33 415
Other operating expenses*	26	(1 519 749)	(1 260 525)
Loss for the year		(858 097)	(976 822)
Other comprehensive income		-	-
Total comprehensive loss for the year		(858 097)	(976 822)

* Restated as shown in note 1.19.

Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Share for issue reserve	Common control equity reserve	Share-based payment reserve	Total reserves	Accumulated loss	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Balance at 01 July 2021	699 268	4 179 485	4 878 753	376 803	-	55 338	432 141	(4 793 322)	517 572
Loss for the year	-	-	-	-	-	-	-	(976 822)	(976 822)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive Loss for the year	-	-	-	-	-	-	-	(976 822)	(976 822)
Issue of shares	105 828	270 975	376 803	(376 803)	-	-	(376 803)	-	-
Shares for issue	-	-	-	1 140 951	-	-	1 140 951	-	1 140 951
Share-based payment expense - ESOP	-	-	-	-	-	9 614	9 614	-	9 614
Share-based payment expense - AFT	-	-	-	-	-	4 200	4 200	-	4 200
Cash payment to employees in lieu of vested shares	-	-	-	-	-	(8 545)	(8 545)	50	(8 495)
Reclassification to ESOP liability	-	-	-	-	-	(11 012)	(11 012)	-	(11 012)
Remeasurement of share-based payment liability	-	-	-	-	-	-	-	(8 479)	(8 479)
Implementation of replacement LTIP	-	-	-	-	-	23 709	23 709	-	23 709
Total contributions by and distributions to owners of company recognised directly in equity	105 828	270 975	376 803	764 148	-	17 966	782 114	(8 429)	1 150 488

Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Share for issue reserve	Common control equity reserve	Share-based payment reserve	Total reserves	Accumulated loss	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Balance at 01 July 2022	805 096	4 450 460	5 255 556	1 140 951	-	73 304	1 214 255	(5 778 574)	691 237
Loss for the year	-	-	-	-	-	-	-	(858 097)	(858 097)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive Loss for the year	-	-	-	-	-	-	-	(858 097)	(858 097)
Issue of shares	118 880	662 951	781 831	-	-	-	-	-	781 831
Share for issue	218 819	922 132	1 140 951	(1 140 951)	-	-	(1 140 951)	-	-
Capital raise costs	-	(1 143)	(1 143)	-	-	-	-	-	(1 143)
Share-based payment expense - ESOP	-	-	-	-	-	34 944	34 944	-	34 944
Share-based payment expense - AFT	-	-	-	-	-	4 200	4 200	-	4 200
Issue of shares - Vested LTIP	2 194	10 431	12 625	-	-	(12 625)	(12 625)	-	-
Reserve arising from a business acquisition	-	-	-	-	1 086 409	-	1 086 409	-	1 086 409
Total contributions by and distributions to owners of company recognised directly in equity	339 893	1 594 371	1 934 264	(1 140 951)	1 086 409	26 519	(28 023)	-	1 906 241
Balance at 30 June 2023	1 144 989	6 044 831	7 189 820	-	1 086 409	99 823	1 186 232	(6 636 671)	1 739 381
Notes	17	17	17		36	19			

Statement of Cash Flows

	Notes	2023 R '000	2022 Restated * R '000
Cash flows from operating activities			
Cash utilised by operations	29	(239 644)	51 196
Interest received	21	624 381	176 477
Interest paid*	22	(72 240)	(91 846)
Net cash from operating activities		312 497	135 827
Cash flows from investing activities			
Purchase of plant and equipment	10	(37 307)	(65 718)
Proceeds from sale of property, plant and equipment	10	619	1 239
Purchases of intangible assets		(1 183)	-
Purchases of financial assets		(401 962)	(1 281 576)
Proceeds on disposal of money market investments		89 563	20 000
Net cash paid on business combinations	36	(1 103 601)	-
Proceeds on maturity of financial assets	7	1 916 361	-
Net cash from investing activities		462 490	(1 326 055)
Cash flows from financing activities			
Proceeds on issue of share capital	17	490 486	-
Capital raise costs	17	(1 143)	-
Shares for issue	18	-	1 140 951
Payment on lease liabilities	11	(10 669)	(5 661)
Cash paid to employees for vested ESOP shares	20	-	(17 014)
Net cash from financing activities		478 674	1 118 276
Total cash movement for the year		1 253 661	(71 952)
Cash and cash equivalents at the beginning of the year		426 358	498 309
Cash and cash equivalents at the end of the year	4	1 680 019	426 357

* Restated as shown in note 1.19.

Accounting Policies

1. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1. Basis of preparation

These policies comply with International Financial Reporting Standards ("IFRS"), interpretations issued by the IFRS Interpretations Committee ("IFRIC"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act.

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.

New and/or amended accounting policies for business combinations, intangible assets acquired during an acquisition, internally generated intangible assets, loans to related parties and changes in accounting estimates have been introduced.

1.2. Business combinations under common control

The Bank accounts for common control business combinations, which are specifically excluded from the scope of IFRS 3 Business Combinations, using the pooling of interests method. Assets and liabilities of the transacting entities are reflected at their predecessor values i.e the fair value recognised by Tyme Bank Holdings Limited. No adjustments are made to fair values or to recognise any new assets or liabilities at the date of the combination, except those relating to the alignment of accounting policies.

No 'new' goodwill is recognised as a result of the combination. The only goodwill that is recognised is that already recognised in respect of the combining parties. Any difference between the consideration transferred and the net assets acquired is recognised in equity. The statement of profit or loss reflects the results of the combining parties.

1.3. Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint operations

The company recognises the following in relation to its interests in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

1.4. Significant judgements and sources of estimation uncertainty

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

a. Intangible assets acquired during a business combination

Valuations by nature involve the use of assumptions about various inputs into calculations, such as expected future cash flows and the weighted average cost of capital of the acquiree. Management exercised judgement when determining these assumptions and preparing these calculations for intangible assets acquired as part of the recent acquisition as well as when determining the appropriate valuation methodology to be applied.

The estimated useful life of acquired intangible assets also requires judgement, taking into account the acquiree's ability to meet or exceed their targets as well as the likely period for which future economic benefits are expected to be realised.

Refer to notes 12 and 36.

b. Goodwill and intangible assets

The Bank tests whether goodwill has suffered any impairment on an annual basis. For the 2023 financial year the recoverable amount of the Cash Generating Unit ("CGU") was determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five- year period. Refer to notes 12 and 36.

c. 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.

d. Capital work-in-progress

The Bank has recognised capital work-in-progress in property, plant and equipment. These assets relate to the development of kiosks prior to their installation in stores. In recognising these assets, the Bank has exercised significant judgement by determining it is probable that future economic benefits associated with these work-in-progress assets will flow to the Bank. The estimations of these future economic benefits are based on the Bank's estimates and assumptions of the future economic benefits in terms of 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.

e. 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 these assets.

Equipment, plant and intangible assets including goodwill are assessed for impairment annually. If there is an indicator of impairment then factors taken into consideration include the economic viability of the asset itself. Future cash flows expected to be generated by the investment against which goodwill was raised are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current asset value and, if lower, the assets are impaired to the present value.

f. Recognition of deferred tax assets

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

Accounting Policies

1.5 Financial instruments (continued)

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

The valuation methodology used is a free cash flow to equity model that takes into account marketability and minority ownership discounts, equity market premiums, small stock premiums and the risk-free interest rate for the term of the share appreciation right. Management therefore exercises judgement when determining the value of the shares used to value the share appreciation rights.

h. Asset useful life and residual values

Property, plant and equipment and intangible assets are depreciated/ amortised over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed at each financial year-end and may vary depending on a number of factors. In re-assessing asset useful lives, factors such as technological innovation and changing business requirements are taken into account. Refer to change in accounting policy .

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

1.5. Financial instruments

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

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

- Government securities
- Receivables
- Bank balance pledged
- 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.

1.5.1. Recognition and measurement of financial instruments

Financial instruments are recognised when the Bank becomes a party to the contractual provisions of the instrument. The instruments are measured, at initial recognition, at fair value plus transaction costs, if any, except for financial instruments at fair value through profit or loss where transaction costs are expensed.

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

a. Financial assets at amortised cost

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

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

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

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

Accounting Policies

1.5 Financial instruments (continued)

b. Significant financial assets include:

Government securities

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

Receivables

Receivables are classified as financial assets at amortised cost and comprise of sundry deposits and cash in transit, which are considered to be short term in nature. Receivables are measured at the undiscounted amount of the cash expected to be received unless the arrangement effectively constitutes a financing arrangement.

Bank balances pledged

Bank balances pledged are held by First National Group, a division of First Rand Group 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 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.

1.5.2. 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 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, and whether exposures are classified as stage 1 (12-months) or stage 2 and 3 (Lifetime).

Definition of default

For purposes of internal credit risk management purposes, the Bank considers that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Bank considers that default has occurred when a loan instalment is more than 90 days past due.

Accounting Policies

1.5 Financial instruments (continued)

1.5.3. Measurement of impairments

The assessment of the ECL of the 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 loans 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.

1.5.4. Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. The only mechanism currently available for an exposure to be reclassified from stage 2 to stage 1 or from stage 3 to either stage 1 or stage 2, would be for clients to settle the contractually required arrears instalments. The Bank does not currently perform any re-aging or restructuring of credit agreements for customers in arrears.

1.5.5. Write-off policy

Customer advances are written off when the Bank has no reasonable expectation that recovery (in entirety or portion thereof) exists, such as where the debtor has been placed into liquidation or has entered into bankruptcy proceedings, or for loans when no payment has been received or when all collection options have been exhausted. The write-off criteria are structured taking into account the likelihood of recovery within the market segment that the Bank is operating in.

Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. Any recoveries are recognised in profit or loss.

1.5.6. 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.

1.5.7. 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.

The terms associated with Merchant Cash Advances are not formally modified, rather repayments are directly correlated to the underlying customers trade and thus contractually the term taken to repay the outstanding amount can vary automatically. This is not a loan modification.

1.5.8. Credit risk

Details of credit risk related to financial assets are included in the specific notes and the financial instruments and risk management (note 3.4.2).

Financial liabilities

Accounting Policies

1.6 Plant and equipment (continued)

Financial liabilities are initially recognised at fair value and subsequently recognised at amortised cost.

Trade and other payables

Trade payables are classified as financial liabilities at amortised cost. These are measured at the undiscounted value of the cash expected to be paid, unless the arrangement effectively constitutes a financing transaction.

Deposits received from customers

Deposits received from customers are recognised at fair value, and therefore carried at amortised cost.

1.6. Plant and equipment

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 – 5 years
Computer equipment	Straight line	3 – 7 years
Leasehold improvements	Straight line	5 – 7 years
Kiosks	Straight line	5 years
Tools and equipment	Straight line	6 years
Generators	Straight line	15 years

An item of plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Bank, and the cost of the item can be measured reliably. Cost includes all costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

Depreciation is charged using the straight-line method to write down 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, including the lease term related to probable lease renewals. 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 plant and equipment have been assessed as follows:

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

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

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

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

Accounting Policies

1.7 Goodwill and other intangible assets (continued)

loss when the item is derecognised.

1.7. Goodwill and other intangible assets

Internally generated intangible assets are initially recognised at the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised,

Item	Amortisation method	Average useful life
Customer relationships	Straight line	4 years
Internally generated software	Straight line	3 years
Trademarks	Straight line	8 years

development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequently, intangible assets are carried at cost less accumulated amortization and impairment.

Development costs that relate to the design and testing of new improved products, systems or processes are recognised as an asset to the extent that it is expected that such assets are separable and will generate future economic benefits. Useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being recognised on a prospective basis.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the asset first meets the recognition criteria listed above. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Recognition criteria are met when the Bank can demonstrate:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale,
- its intention to complete and its intention and ability to use or sell the asset,
- how the asset will generate future economic benefits,
- the availability of resources to complete the assets.

The internally generated intangible assets recognised relate to various computer software programs designed to support the business in its operational activities.

Intangible assets acquired in a business combination are valued using methods allowed in IFRS 13 Fair Value Measurement. The valuation methods utilised are disclosed in note 37.

Subsequently, intangible assets are carried at cost less accumulated amortization and impairment.

1.8. Inventories

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

Where the net realisable value is lower than the cost, the difference will be recognised as an expense in the period.

The cost of cards delivered to kiosks are recognised in the statement of profit or loss in the period in which delivery occurs.

1.9. Tax

a. Current tax assets and liabilities

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

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

b. Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not

Accounting Policies

1.9 Tax (continued)

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.

c. Tax expenses

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

1.10. Leases

The Bank assesses whether a contract is, or contains, a lease at inception of the contract, 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.

a. Bank as lessee

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

b. Right-of-use assets

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

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

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

c. Lease liabilities

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

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

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

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

d. Leases of low-value assets

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

1.11. 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 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.

Accounting Policies

1.11 Impairment of non-financial assets (continued)

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

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of an impairment is recognised immediately in profit or loss.

1.12. 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.

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

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

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

1.13. Share based payments

a. Employee share-based compensation benefits

Share-based compensation benefits are provided to employees (including senior executives) of the Bank via the Tyme Bank Holdings Limited Long Term Incentive Plan ('LTIP') which replaced the Bank's Employee Share Ownership Programme ('ESOP') during the prior year. Selected employees working at the Bank are granted share appreciation rights based on the change in the value of the Bank's shares between grant date and exercise date through the programme. Information relating to this scheme is set out in note 19.

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

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

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

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

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

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

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

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

Share-based payment compensation is received by certain employees of the Bank in the form of a discount on the acquisition price of Company's shares, from an entity outside the Group and 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.

Accounting Policies

1.14. 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.

1.15. Provisions

Provisions are recognised when:

- the Bank has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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

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

1.16. Revenue recognition

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

a. Interest income and expenses

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

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

b. Net fee income

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

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

Fee income is recognised in a manner that depicts the transfer of promised services to customers in an amount that reflects the consideration we expect to be entitled to for those services. Fees earned in respect of services rendered are accrued over 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 such as interchange payable to other banks and card association fees.

1.17. 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.

Accounting Policies

1.17 Translation of foreign currencies (continued)

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.

1.18. Prepayments

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

Accounting Policies

1.19. Restatements

Change in statement in profit or loss presentation of transactional fee-related expenses in terms of IAS 1

During the current financial year, the Bank corrected the presentation of fee-related expenses after determining that these expenses are related to the generation of bank card related revenue. These expenses have therefore been presented within fee and commission expenses, resulting in a reclassification from operating expenses to fee and commission expenses in the statement of profit or loss of the Bank. This reallocation had no impact on the profit or loss for the period.

This restatement had the following classification impact on the statement of profit or loss shown in these financial statements:

Profit or Loss	2022		
	As previously reported	Restatement	Restated
	R'000	R'000	R'000
Fee and commission expense	(140 409)	(85 378)	(225 787)
Net fee and commission income	225 207	(85 378)	139 829
Other operating expenses	(1 345 903)	85 378	(1 260 525)

Change in presentation of the statement of financial position

In line with local industry practice the Bank has changed the presentation of its statement of financial position from a current and non-current assets and liability presentation to presentation of assets and liabilities in order of liquidity. Three statements of financial position are therefore presented in the primary statements as required by IAS 1.

In addition, the Bank has disclosed share capital and share premium separately on the statement of financial position, whereas these were previously disclosed in the related note in the financial statements.

The Bank's statement of financial positions as previously reported are as follows:

1.19 Restatements (continued)

	2022 R '000	2021 R '000
Assets		
Non-current Assets		
Plant and equipment	90 437	33 614
Right-of-use assets	23 736	30 552
Financial assets	1 151 662	969 825
	1 265 835	1 033 991
Current Assets		
Receivables	118 077	82 760
Financial assets	2 360 830	1 253 145
Customer advances	913	821
Inventories	18 283	18 458
Cash and cash equivalents	426 358	498 309
	2 924 461	1 853 493
Total Assets	4 190 296	2 887 484
Equity and Liabilities		
Equity		
Share capital	5 255 556	4 878 753
Share for issue reserve	1 140 951	376 803
Share-based payment reserve	73 304	55 338
Accumulated loss	(5 778 573)	(4 793 322)
	691 238	517 572
Liabilities		
Non-Current Liabilities		
Lease liability	20 775	26 002
Current Liabilities		
Trade and other payables	137 564	108 443
Lease liability	6 121	5 722
Provisions	55 880	28 324
Deposits from customers	3 278 718	2 201 421
	3 478 283	2 343 910
Total Liabilities	3 499 058	2 369 912
Total Equity and Liabilities	4 190 296	2 887 484

Accounting Policies

1.19 Restatements (continued)

Presentation of interest on lease liability in the Statement of Cash Flows

The Bank previously reported interest on lease liabilities as financing activities and not as interest paid in the cash flows from operating activities section of the cash flow statement.

This correction has had the following impact on the cash flow statements shown in these financial statements:

	2022		
	As previously reported	Restatement	Restated
	R'000	R'000	R'000
Cash flows from operating activities			
Cash generated from operations	51 196	-	51 196
Interest received	176 477	-	176 477
Interest paid	(88 450)	(3 396)	(91 846)
Net cash from operating activities	139 223	(3 396)	135 827
Cash flows from investing activities			
Purchase of plant and equipment	(65 718)	-	(65 718)
Proceeds from sale of plant and equipment	1 239	-	1 239
Purchase of financial assets	(1 281 578)	-	(1 281 578)
Proceeds on disposal of money market funds	20 000	-	20 000
Net cash from investing activities	(1 326 057)	-	(1 326 057)
Cash flows from financing activities			
Cash received for shares to be issued	1 140 951	-	1 140 951
Payment on lease liabilities	(5 661)	-	(5 661)
Interest on lease liabilities	(3 396)	3 396	-
Cash paid to employees for vested ESOP shares	(17 014)	-	(17 014)
Net cash from financing activities	1 114 880	3 396	1 118 276
Total cash movement for the year	(71 954)	-	(71 954)
Cash and cash equivalents at the beginning of the year	498 309	-	498 309
Cash and cash equivalents at the end of the year	426 355	-	426 355

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1. Standards and interpretations effective and adopted in the current year

In the current year, the Bank has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Reference to the Conceptual Framework: Amendments to IFRS 3

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The effective date of the amendment is for years beginning on or after 01 January 2022.

The Bank has adopted the amendment for the first time in the 2023 annual financial statements.

The impact of the amendment is not material.

Annual Improvement to IFRS Standards 2018–2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the amendment is for years beginning on or after 01 January 2022.

The Bank has adopted the amendment for the first time in the 2023 annual financial statements.

The impact of the amendment is not material.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts is now specifically required.

The effective date of the amendment is for years beginning on or after 01 January 2022.

The Bank has adopted the amendment for the first time in the 2023 annual financial statements.

The impact of the amendment is not material.

Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the amendment is for years beginning on or after 01 January 2022.

