IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
AUDITED ANNUAL FINANCIAL STATEMENTS
31 December 2022

Preparer: Gary Nyamugama, CA(SA)
Designation: Product Controller Global Finance, Corporate and Investment Banking, Absa Group Limited

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IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
DIRECTORS' RESPONSIBILITIES AND APPROVAL
As at 31 December 2022

The directors are responsible for overseeing the preparation, integrity and objectivity of the annual financial statements that fairly present the state of the affairs of iMpumelelo CP Note Programme 1 (RF) Limited ("the Company") at the end of the financial year and the financial performance and cash flows for the reporting period, and other information contained in this report.

To enable the directors to meet these responsibilities:

- All directors will endeavour to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach;
- The board sets standards and management implements systems of internal control and accounting and information systems aimed at providing reasonable assurance that both on and off statement of financial position assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- The board and management identify all key areas of risk across the Company and endeavour to mitigate or minimise these risks by ensuring that appropriate infrastructure, controls, systems and discipline are applied and managed within predetermined procedures and constraints;
- The internal audit function outsourced from Absa Group Limited Internal Audit, which operates unimpeded and independently from operational management, appraises, evaluates and, when necessary, recommends improvements to the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and
- The internal auditors play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

The Company consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis. The financial statements of the Company have been prepared in accordance with the provisions of the Companies Act of South Africa and comply in all material respects with International Financial Reporting Standards (IFRS) and all applicable legislation.

The directors have no reason to believe that the Company will not be a going concern in the reporting period ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on this basis.

It is the responsibility of the independent auditor to report on the annual financial statements. Their report to the shareholders of the Company is set out on pages 12 to 20 of this report.

The directors' report on pages 21 to 22 and financial statements of the Company which appears on pages 23 to 64 were approved by the board of directors on 21 April 2023 and are signed on its behalf by:

DocuSigned by:

ML De Nysschen
Sandton

DocuSigned by:
Jonathan Burnett

JR Burnett
Sandton

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
COMPANY SECRETARY'S CERTIFICATE
As at 31 December 2022

To the shareholders of iMpumelelo CP Note Programme 1 (RF) Limited,

In accordance with the provisions of section 88(2)(e) of the Companies Act of South Africa, I, in my capacity as a duly authorised representative of the Company Secretary hereby certify that, in respect of the year ended 31 December 2022, the Company has filed with the Commissioner of the Companies and Intellectual Property Commission (CIPC) all returns and notices prescribed by the Act and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

Absa Secretarial Services Proprietary Limited
(Represented by: Gerrie van Rooyen)
20 April 2023

The Company's corporate governance practices are guided by the Companies Act No. 71 of 2008 (as amended), the Companies Memorandum of incorporation (MoI) and the recommendations of the King Code on Corporate Governance for South Africa, 2016 (King IV).

The Board of Absa Group Limited (Group Board) sets the overarching governance principles to be upheld and practiced by all entities (related or inter-related) to assist in embedding good governance practices in the Group. The Absa Group's governance standards, described in the Group Governance Framework, were adopted by the Board during 2019.

King IV is the main governance code for South African companies. The Company has adopted the application of the Code on a proportional basis (to the extent beneficial to the entity's governance). The Company's application of King IV is set out in the King IV application register, included on page 6 of these annual financial statements. In addition to the Group's requirements, the Company is also required to apply King IV by the JSE Listings Requirements based on the proportionality principle.

The Board of Directors (the Board) are of the opinion that the Company has applied the principles and recommendations of the Code in all material aspects for the period under review.

The Board of Directors are responsible for delivering sustainable value through oversight of the management of the Company's business; challenging and approving strategic plans proposed by management; and monitoring implementation of the strategy and plans in the context of the approved risk appetite, the available opportunities and the macro and regulatory environment.

Management of the Company

The Board is responsible for delivering sustainable value to the shareholder. In this regard, the Board oversees the management of the Company's business by challenging and approving the strategy and plans proposed by management. The Board has delegated the day-to-day management of the Company to CIB SPV Management Team, whose performance the Board monitors through regular operational and financial reporting.

Board Composition

The Board comprises four directors, one executive and three independent non-executive directors. The independent non-executive directors are outsourced from TMF Corporate Services (Pty) Limited in terms of a service level agreement with the iMpumelelo Owner Trust.

Professional Advice

The Board and individual directors may procure independent professional advice at the expense of the Company in the discharge of their responsibilities.

Company Secretarial and Governance support

The day-to-day company secretarial and corporate governance support duties are managed by a dedicated, qualified and skilled Company Secretary who represents Absa Secretarial Services Proprietary Limited, the duly appointed Company Secretary, with support from the Head of Secretarial Services for South Africa and a statutory administration team within the Group Secretariat.

The Company Secretary also provides guidance and advice to the Board as a whole, and to individual directors on their duties and responsibilities as directors, which should be discharged in the best interest of the Company.