The Bank has adopted the amendment for the first time in the 2023 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2. Standards and interpretations not yet effective

The Bank has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Bank's accounting periods beginning on or after 01 July 2023 or later periods:

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

The effective date of the amendment is for years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the Bank's annual financial statements.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the Bank's annual financial statements.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the Bank's annual financial statements.

Classification of Liabilities as Current or Non-Current – Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2024.

It is unlikely that the amendment will have a material impact on the Bank's annual financial statements.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 01 January 2023.

It is unlikely that the standard will have a material impact on the Bank's annual financial statements.

Notes to the Annual Financial Statements

3. Financial instruments and risk management

3.1. Categories of financial assets

2023	Notes	Amortised cost R'000	Total R'000
Receivables	6	124 040	124 040
Government bonds	7	1 159 380	1 159 380
Treasury bills	7	734 153	734 153
Bank balances pledged	7	14 997	14 997
Customer advances	5	1 668 352	1 668 352
Cash and cash equivalents	4	1 680 019	1 680 019
		5 380 941	5 380 941

2022	Notes	Fair value through profit or loss R'000	Amortised cost R'000	Total R'000
Receivables	6	-	58 885	58 885
Government bonds	7	-	1 151 662	1 151 662
Treasury bills	7	-	2 250 631	2 250 631
Money market investments	7	96 418	-	96 418
Bank balances pledged	5	-	15 057	15 057
Customer advances	4	-	913	913
Cash and cash equivalents		-	426 357	426 357
		96 418	3 903 505	3 999 923

The fair value hierarchy of financial assets is disclosed in note 37.

3.2. Categories of financial liabilities

2023	Notes	Amortised cost R'000	Leases R'000	Total R'000
Trade and other payables	14	812 679	-	812 679
Deposits received from customers	13	4 005 020	-	4 005 020
Lease liability	11	-	33 295	33 295
		4 817 699	33 295	4 850 994

2022	Notes	Amortised cost R'000	Leases R'000	Total R'000
Trade and other payables	14	134 367	-	134 367
Deposits received from customers	13	3 278 718	-	3 278 718
Lease liability*	11	-	26 896	26 896
		3 413 085	26 896	3 439 981

* The 2022 table has been updated to include lease liabilities.

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

The fair value of the financial liabilities approximates the carrying amount as they are all short term.

The fair value hierarchy of financial assets is disclosed in note 37.

3.3. Capital risk management

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

Capital requirements are set by the Prudential Authority ('PA') of the South African Reserve Bank ('SARB') and are monitored accordingly. Tier 1 Capital comprises share capital, share premium, share base payment reserve, retained earnings/accumulated losses and common control equity reserve. Tier 2 capital comprises loan loss provisions (Stage 1 and Stage 2).

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

As part of the RAS process, capital is managed in a conservative manner to ensure the minimum prudential requirements are met at all times.

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

The Bank's capital has been managed above the minimum regulatory requirement. The capital adequacy ratio at year end is 27.4% (2022: 137%).

3.4. Financial risk management

3.4.1. Overview

The Bank is exposed to the following risks from its use of financial instruments and manages these through its Asset and Liability Committee and Enterprise Risk Committee process:

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

3.4.2. 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.

The majority of the Bank's credit risk currently arises from advances to SMEs, interbank placements and investing in treasury bills and government securities.

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

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

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

	Notes	2023 R'000			2022 R'000		
		Gross carrying amount	Expected credit losses	Net carrying amount	Gross carrying amount	Expected credit losses	Net carrying amount
Receivables	6	124 040	-	124 040	59 231	-	59 231
Financial assets	7	1 908 817	(287)	1 908 530	3 514 403	(1 911)	3 512 492
Government bonds		1 159 554	(174)	1 159 380	1 152 295	(633)	1 151 662
Bank balances pledged		15 000	(3)	14 997	15 059	(2)	15 057
Money market investments		-	-	-	96 418	-	96 418
Treasury bills		734 263	(110)	734 153	2 250 631	(1 276)	2 249 355
Customer advances	5	1 832 552	(164 200)	1 668 352	1 189	(276)	913
Cash and cash equivalents	4	1 680 354	(335)	1 680 019	426 456	(99)	426 357
		5 545 763	(164 822)	5 380 941	4 001 279	(2 286)	3 998 993

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

Reconciliation of expected credit losses

	Financial Assets								Total R '000
	Receivables	Government Bonds	Bank balances pledged	Money market investments	Treasury bills	Total Financial Assets	Customer advances	Cash and cash equivalents	
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	
Opening balance	-	(633)	(2)	-	(1 276)	(1 911)	(276)	(99)	(2 286)
Repayments and settlements	-	-	-	-	-	-	97 734	-	97 734
Remeasurements	-	459	(1)	-	1 166	1 624	(266 487)	236	(263 475)
New advances	-	-	-	-	-	-	(95 252)	-	(95 252)
Write offs	-	-	-	-	-	-	100 081	-	100 087
Closing balance	-	(174)	(3)	-	(110)	(287)	(164 200)	(335)	(164 822)

a. Treasury bills and government securities

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

b. Receivables

Receivables primarily relate to cash-in-transit and joint operations. Credit risk has been considered by management by assessing the historical movements in the balances for any indication of credit losses. No significant credit risk has been identified and no expected credit losses have been recognised.

c. Bank balances pledged

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

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

d. Money market investments

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

e. Cash and cash equivalents

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

f. Customer advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default ('PD'), Exposure at 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 and 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 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 are 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 credit risk is 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.

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 90 days past due on their contractual payments or is undergoing legal action (handed over).

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

3.4.3. Liquidity risk

Liquidity risk results from the Bank being unable to meet commitments, repayments and depositor withdrawals timeously and in a cost effective manner.

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

The table below analyses the Bank's financial assets and 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 insignificant.

2023

	Notes	Less than 1 month R '000	1-3 months R '000	3 months to 1 year R '000	1-5 years R '000	5+ years R '000	Non- contractual R '000	Total R '000
Financial assets								
Cash and cash equivalents		1 680 019	-	-	-	-	-	1 680 019
Customer advances		289 057	367 004	1 012 291	-	-	-	1 668 352
Financial assets		107 100	268 175	258 799	234 781	1 024 962	14 713	1 908 530
Receivables		124 040	-	-	-	-	-	124 040
		2 200 216	635 179	1 271 090	234 781	1 024 962	14 713	5 380 941
Financial liabilities								
Deposits received from customers		3 653 929	82 458	268 633	-	-	-	4 005 020
Trade and other payables		812 679	-	-	-	-	-	812 679
Lease liability	11	1 256	3 785	10 588	23 620	-	-	39 249
		4 467 864	86 243	279 221	23 620	-	-	4 856 948
Net liquidity gap		(2 200 721)	587 817	991 869	211 161	1 024 962	(24 168)	590 921
Cummulative liquidity gap		(2 200 721)	(1 612 903)	(621 035)	(409 874)	615 088	590 921	-

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

2022**

	Notes	Less than 1 month R '000	1-3 months R '000	3 months to 1 year R '000	1-5 years R '000	5+ years R '000	Non- contractual R '000	Total R '000
Financial assets								
Cash and cash equivalents		426 357	-	-	-	-	-	426 357
Customer advances		913	-	-	-	-	-	913
Financial assets		149 804	866 099	1 436 439	506 364	540 637	13 149	3 512 492
Receivables		118 077	-	-	-	-	-	118 077
		695 151	866 099	1 436 439	506 364	540 637	13 149	4 057 839
Current liabilities								
Deposits received from customers		3 278 718	-	-	-	-	-	3 278 718
Trade and other payables	14	137 563	-	-	-	-	-	137 563
Lease liability	11	677	2 032	5 706	22 903	-	-	31 319
		3 416 958	2 032	5 706	22 903	-	-	3 447 600
Net liquidity gap		(2 721 807)	864 067	1 430 733	483 461	540 637	13 149	610 239
Cummulative liquidity gap		(2 721 807)	(1 857 740)	(427 007)	56 454	597 090	610 239	610 239

The Bank manages liquidity through its ALCO process and can realise financial assets or obtain support from shareholders if required.

* Trade and other payables are typically due within 30 days from invoice date. Deposits received from customers are repayable up to 12 months.

** The 2022 liquidity risk table has been updated to disclose financial assets used to manage liquidity risk.

Undiscounted lease liabilities are R39 249 402 (2022: R31 318 963).

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

3.4.4. Market risk

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments. This is caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates or correlations, and implied volatilities in all of these variables.

Market risk consists of the following categories:

- Foreign currency risk and
- Interest rate risk.

3.4.4.1 Foreign currency risk

The Bank is not exposed to foreign currencies at year end.

3.4.4.2 Interest rate risk

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

Interest bearing liabilities comprise primarily of customer deposits, which are held by means of transactional, savings and term deposit accounts. No interest is payable on customer deposits held in transactional accounts and the interest rate on savings accounts is discretionary based on the customer's respective tier. Term deposit notes vary between 9% and 11% per annum.

3.4.5. 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)

A repricing gap is generated to better understand the repricing characteristics of the balance sheet. In calculating the repricing gap, all banking book assets are placed in gap intervals based on repricing characteristics. The analysis considers embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

2023

Static repricing gap

	Less than 1 month R '000	1-3 months R '000	3 months to 1 year R '000	1-5 years R '000	5+ years R '000	Non rate sensitive R '000	Total R '000
Assets							
Cash and cash equivalents	1 577 369	-	-	-	-	102 650	1 680 019
Customer advances	289 057	405 885	1 012 290	-	-	(38 880)	1 668 352
Receivables	-	-	-	-	-	193 852	193 852
Financial assets	107 420	271 210	273 080	234 700	1 058 790	(36 670)	1 908 530
Goodwill and intangible assets	-	-	-	-	-	1 020 701	1 020 701
Other non interest earning assets	-	-	-	-	-	196 545	196 545
	1 973 846	677 095	1 285 370	234 700	1 058 790	1 438 198	6 667 999
Liabilities							
Deposits from customers	1 636 715	82 458	268 633	-	-	2 017 214	4 005 020
Trade and other payables	-	-	-	-	-	815 564	815 564
Lease liability	-	-	-	-	-	33 295	33 295
Other non interest bearing liabilities	-	-	-	-	-	74 739	74 739
Equity	-	-	-	-	-	1 739 381	1 739 381
	1 636 715	82 458	268 633	-	-	4 680 193	6 667 999
Net Repricing Gap	337 131	594 637	1 016 737	234 700	1 058 790	(3 241 995)	-
Cumulative repricing gap	337 131	931 768	1 948 505	2 182 398	3 241 188	-	-

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

2022*

	Less than 1 month R '000	1-3 months R '000	3 months to 1 year R '000	1-5 years R '000	5+ years R '000	Non rate sensitive R '000	Total R '000
Assets							
Cash and cash equivalents	426 357	-	-	-	-	-	426 357
Customer advances	913	-	-	-	-	-	913
Receivables	-	-	-	-	-	118 077	118 077
Financial assets	149 804	866 099	1 436 439	506 364	540 637	13 149	3 512 492
Other non interest earning assets	-	-	-	-	-	132 456	132 456
	577 074	866 099	1 436 439	506 364	540 637	263 682	4 190 295
Liabilities							
Deposits from customers	1 807 843	-	-	-	-	1 470 875	3 278 718
Trade and other payables	-	-	-	-	-	137 563	137 563
Lease liability	-	-	-	-	-	26 896	26 896
Other non interest bearing liabilities	-	-	-	-	-	55 880	55 880
Equity	-	-	-	-	-	691 238	691 238
	1 807 843	-	-	-	-	2 382 452	4 190 295
Net Repricing Gap	(1 230 769)	866 099	1 436 439	506 364	540 637	(2 236 847)	-
Cumulative repricing gap	(1 230 769)	(364 670)	1 071 769	1 578 133	2 118 770	(118 077)	-

* 2022 assets and liabilities have been disaggregated.

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

Interest rate repricing

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

1% movement in interest rates	2023	2023	2022	2022
	Increase R'000	Decrease R'000	Increase R'000	Decrease R'000
Government bond	(55 199)	58 547	(54 577)	54 577
Treasury bills	(681)	682	(8 652)	8 652
	(55 880)	59 229	(63 229)	63 229

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Balances with the South African Reserve Bank (SARB)	1 644 440	307 875
Balances with other banks	35 914	118 581
Gross cash and cash equivalents	1 680 354	426 456
Expected Credit Loss (Stage 1) – SARB	(320)	(57)
Expected Credit Loss (Stage 1) – Other banks	(15)	(42)
Net cash and cash equivalents	1 680 019	426 357
Net cash and balances with SARB	1 644 120	307 818
Net cash and balances with other banks	35 899	118 539
	1 680 019	426 357

Balances with the South African Reserve Bank include minimum reserve requirements of R102 650 469 (2022: R75 182 327).

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

Credit rating – Fitch

ABSA Bank: BB-	-	-
First National Bank: BB-	6 031	424
Investec: BB-	2	1
Mercantile Bank: BB-	-	55
Nedbank: BB-	81	-
Standard Bank: BB-	29 800	118 101
South African Reserve Bank: BB-	1 644 440	307 875
	1 680 354	426 456

All balances are realisable in under 12 months.

Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
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5. Customer advances

Customer advances are presented at amortised cost, which is net of loss allowances, as follows:

Gross customer advances	1 832 552	1 189
Expected credit losses	(164 200)	(276)
	1 668 352	913

Analysis of customer advances by stage – 2023

	Stage 1 12 Month ECL R'000	Stage 2 Lifetime ECL R'000	Stage 3 Lifetime ECL R'000	Total R'000
Gross customer advances	1 545 090	275 429	12 033	1 832 552
Expected credit losses	(106 946)	(52 004)	(5 250)	(164 200)
Net customer advances	1 438 144	223 425	6 783	1 668 352
ECL coverage %	6.9 %	18.9 %	43.6 %	9.0 %

Reconciliation of gross customer advances

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Opening balance – 1 July	716	155	318	1 189
Acquired in a business combination	1 517 503	-	-	1 517 503
New advances	1 739 525	-	-	1 739 525
Income accrued for the year	463 813	16 725	295	480 833
Transfers	(407 395)	286 643	120 752	-
Stage 1 to Stage 2	(68 526)	68 526	-	-
Stage 1 to Stage 2 – Up to date	(258 691)	258 691	-	-
Stage 1 to Stage 3	(98 676)	-	98 676	-
Stage 2 to Stage 3	-	(29 330)	29 330	-
Stage 2 to Stage 1	11 905	(11 905)	-	-
Stage 3 to Stage 1	6 593	-	(6 593)	-
Stage 3 to Stage 2	-	661	(661)	-
Repayments and settlements	(1 769 072)	(28 094)	(347)	(1 797 513)
Write-offs	-	-	(108 985)	(108 985)
Closing balance – 30 June	1 545 090	275 429	12 033	1 832 552

Notes to the Annual Financial Statements

5. Customer advances (continued)

Reconciliation of expected credit losses	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Opening balance – 1 July 2022	(54)	(19)	(203)	(276)
Acquired in a business combination				
New advances	(95 252)	-	-	(95 252)
Transfers *	41 918	(26 922)	(14 996)	-
Stage 1 to Stage 2	50 315	(50 315)	-	-
Stage 1 to Stage 3	5 443	-	(5 443)	-
Stage 2 to Stage 3	-	16 803	(16 803)	-
Stage 2 to Stage 1	(7 247)	7 247	-	-
Stage 3 to Stage 1	(6 593)	-	6 593	-
Stage 3 to Stage 2	-	(657)	657	-
Remeasurements	(134 267)	(41 461)	(90 759)	(266 487)
Repayments and settlements	80 709	16 398	627	97 734
Write-offs	-	-	100 081	100 081
Closing balance – 30 June	(106 946)	(52 004)	(5 250)	(164 200)

Analysis of customer advances by stage – 2022

	Stage 1 12 Month ECL R'000	Stage 2 Lifetime ECL R'000	Stage 3 Lifetime ECL R'000	Total R'000
Gross customer advances	717	154	318	1 189
Expected credit losses	(54)	(19)	(203)	(276)
Net customer advances	663	135	115	913
ECL coverage %	7.5 %	12.4 %	63.8 %	23.2%

Reconciliation of gross customer advances

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Opening balance – 1 July	567	212	707	1 486
New advances	6 441	-	-	6 441
Income accrued for the year	356	28	104	488
Transfers	(334)	(36)	371	1
Stage 1 to Stage 2	(392)	392	-	8 416
Stage 2 to Stage 3	-	(407)	407	-
Stage 2 to Stage 1	29	(29)	-	-
Stage 3 to Stage 1	30	-	(30)	-
Stage 3 to Stage 2	-	8	(8)	-
Repayment	(6 313)	(50)	(134)	(6 497)
Write-offs	-	-	(730)	(730)
Closing balance – 30 June	717	154	318	1 189

Notes to the Annual Financial Statements

5. Customer advances (continued)

Reconciliation of expected credit losses	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Opening balance – 1 July	(72)	(33)	(560)	(665)
New advances	(180)	-	-	(180)
Transfers *	36	7	(300)	(257)
Stage 1 to Stage 2	42	(66)	-	(24)
Stage 2 to Stage 3	-	68	(330)	(262)
Stage 2 to Stage 1	(3)	6	-	3
Stage 3 to Stage 1	(3)	-	24	21
Stage 3 to Stage 2	-	(1)	7	6
Remain in same stage	79	5	53	137
Repayment	83	2	16	101
Write-offs	-	-	588	588
Closing balance – 30 June	(54)	(19)	(203)	(276)

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

All balances are realisable in under 12 months.

	2023 R'000	2022 R'000
Contractual amount outstanding on customer advances written off and still subject to enforcement activity	274 596	3 519

6. Receivables

Financial instruments:

Receivables	27 308	6 179
Receivables – related parties	3 741	-
Deposits paid to suppliers	3 010	1 806
Cash in transit *	89 981	51 246
	124 040	59 231

Non-financial instruments:

Value Added Tax	4 973	6 248
Prepayments**	64 839	52 598
Total trade and other receivables	193 852	118 077

* 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.

All balances, apart from deposits paid to suppliers are realisable in under 12 months.

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

Financial instruments held at amortised cost	124 040	59 231
Non-financial instruments	69 812	58 846
	193 852	118 077

Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
7. Financial assets		
Government bonds	1 159 554	1 152 295
Bank balances pledged	15 000	15 059
Money market investments*	-	96 418
Treasury bills	734 263	2 250 631
Gross financial assets	1 908 817	3 514 403
Expected Credit Losses (Stage 1)	(287)	(1 911)
Net financial assets	1 908 530	3 512 492

* Money market investments were available on demand.