Audit Committee

The Board relies on the Audit Committee (AC) for input on the audit and compliance functions from the submissions made by the Group Internal Audit, Group Risk and Compliance functions of Absa Bank.

Notwithstanding the role of the AC in relation to the audit function, the board remains at all times responsible for monitoring the effectiveness of the Company's control environment, the review and approval of the annual financial statements, and engages with representatives of the internal and external audit for assurance of the integrity of the financial and related information.

All audit issues raised during the audit for the financial year-ended 31 December 2022 were submitted to, considered and resolved by the Board.

Internal Audit

The internal audit function is conducted by the Absa Group Limited internal audit.

Remuneration policy

The Company is a ring-fenced special purpose vehicle and all services are outsourced to external service providers and as such has no employees and thus does not have a remuneration committee.

Director remuneration:

The independent non-executive directors are not employees of the Company and receive fees for their services as directors. These directors' fees were paid to TMF Corporate Services (South Africa) Proprietary Limited in terms of a service level agreement. The independent non-executive directors are employed and remunerated by TMF Corporate Services (South Africa) Proprietary Limited on a separate basis.

The executive director of the Company who is an employee of the Absa Bank Limited does not receive any fees for their services as a director of the Company.

Risk Management

The Company's risk is governed and managed in terms of the Group Enterprise Risk Management Framework and related policies. The Board and executive management are responsible for the Company's risk governance and management within the overall context of the Group's risk appetite and principal risks. The Company's Audit Committee in conjunction with Absa Corporate and Investment Banking (CIB), a division of Absa Bank Limited, develop appropriate risk processes for managing risks.

The Board believes that risk of the Company is adequately managed.

Compliance

The Company relies on the compliance function of Absa Group Limited.

The board, being ultimately responsible for compliance of the Company, engages with management regularly to discuss and develop compliance processes for the Company.

Sustainability reporting and disclosure

The Company is a ring-fenced special purpose vehicle whose sustainability is determined by the length of time of the transaction for which the Company has been incorporated. The Company is consolidated into the financial results of Absa Group Limited. The Board is however responsible in ensuring the accuracy of the financial information which is reported to all the relevant stakeholders.

Managing Stakeholder relationships

The Absa Group has in place a Stakeholder Management Policy, which is applicable to iMpumelelo CP Note Programme 1 (RF) Ltd. The Board and the Manager are responsible for proactively engaging with material stakeholders in an inclusive manner that balances their needs, interests and expectations, and to address their concerns in the best way possible.

IT Governance

The Company's Information Technology is governed in terms of the Absa Group IT governance policy and is reliant on systems and information technology infrastructure housed within the Absa Group. The Group Information Technology Committee assists the Group Board with effective oversight of information and technology governance for the Group.

Conflicts of interest

The board reviews the declarations of other financial interest and other directorships on an ongoing basis at board meetings and have considered the declarations during the period under review.

Fundamental and affected transactions

There were no fundamental transactions for the period under review.

The King Report on Corporate Governance for South Africa 2016 ("King IV" or the "Code") is the main governance code applicable to companies in South Africa. The principles and practices of the Code are to be applied to the extent required and beneficial to a company (the proportionality principle), taking into consideration a number of factors such as the size of turnover, resources, complexity and nature of business.

The Board has satisfied itself that for the year under review the Company has applied the principles of King IV to the extent deemed necessary, or has put alternative measures in place. Further information on the Company's corporate governance is disclosed under "Corporate Governance Statement" of the Annual Financial Statements ("AFS").

Application of each principle of King IV is expected to result in certain governance outcomes categorised as "primary" or "secondary" depending on the degree of impact on governance of applying the practices under the principle.

Leadership and Organisational Ethics

Expected Outcomes - (i) Ethical Culture (primary), (ii) Legitimacy (primary), (iii) Effective Control (secondary), (iv) Good Performance (secondary)

Principle 1 - The governing body should lead ethically and effectively.

Principle 2 - The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The Board is committed to the highest standards of corporate governance and in this regard the directors collectively and individually execute their duties and responsibilities in accordance with standards of behaviour required by relevant regulation and legislation, the Company's Memorandum of Incorporation (MoI) and the Board Charter. The directors are also committed to and adhere to ethical standards of behaviour.

The Board, in conjunction with the Company's Social and Ethics Committee, is responsible for overseeing ethics and ethical conduct in the Company.

Responsible Corporate Citizenship and Regulatory Compliance

Expected Outcomes - (i) Ethical culture (primary), (ii) Legitimacy (primary), (iii) Good performance (secondary)

Principle 3 - The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

Principle 13 - The governing body should govern compliance with laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

The Company's corporate citizenship and regulatory compliance are governed in accordance with the framework set by the Board of Absa Group Limited (Group Board) (if applicable). The Board in conjunction with the Social and Ethics Committee are responsible to review, develop and align policies to enhance and ensure the company remains a good corporate citizen.