Split between non-current and current portions

More than 12 months	1 159 380	1 151 662
Less than 12 months	749 150	2 360 830
	1 908 530	3 512 492

Classification of financial assets

Amortised cost	1 908 530	3 416 074
Fair value through profit or loss	-	96 418
	1 908 530	3 512 492

Government securities

The Bank holds interest bearing investments in R186 and R2030 government securities. The government securities are issued by the National Treasury and have a 5 to 10 year maturity period. The government securities are held as part of the High Quality Liquid Assets ("HQLA") portfolio of the Bank.

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

Refer to note 3.4 for maturity analysis of financial assets and the Bank's static repricing gap.

Bank balances pledged

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

Beneficiary	Amount	Expires
Spareprops Proprietary Limited (Head Office)	15 000	31 July 2026
The Palms	825	31 January 2026
Design Quarter premises	321	30 September 2024
	16 146	

Money market investments

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

Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
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7. Financial assets (continued)

These funds are available on demand and were liquidated prior to year end.

Refer to note 3.4.2 for a summary.

Treasury bills

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

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

Refer to note 3.4 for maturity analysis of financial assets and the Bank's static repricing gap.

8. Current tax receivable

Amount receivable from South African Revenue Services (SARS)	10 641	-
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This relates to Retail Capital's pre acquisition tax position where the provisional tax paid exceeded the final tax submission.

All balances are realisable in under 12 months.

9. Inventories

Customer card stock	40 111	18 283
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The balance represents customer cards on hand. The cost of cards issued to stores is recognised in the statement of profit and loss in the period in which delivery occurs. All balances are realisable in under 12 months.

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

Write-downs of customer card stock amounted to R1 898 776 (2022: R442 203). These write downs relate to damaged or lost cards and have been recognised as an expense and included in other operating expenses on the statement of profit or loss.

10. Plant and equipment

	2023 R'000			2022 R'000		
	Cost	Accumulated depreciation/ impairments	Carrying value	Cost	Accumulated depreciation/ impairments	Carrying value
Furniture and fixtures	3 027	(2 699)	328	2 976	(2 404)	572
Office equipment	834	(524)	310	565	(441)	124
Computer equipment	64 340	(54 472)	9 868	83 311	(78 736)	4 575
Leasehold improvements	7 408	(2 891)	4 517	5 442	(4 010)	1 432
Tools and equipment	884	(435)	449	884	(284)	600
Generators	1 015	(443)	572	1 015	(371)	644
Kiosks	133 506	(54 763)	78 743	63 084	(48 373)	14 711
Capital – Work in progress	47 798	(28 920)	18 878	96 699	(28 920)	67 779
Total	258 812	(145 147)	113 665	253 976	(163 539)	90 437

Notes to the Annual Financial Statements

10. Plant and equipment (continued)

Reconciliation of plant and equipment - 2023

	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Furniture and fixtures	572	51	-	-	-	(295)	328
Office equipment	124	-	294	-	-	(108)	310
Computer equipment	4 575	5 576	1 930	(619)	(72)	(1 522)	9 868
Leasehold improvements	1 432	161	4 089	-	72	(1 237)	4 517
Tools and equipment	600	-	-	-	-	(151)	449
Generators	644	-	-	-	-	(72)	572
Kiosks	14 711	15 318	-	-	65 103	(16 389)	78 743
Capital - Work in progress	67 779	16 202	-	-	(65 103)	-	18 878
	90 437	37 308	6 313	(619)	-	(19 774)	113 665

Notes to the Annual Financial Statements

10. Plant and equipment (continued)

Reconciliation of plant and equipment – 2022	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Depreciation R'000	Impairment loss R'000	Total R'000
Furniture and fixtures	1 036	-	-	(18)	(446)	-	572
Office equipment	286	66	(54)	(119)	(55)	-	124
Computer equipment	1 929	3 569	-	39	(962)	-	4 575
Leasehold improvements	1 626	353	-	-	(547)	-	1 432
Tools and equipment	536	99	-	97	(132)	-	600
Generators	716	-	-	-	(72)	-	644
Kiosks	11 613	-	-	7 627	(4 172)	(357)	14 711
Capital – Work in progress	15 873	61 631	(1 208)	(7 627)	-	(890)	67 779
	33 615	65 718	(1 262)	(1)	(6 386)	(1 247)	90 437

Plant and equipment encumbered as security

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

Change in estimates

The Bank reassesses the useful lives and residual values of items at the end of each reporting period, in line with its accounting policy and IAS 16 Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information. Refer to note 1.6.

Disposals

During the current year, disposals from Capital Work-in-progress amounting to R Nil (2022: R1 207 371) relate to kiosks manufactured and sold to third parties.

Notes to the Annual Financial Statements

10. 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 R Nil (2022: R1 246 867) was recorded in the statement of profit or loss and other comprehensive income for the year.

In an effort to incorporate the latest technological advancements, the Bank's digital infrastructure is redefined and enhanced on a regular basis. As a result, an impairment to capital-work-in-progress of R Nil (2022: R890 300) 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.

Change in accounting estimate

The estimated useful lives of computer equipment of plant and equipment were revised and extended by 1 year as they are still in use. The net effect of the changes in the current financial year was a decrease in depreciation expense of R1 157 671.

Assuming the assets are held until the end of their estimated useful lives, depreciation in FY24 in relation to these assets will be R1 157 671 instead of Nil.

11. Right-of-use assets and lease liabilities

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

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

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

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

	2023 R'000			2022 R'000		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office space	48 339	(16 211)	32 128	35 404	(11 668)	23 736

Reconciliation of right-of-use assets - 2023

	Opening balance	Additions	Additions through business combinations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000
Office space	23 736	5 361	13 038	(10 007)	32 128

Reconciliation of right-of-use assets - 2022

Office space	30 552	833	-	(7 649)	23 736
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Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
11. Right-of-use assets and lease liabilities (continued)		
Lease liability		
Balance – 1 July	26 896	31 723
Additions	5 361	833
Additions through business combination	13 038	–
Interest expense	4 030	3 396
Lease payments	(16 030)	(9 056)
	33 295	26 896
More than 12 months	21 488	20 775
Less than 12 months	11 807	6 121

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

Depreciation expense on right-of-use assets	10 007	7 649
Interest expense on lease liabilities	4 030	3 396
Short term and low value lease payments*	906	1 032
Total amount recognised in profit or loss	14 943	12 077

* These were not disclosed separately in 2022

The maturity analysis of lease liabilities has been included in note 3.4.3.

12. Goodwill and other intangible assets

	2023 R'000			2022 R'000		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Trademarks	82 663	(6 027)	76 636	–	–	–
Internally generated software	19 231	(3 617)	15 614	–	–	–
Customer relationships	52 000	(7 583)	44 417	–	–	–
Goodwill	884 034	–	884 034	–	–	–
Total	1 037 928	(17 227)	1 020 701	–	–	–

Notes to the Annual Financial Statements

12. Goodwill and other intangible assets (continued)

Reconciliation of goodwill and other intangible assets – 2023

	Opening balance	Additions	Additions through business combinations	Amortisation	Total
	R'000	R'000	R'000	R'000	R'000
Trademarks	-	-	82 663	(6 027)	76 636
Internally generated software	-	1 183	18 048	(3 617)	15 614
Customer relationships	-	-	52 000	(7 583)	44 417
Goodwill	-	-	884 034	-	884 034
	-	1 183	1 036 745	(17 227)	1 020 701

For impairment testing purposes, goodwill and intangible assets acquired in a business combination have been allocated to the Retail Capital division of the Bank, which is treated as a Cash Generating Unit ("CGU").

The Bank performed an impairment test at 30 June 2023.

The Retail Capital division has been meeting its performance targets for the period and is expected to continue to do so for the foreseeable future. The current performance versus targets does not give rise to an indicator of impairment.

Impairment testing of goodwill

The recoverable amount of the Retail Capital CGU of R3.09 billion as at 30 June 2023 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a seven-year period. The pre-tax discount rate applied to cash flow projections is 17.8% and cash flows beyond the seven-year period are extrapolated using a 1.0% growth rate. It was concluded that the recoverable amount exceeded the carrying value. As a result of this analysis, management has not had to recognise an impairment charge.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for the Retail Capital division is most sensitive to the following assumptions:

- Loan growth rates
- Provisions
- Discount rates
- Market share during the forecast period
- Growth rates used to extrapolate cash flows beyond the forecast period

Loan growth

Loan growth rates are based on average values achieved in the three years preceding the beginning of the forecast period. Loan growth rates averaged 1.3% per month over the forecast period. Decreased demand can lead to a decline in the loan growth rate. A decrease in the gross margin by 1.0% would result in a decrease in recoverable amount that would not require an impairment of goodwill.

Provisions

Provisions represent the current market assessment of the loan portfolio, taking into account historical provisions as a percentage of gross loans, after adjusting for economic conditions caused by the recent COVID pandemic. An increase in the provisions rate of 1% would not require an impairment of goodwill.

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Bank and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Small market capitalisation have also been included in the calculation of WACC. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in the pre-tax discount rate to 18.3% (i.e., +0.5%) in the Retail Capital division would not result in a further impairment.

Notes to the Annual Financial Statements

2023
R'000

2022
R'000

12. Goodwill and other intangible assets (continued)

Market share assumptions

When using industry data for growth rates (as noted below), these assumptions are important because management assesses how the division's position, relative to its competitors, might change over the forecast period. Management expects the Group's share of the advances market to increase over the forecast period.

Growth rate estimates

Rates are based on published industry research. For the reasons explained above, the long-term rate used to extrapolate the forecasts take into account existing growth rates. The effect of new entrants is not expected to have an adverse impact on the forecasts but could yield a reasonably possible alternative to the estimated long-term growth rate of 4.2%. A reduction by 1.0% in the long-term growth rate would not result in impairment.

13. Deposits from customers

Money transfer	2 363	2 363
Transactional accounts	3 651 553	3 276 355
Fixed deposits	351 104	-
	4 005 020	3 278 718

All balances are payable within 12 months.

14. Trade and other payables

Financial instruments:

Trade payables	3 784	2 435
Trade payables – related parties	15 209	-
Settlements payable *	426 146	83 683
Unsettled trades**	308 954	-
Accrued expense	58 590	47 983
Insurance clawback obligation	-	266

Non-financial instruments:

Income received in advance	2 441	3 196
Value Added Tax	440	-
	815 564	137 563

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

** Unsettled trades represent the purchase of treasury bills acquired where the trade date was before year end and the payment settlement date was after year end.

All balances are payable within 12 months.

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

At amortised cost	812 683	134 367
Non-financial instruments	2 881	3 196
	815 568	137 563

Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
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15. Provisions

Reconciliation of provisions – 2023

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Total R'000
Provision for loss on sale of kiosks	946	-	-	946
Leave pay provision	12 503	6 165	-	18 668
Short term incentive provision	42 431	57 048	(44 354)	55 125
	55 880	63 213	(44 354)	74 739

Reconciliation of provisions – 2022

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Total R'000
Provision for loss on sale of kiosks	1 245	-	(299)	946
Leave pay provision	11 099	1 404	-	12 503
Short term incentive provision	15 980	42 431	(15 980)	42 431
	28 324	43 835	(16 279)	55 880

All balances are payable within 12 months

Provision for loss on sale of kiosks

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

Leave pay provision

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

Short term incentive provision

A provision has been recognised for short term incentives as the Bank has a constructive obligation to settle the expected cost of employee 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.

16. Deferred tax

Unrecognised deferred tax asset

Deductible temporary differences not recognised as deferred tax assets	72 223	103 598
Unused tax losses not recognised as a deferred tax asset	1 680 656	1 435 950
	1 752 879	1 539 548

No provision has been made for income tax as the Bank has no taxable income. The estimated tax loss is R6 224 650 355 (2022: R5 318 331 533).

The assessed tax loss available for set off against future taxable income is R5 442 994 776 (2022: R4 343 701 538).

Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
17. Share capital		
Authorised		
100,000,000,000 Ordinary shares of R0.10 each	100 000 000	100 000 000
Reconciliation of number of shares issued:		
Balance – 1 July	10 239 149	6 992 677
Issue of shares	1 251 671	3 246 472
Balance – 30 June	11 490 820	10 239 149
Reconciliation of share capital issued		
Balance – 1 July	805 096	699 268
Issue of shares – ordinary shares	339 893	105 828
Balance – 30 June	1 144 989	805 096
Reconciliation of share premium		
Balance – 1 July	4 450 460	4 179 485
Issue of shares	1 595 514	270 975
Less: Capital Raise Costs	(1 143)	-
Balance – 30 June	6 044 831	4 450 460
Issued		
Ordinary shares of R0.10 each	1 144 989	805 096
Share premium	6 044 831	4 450 460
	7 189 820	5 255 556

18. Shares for issue reserve

Shares for issue reserve	-	1 140 951
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Shares were issued during the 2023 financial year, utilising the 2022 balance in the shares for issue reserve.

19. Share-based payment reserve

Employee share appreciation rights scheme	46 029	23 709
Purchase of shares by African Fig Tree Investments (Proprietary) Limited	53 794	49 595
	99 823	73 304

20. Share-based payment

The Bank had two share-based payment plans during the year, namely the purchase of shares by African Fig Tree Limited and the Long Term Incentive Plan (LTIP). The LTIP replaced the Employee Share Ownership Programme (ESOP) during the prior year.

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

Notes to the Annual Financial Statements

	2023 R'000	2022 R'000				
20. Share-based payment (continued)						
Reconciliation of share based payments (R'000):						
	Share based payment reserve					
	ESOP/LTIP	AFT share based payment reserve	Total share based payment reserve	Share-based payment liability	Profit or loss	Retained earnings adjustments
	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)
Opening balance – 1 July 2021	9 943	45 395	55 338	-	-	-
Share based payment expense	9 614	-	9 614	-	9 614	-
Cash payment to employees in lieu of vested shares	(8 545)	-	(8 545)	-	8 518	50
Balances after cash settlement	11 012	45 395	56 406	-	18 132	50
AFT share based payment expense	-	4 200	4 200	-	4 200	-
Reclassification to ESOP liability	(11 012)	-	(11 012)	11 012	-	-
Revaluation of ESOP liability at reclassification date	-	-	-	8 479	-	(8 479)
Revaluation of ESOP liability at 27 June 2022	-	-	-	9 983	9 983	-
Implementation of replacement LTIP	23 709	-	23 709	(29 474)	(5 765)	-
Balances – 30 June 2022	23 709	49 595	73 303	-	26 550	(8 429)
Share-based payment expense	34 944	4 200	39 144	-	-	-
Vesting of Shares	(12 624)	-	(12 624)	-	-	-
Balance – 30 June 2023	46 029	53 795	99 823	-	-	-

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

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

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

The total fair value of the shares less the consideration paid amounts to R55.4 million over the total period and is recognised as an employee benefit expense with a corresponding increase in equity.

Reconciliation of number of shares issued

Opening balance – 1 July	4 800	7 200
Shares vested during the year	(2 400)	(2 400)
Balance – 30 June	2 400	4 800
Exercisable	27 600	25 200
Total at 30 June	30 000	30 000

Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
20. Share-based payment (continued)		
The model inputs utilised to calculate the fair value of the shares include:		
Weighted average share price	R1,965	
Exercise price:	R42	
Marketability discount:	13%	
Minority discount:	15%	
Attrition rate	10%	

b. Employee share ownership programme (equity settled)

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

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

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

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

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

c. Employee share appreciation rights scheme (cash settled)

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

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

d. Replacement Long Term Incentive Plan (equity settled)

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

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

Notes to the Annual Financial Statements

20. Share-based payment (continued)

Reconciliation of outstanding share appreciation rights (SARs)

	Allocation 1 Performance units '000s	Allocation 2 Performance units '000s	Allocation 3 Performance units '000s	Allocation 4 Restricted units '000s	Total '000s
Opening balance – 1 July 2021	44 286	-	-	-	44 286
Additional SARs awarded	39 845	27 454	-	-	67 299
Vested during the year	(10 912)	-	-	-	(10 912)
Forfeited	(3 473)	(658)	-	-	(4 131)
Balance at 26 June 2022	69 746	26 796	-	-	96 542
ESOP units cancelled	(69 746)	(26 796)	-	-	(96 542)
Replacement units issued	71 104	26 796	-	-	97 900
New SARs issued	15 866	6 524	8 790	-	31 180
Balance – 30 June 2022	86 970	33 320	8 790	-	129 080
New awards	-	-	-	14 829	14 829
Vested during the year	(23 472)	-	-	-	(23 472)
Forfeited	-	(1 441)	-	-	(1 441)
Balance – 30 June 2023	63 498	31 879	8 790	14 829	118 996

No share appreciation rights were exercisable at 30 June 2023. All units have employment conditions.

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

	Allocation 1 Performance units	Allocation 2 Performance units	Allocation 3 Performance units	Allocation 4 Restricted units
Grant date	27 June 2022	27 June 2022	27 June 2022	27 June 2022
Expiry date	1 January 2023	1 July 2026	1 July 2025	1 July 2027
Vesting terms:				
Year 1	43%	0%	0%	0%
Year 2	57%	30%	0%	10%
Year 3		30%	100%	20%
Year 4		40%		30%
Year 5		0%		40%
Replacement award price (R)	0.537839	0.537839	0.537839	0.537839
Strike price (R)	0.001000	0.335868	-	-
Weighted average remaining contractual life of share appreciation awards at 30 June 2023 (in years)	0.5	2.1	2.0	3.0

e. Measurement of fair values

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

Service and non-market performance conditions attached to the arrangements were not taken into account when measuring fair value.

Notes to the Annual Financial Statements

	2023	2022
	R'000	Restated * R'000

20. Share-based payment (continued)

The assessed fair value at grant date of units granted during the year ended 30 June 2023 was R0.647998 per right.

f. Expense recognised in profit or loss

For details of the related employee benefit expenses, see note 26.

g. Directors emoluments

For details of the share based payments to the directors see note 31.

h. Related party transactions

Transactions with key management personnel are reflected in the related party note 30.

21. Interest income

Interest income calculated using the effective interest rate method

Customer advances	470 790	132
Government bonds	105 294	97 740
Treasury bills	75 277	84 857
Bank and other cash	19 232	18 509
	670 593	201 238

Interest recognised on fair value instruments

Money market investment	2 011	4 238
Total interest income	672 604	205 476

22. Interest paid*

Lease liabilities	4 030	3 396
South African Revenue Services (SARS)*	184	(39)
South African Reserve Bank	5 335	2 355
Interest paid to customers	133 255	88 199
	142 804	93 911

* The interest paid to SARS relates to a VAT Voluntary Disclosure Process (VDP) settlement submitted by Retail Capital.

23. Net fee and commission income

Fee and commission income

Transactional banking	702 348	352 252
Insurance	3 727	13 363
	706 075	365 615

Fee and commission expense

Transactional banking*	(369 936)	(225 787)
	336 139	139 828

* Restated as shown in note 1.19.

Notes to the Annual Financial Statements

	2023 R'000	2022 Restated * R'000
23. Net fee and commission income (continued)		
Net fee and commission income		
Net fee and commission income relates to income generated from customers' transactional accounts and commission earned from the sale of value-added services such as electricity, airtime, lotto tickets and insurance policies taken up by customers, net of any costs relating to the insurance clawback obligations and other customer transaction related expenses paid to other banks and card associations.		
24. Credit impairment charge		
Net movement in expected credit losses	160 281	532
Gross advances written off	93 216	639
Net impairment charge	253 497	1 171
Post write off recoveries	(6 468)	(65)
Total credit impairment charge	247 029	1 106
25. Other operating gains (losses)		
Losses on disposal of property, plant and equipment	(37)	(22)
Insurance claim proceeds	-	7 322
Fees earned – non-banking services	44 014	26 507
Net foreign exchange loss	(1 235)	(392)
	42 742	33 415
Fees earned on non-banking services relate to kiosk maintenance income and recoveries from Tyme Global.		
26. Other operating expenses		
Loss before taxation for the year is stated after charging the following:		
External audit fees	9 838	5 817
Consulting and professional services	164 037	144 394
Employee costs		
Salaries, bonuses and other benefits	380 399	266 117
Share based compensation benefits – LTIP	34 944	9 614
Share based compensation benefits – AFT	4 200	4 200
Cash payment to employees in lieu of vested ESOP shares	-	8 518
Share based payment – fair value adjustment	-	9 983
Implementation of LTIP	-	(5 765)
Total employee costs	419 543	292 667
Depreciation and amortisation		
Depreciation of property, plant and equipment	19 774	6 386
Depreciation of right-of-use assets	10 007	7 649
Amortisation of intangible assets	17 801	-
Total depreciation and amortisation	47 582	14 035

Notes to the Annual Financial Statements

	2023 R'000	2022 Restated * R'000
26. Other operating expenses (continued)		
Impairment losses		
Property, plant and equipment	–	1 247
Non-claimable VAT		
Value Added Tax	46 736	48 290
<p>The non-claimable Value Added Tax (VAT) relates to irrecoverable input VAT, as the Group earns certain types of income that are exempt from VAT, which results in the application of an apportionment method against the VAT input incurred in the ordinary course of business.</p>		
Expenses by nature		
The total operating expenses are analysed by nature as follows:		
Acquisition costs	8 737	–
Bank charges	3 032	1 579
Card losses	1 743	104
Consulting and professional fees	164 037	144 394
Customer card costs	67 648	47 583
Depreciation, amortisation and impairment	47 582	15 282
Employee costs	419 543	292 667
External audit fees	9 838	5 817
Facilities expense	1 859	2 320
Fraud and operational risk losses	4 205	3 308
Insurance	2 800	2 166
Local and foreign travel costs	6 022	1 277
Marketing	119 441	110 990
Membership fees**	5 751	2 675
Non-claimable VAT	46 736	48 290
Office consumables	4 107	2 016
Outsourced services *	312 818	319 982
Partnership fees**	55 632	60 750
Postage and stationery	6 501	3 022
Rental expense	2 243	1 032
Repairs and maintenance	12 823	12 019
Transfer tax	615	–
Technology costs***	213 630	182 775
Telephone	2 406	477
	1 519 749	1 260 525

* Outsourced services relate to costs for Tyme Global information technology as well as kiosk management costs.

** Restated as shown in note 1.19.

***These are primarily software as a service and communication costs.

Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
27. Taxation		
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting loss	(858 097)	(976 822)
Tax at the applicable tax rate of 27% (2022: 28%)	(231 686)	(273 510)
Tax effect of adjustments on taxable income		
Non-taxable income	-	2 994
Non-deductible expenses	16 395	486
Tax losses benefit not recognised	215 291	260 386
Change in Rate	-	9 644
	-	-

No provision has been made for 2023 tax as the Bank has no taxable income. The estimated tax loss is R6 224 650 355 (2022: R5 318 331 533). The assessed tax loss available for set off against future taxable income is R5 442 994 776 (2022: R4 343 701 538).

Non-deductible expenses comprise acquisition related costs of a capital not revenue nature and amortisation of intangible assets.

28. Joint operations

The Bank has entered into a revenue and cost-sharing arrangement with The Foschini Group ('TFG') in terms of which kiosks are placed in TFG stores. The Bank's share of kiosks acquired have been included in Plant and equipment.

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

Purchase of kiosks	20 276	52 815
Card stock on hand	8 500	966
Kiosk management	58 537	-
Other operating costs	44 466	-

Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
29. Cash (used in)/generated from operations		
Loss before taxation	(858 097)	(976 822)
Adjustments for non-cash items:		
Depreciation and amortisation	41 647	14 036
Losses on sale of plant and equipment	-	22
Losses on exchange differences	1 235	-
Impairment loss on plant and equipment	-	1 247
Movements in provisions	(14 901)	27 555
Movement in impairment and expected credit losses	253 497	665
Share based payment expense	39 143	18 032
Expense related to vested ESOP shares settled in cash	-	8 518
Interest income	(672 604)	(205 476)
Interest expense	142 804	93 911
Changes in working capital:		
Inventories	(21 828)	176
Receivables	(47 305)	(34 970)
Trade and other payables	643 057	28 774
Customer advances	(472 594)	297
Deposits from customers	726 302	1 075 231
	(239 644)	51 196

30. Related parties

30.1. Relationships

Members of key management (includes immediate family members)	The directors and executive committee are considered members of key management
Ultimate holding company	Ubuntu-Botho Investments Proprietary Limited
Holding company	Tyme Bank Holdings Limited
Entities within African Rainbow Capital Financial Services Holdings Proprietary Limited Group ('ARC' Group), with which the bank transacts	Ubuntu-Botho Community Development Trust Rain Proprietary Limited EOH Mthombo Proprietary Limited
Entities within the Tyme Global group with which the bank transacts	Tyme Group Pte Limited (formerly Tyme Pte Limited) Tyme Tribe Fintech Pte Limited
Entities where key management personnel hold interests	African Fig Tree Investments Proprietary Limited Tyme Group Pte (formerly Tyme Pte Limited) Tyme SA Holdings Proprietary Limited

Notes to the Annual Financial Statements

	2023 R'000	2022 R'000
30. Related parties (continued)		
30.2. Related party balances		
Loans to employees		
Retail Capital division management loans	26 416	-
Income received in advance		
Ubuntu – Botho Community Development Trust	(1 579)	(3 196)
Provision for loss on sale of kiosks		
Ubuntu – Botho Community Development Trust	(946)	(946)
Customer deposits		
Key management personnel	(707)	(502)
30.3. Related party transactions		
Sale of kiosks		
Ubuntu – Botho Community Development Trust	-	(376)
Fees earned – Non-banking services		
Tyme Group Pte Limited	(33 667)	(25 041)
These represent costs recovered from Tyme Global entities.		
Interest received		
Retail Capital division management loans	1 093	-
Outsourced services*		
Tyme Pte Limited	147 360	175 274
Services rendered*		
Tyme Tribe Fintech Pte Limited	1 797	-
*These are primarily technology related costs.		
Interest paid		
Key management personnel	20	23
Compensation of key management personnel		
Salaries and other short-term benefits	18 555	15 312
Share-based payments	-	1 663
	18 555	16 975
Compensation of the executive committee		
Salaries and other short-term benefits	43 036	37 378
Share-based payments	12 624	1 267

Notes to the Annual Financial Statements

30. Related parties (continued)

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

Directors interests in contracts

On 4 December 2018 a contract was concluded between the Bank and Tyme Limited. The purpose of the contract is to provide right of use of intellectual property by Tyme Limited to the Bank.

In addition, the Bank 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.

C Jonker is appointed as a director of both the Bank 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 holds 13.3% in Tyme Group Pte Limited (2022: this shareholding was 8.44% in Tyme Bank Holdings Limited, the sole shareholder of the Bank).

Tyme Limited is a wholly owned subsidiary of Tyme Global Limited, and T Keraan was a director of both the Bank and Tyme Bank Holdings Limited during the 2022 financial year end.

Notes to the Annual Financial Statements

31. Directors' emoluments

2023

	Emoluments	Bonuses and incentives	Share-based payments	Fees	Total
	R'000	R'000	R'000	R'000	R'000
CJ Jonker (Appointed 01 July 2022)	7 000	-	-	-	7 000
CJ Jonker – For positions held in Tyme Global **	10 512	-	-	-	10 512
Y Dockrat (Appointed 01 July 2022)	3 552	-	-	-	3 552
	21 064	-	-	-	21 064
S Barrett (Appointed 01 June 2023)	-	-	-	83	83
M Boakgomo	-	-	-	1 000	1 000
TA Boardman*	3 333	-	-	1 800	5 133
TNM Eboka	-	-	-	1 000	1 000
TSB Jali	-	-	-	2 000	2 000
K Morule (Resigned 31 March 2023)	-	-	-	920	920
M Milutinovic*	3 617	6 061	1 394	-	11 072
NL Smalle	-	-	-	-	-
R Ramcharan (Appointed 01 June 2023)	-	-	-	100	100
PA Wessels	-	-	-	1 400	1 400
	6 950	6 061	1 394	8 303	22 708
	28 014	6 061	1 394	8 303	43 772

2022

	Emoluments	Bonuses and incentives	Share-based payments	Fees	Total
	R'000	R'000	R'000	R'000	R'000
AB Desai (Resigned 31 October 2021)	1 140	-	-	-	1 140
T Keraan (Resigned 30 June 2022)	4 725	1 097	1 267	-	7 089
	5 865	1 097	1 267	-	8 229
M Boakgomo	-	-	-	950	950
TA Boardman*	3 000	-	-	1 800	4 800
TNM Eboka	-	-	-	1 000	1 000
NL Smalle (Appointed 01 December 2021)	-	-	-	-	-
TSB Jali	-	-	-	2 000	2 000
M Milutinovic*	3 413	3 697	750	-	7 860
K Morule	-	-	-	1 200	1 200
PA Wessels	-	-	-	1 400	1 400
	6 413	3 697	750	8 350	19 210
	12 278	4 794	2 017	8 350	27 439

Notes to the Annual Financial Statements

31. Directors emoluments (continued)

* Directors' emoluments (excluding fees) are paid by entities within the African Rainbow Capital group and are not recharged to the Bank.

** These amounts were paid by Tyme Global entities and are not recharged to the Bank. Conditions of share options granted by Tyme Global entities were not met as at 30 June 2023.

32. Going concern

We draw attention to the fact that at 30 June 2023, the Bank had accumulated losses of R6 636 671 446 (2022: R5 778 573 833) and incurred a loss of R858 097 412 (2022: R976 822 225) for the year then ended. These losses substantially represent Bank establishment and build costs. The ability of the Bank to continue as a going concern is dependent on ongoing procurement of capital and funding for the operations of the Bank.

During the current financial year, the Ubuntu–Botho Investments Proprietary Limited Group, as majority shareholder, along with other shareholders, continued to provide adequate capital and funding to the Bank. In addition, the Ubuntu–Botho Investments Proprietary Limited Group continues to provide assurance that the Bank will have access to continued capital and funding to be able to settle its debts as they fall due and be able to continue business as a going concern for the period ending 31 October 2024.

The ability of the Bank to continue as a going concern beyond the period 31 October 2024 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 global economic conditions on socio-economic conditions in the country.

These conditions give rise to a material uncertainty for the period beyond 31 October 2024, which may cast significant doubt on the Bank's ability to continue as a going concern, and therefore its ability to settle its debts as they become due in the normal course of business.

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

33. Subsequent events

Long-term incentive plan awards

Long-term incentive plan (LTIP) units are expected to be awarded to new and existing employees during the 2024 financial year. These had no impact on the financial results for the year ended 30 June 2023 as the service-related period related to the award had not yet commenced.

34. 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.

35. Contingencies

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

36. Business combinations

36.1. Acquisition of Retail Capital

On 15 December 2022 Tyme Bank Holdings Limited acquired 100% of the voting equity interest of Retail Capital group of companies. The Bank then acquired the business of Retail Capital from Tyme Bank Holdings Limited as a common control transaction, using predecessor values from the Tyme Bank Holdings Limited's consolidated carrying amounts to account for the transaction.

Plant and equipment which includes leasehold improvements, office equipment and computer equipment were recognised at their book values (cost less accumulated depreciation). No upward adjustment was made to these assets as their book value is considered to be representative of the fair value. Intangible assets have been recognised at their fair values. Refer to note 36.4.

Notes to the Annual Financial Statements

36. Business combinations (continued)

The remainder of the tangible assets and liabilities represent items that will be settled or received in cash (or the release of prepaid costs to the statement of profit or loss) post the acquisition date. These are also assumed to be at fair value. IFRS 3 allows for the reporting of provisional amounts if the initial accounting for a business combination is incomplete by the end of the reporting in which the combination occurs. This measurement period ends as soon as all information about facts and circumstances that existed as of the acquisition date are known, but cannot exceed one year from the acquisition date.

In the case of the Bank's acquisition of Retail Capital, the measurement period ends on 1 December 2023, being 12 months from the effective date of accounting for the acquisition.

Given the proximity between when these financial statements are issued and the end of the measurement period, the Bank has accounted for all pertinent factors relating to the acquisition using information it believes reflects the fair values of assets acquired and liabilities assumed.

As such, differences due to information obtained after the acquisition date are not expected to result in an adjustment to the provisional amounts recognised, with the exception of the deferred taxation implications of the transaction which the Bank anticipates having an impact of between R43 million and R46 million upon conclusion of the measurement period.

The PPA will be finalised by Tyme Bank Holdings, and those values will become the predecessor values to be utilised by the Bank.

36.2. Predecessor value of assets acquired and liabilities assumed

	2023 R'000
Assets acquired	
Cash and cash equivalents	39 637
Customer advances	1 517 503
Intangible assets	152 711
Plant and equipment	6 314
Receivables	39 111
Right of use asset	13 038
Goodwill	884 034
	2 652 348
Liabilities assumed	
Provisions	(33 760)
Short term funding	(49 615)
Right-of-use liability	(13 038)
Trade and other payables	(34 942)
	(131 355)
Net assets acquired	2 520 993
Fair value of purchase consideration paid by Tyme Bank Holdings	1 434 584
Less net assets acquired	2 520 993
Common control equity reserve	1 086 409

Retail Capital's funding expertise has been combined with the Bank's deposit base and operations to serve a broader customer base. This goodwill balance reflects, inter alia, the latent growth expectations of Retail Capital's loan portfolio which enables the efficient channelling of the Bank's funding to profitable loan portfolio.

Notes to the Annual Financial Statements

36. Business combinations (continued)

36.3. Acquisition date fair value of consideration paid

Share Capital	43 302
Share premium	248 044
Cash paid	1 143 238
	1 434 584

Net cash paid in business combination

Cash paid	1 143 238
less cash acquired	(39 637)
	1 103 601

36.4. Equity issued as part of consideration paid

The fair value of 433 017 174 ordinary shares issued as part of the consideration for the business combination was determined using a share issue price of R 0.672800 per share.

36.5. Receivables acquired

At acquisition date receivables acquired per major class are as follows:

	2023 R'000		
	Fair value	Gross contractual amounts	Contractual amounts not expected to be recovered
Customer advances	1 517 503	1 877 895	103 390
Trade and other receivables	37 962	37 962	-
Lease deposits	1 149	1 149	-
Total	1 556 614	1 917 006	103 390

37. Fair value measurement

This note describes the fair value measurement of both financial and non-financial instruments.

37.1. Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained in note 37.2.

Valuation techniques and specific considerations for Level 3 inputs are further explained in note 37.2.

Notes to the Annual Financial Statements

37. Fair value measurement (continued)

37.2. Financial assets and liabilities by fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

30 June 2023

	Carrying amount R'000	Fair value		
		Level 1	Level 2	Level 3
Financial assets				
Customer advances	1 746 057	-	-	1 746 507
Treasury bills at amortised cost	749 209	-	733 823	-
Government bonds at amortised cost	1 159 380	1 096 338	-	-
	3 655 096	1 096 338	733 823	1 746 507
Financial liabilities				
Due to customers	4 005 020	-	4 005 020	-

This table excludes financial assets and financial liabilities for which fair value approximates carrying amount. The Bank has determined that for financial assets and financial liabilities that (a) have a short term maturity of less than 3 months, (b) are liquid and (c) are floating rate instruments, their carrying amounts which are net of impairment where applicable, are a reasonable approximation of their fair value. Such instruments include cash and balances with central banks, and amounts due to and from other banks.

30 June 2022*

	Carrying amount R'000	Fair value		
		Level 1	Level 2	Level 3
Financial assets				
Customer advances	913	-	-	913
Treasury bills at amortised cost	2 150 761	-	2 150 761	-
Government bonds at amortised cost	1 151 662	1 092 619	-	-
Money market investments	96 418	-	96 418	-
Bank balances pledged	15 059	-	15 059	-
	3 414 813	1 092 619	2 262 238	913
Financial liabilities				
Due to customers	3 278 718	-	3 278 718	-

* 2022 fair value hierarchy was not disclosed in the prior year

37.3. Valuation methodologies of financial instruments

Government securities and Treasury bills

Government debt securities are financial instruments issued by sovereign governments and include both long term government securities and short-term bills with fixed or floating rate interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification. When active market prices are not available, the Bank uses discounted cash flow models with observable market inputs of similar instruments and security prices to estimate future index levels and extrapolating yields outside the range of active market trading, in which instances the Bank classifies those securities as Level 2. The Bank does not have Level 3 government securities where valuation inputs would be unobservable.

Loans and receivables

Loans and receivables are valued using a discounted cash flow model based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity and unemployment rates, where relevant. Classification between Level 2 and Level 3 is determined based on whether the assessment of credit quality is based on observable or unobservable data.

Notes to the Annual Financial Statements

37. Fair value measurement (continued)

Deposits and money market funds

Deposits and money market funds are valued using a discounted cash flow model using interest rates and other market assumptions. Classification between level 2 and 3 is based on the assessment of observable or unobservable data.

37.4. Valuation methodologies for purchased intangible assets

The following methodologies have been followed at Tyme Bank Holdings Limited level for the intangible assets acquired in a business combination. These determine the predecessor values applied by the Bank following the common control transaction.

Category	Valuation methodology	Key assumptions
Customer relationships	Multi-period Excess Earnings Method ("MEEM")	Forecast new advances to customers existing at acquisition date. Historical new loans as % of existing loans. Cost of debt
Internally generated intangible asset (computer software)	Reproduction cost method	Consultant cost hourly rates Estimated hours to redevelop the system without wastage
Trademarks	Relief from Royalty method	Projected post tax profits of the acquired business after contributory asset charges Royalty as % of revenue Contributory asset charges for working capital, fixed assets, assembled workforce, customer relationships and internally generated software Cost of debt