The Board complies with regulation relevant to its oversight responsibilities and ensures that management also complies with laws applicable to the Company. In formulating the Company's strategy, the Board has regard to matters relevant to its corporate citizenship status (including the impact of the Company's operations on the social and economic environments).

Strategy and Performance

Expected Outcomes - (i) Good performance (primary), (ii) Effective Control (secondary)

Principle 4 - The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The Board is responsible for creating and delivering sustainable value for the shareholder and benefits to the company's stakeholders by overseeing the management of the business. The Board (i) approves the company's strategic objectives, business plans and annual budgets, (ii) and monitors management's implementation of the strategy and plans according to the approved risk appetite, the available opportunities, and the macro and regulatory environment.

Reporting and Assurance

Expected Outcomes - (i) Effective control (primary), (ii) Good performance (primary), iii) Ethical culture (secondary), (iv) Legitimacy (secondary)

Principle 5 - The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.

Principle 15 - The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The company's primary report is the annual financial statements in which the company's business activities and financial performance are reported.

The Board oversees preparation of the annual financial statements and ensures that the state of affairs of the Company and its financial wellbeing are fairly presented through application of appropriate assurance processes supported by an effective control environment. The Audit Committee (AC) assists the board in overseeing assurance services and the effectiveness of the control environment in order to ensure the objectivity and integrity of the financial statements. The Board is ultimately responsible for the integrity of the report and approves the financial statements.

Board's Primary Role and Responsibility

Expected Outcomes - (i) Effective control (primary), (ii) Good performance (primary)

Principle 6 - The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The Company's Board of Directors (the "Board") is the focal point of the Company's corporate governance. The Company's customized Memorandum of Incorporation (MoI), King IV, the Companies Act No. 71 of 2008 (as amended) ("the Companies Act") determine the governance of the Company. The Board is the focal point and custodian of the Company's corporate governance and its role, responsibilities and procedural conduct are documented the Company's MoI, the Companies Act.

The Board is the focal point and custodian of the Company's corporate governance and its role, responsibilities and procedural conduct are documented the Company's MoI, the Companies Act.

Board Composition

Expected Outcomes - Good performance (primary)

Principle 7 - The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

Directors are appointed with due regard to relevant legislation, the constitution of the company and the skills and expertise, industry knowledge, gender and race diversity required to enable the board to function effectively.

Newly appointed directors only serve until the first Annual General Meeting after their appointment unless they are elected by the shareholder. Each director serves a maximum of three terms of three years' each, and will only continue beyond 9 years on approval of the Shareholder, and subject to their performance and behaviour meeting the Board's standards.

The current membership of the Board is included in the directors' report.

Delegation to Management and Committees

Expected Outcomes - (i) Effective control (primary), (ii) Good performance (primary)

Principle 8 - The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

Principle 10 - The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

The Shareholder delegates authority to the Board through the Company's MoI and shareholder resolutions passed at the shareholder's meetings.

The Board determines the levels of authority of management and the AC and the matters reserved for the Board's own authority. The role and functions of the AC is governed by terms of reference approved by and regularly reviewed by the Board. The Board remains ultimately responsible for delegated responsibilities, and in this regard, the Board receives regular reports on material matters discussed and decisions taken at the AC meetings through the chairman. The Board remains ultimately responsibility for any delegated approvals made by committees on its behalf.

Board and committee performance evaluations

Expected Outcomes - Good performance (primary)

Principle 9 - The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

The effectiveness of the Board and performance of individual directors and the Chairman are assessed biennially (previously annually), against set criteria. Matters arising, including areas requiring improvement, and remedial plans are presented to the Board. Remediation is coordinated by the Company Secretary and monitored by the Board until the next evaluation.

The Chairman would engage with individual directors on the outcomes of the peer reviews to address the areas for development or those of concern. The Board effectiveness and performance evaluations will be conducted by 2022. The Audit Committee effectiveness and performance evaluation was conducted during 2021.

Risk Governance

Expected Outcomes - (i) Effective control (primary), (ii) Good performance (primary)

Principle 11 - The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

The Board oversees the Company's risk management within the framework of the Group's enterprise risk management framework (incorporating the principal and key risks). Risk levels appropriate for the Company's business are determined by management and approved by the Board. The AC assists the Board in executing its oversight role over risk management.

Executive management of the Company is responsible for embedding risk in the organisation and does this through various programmes, including by ensuring that employees receive the necessary training to be able to identify, mitigate, manage and, when necessary, escalate actual or potential risks within their work environment.

Technology and information Governance

Expected Outcomes - (i) Effective control (primary)

Principle 12 - The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

The Group Information Technology Committee of Absa Group Limited has overall oversight responsibility for information and technology governance in the Group and the systems employed by the Company.

The Board acting through the Manager of the Company is responsible for the following oversight duties over the management of IT in general, including monitoring the following, as set out in the Group Governance Framework:

• The resilience of the technology systems, infrastructure and applications in supporting customers and employees.

• The robustness and resilience of processes to identify and exploit technology and information opportunities to improve the entity's performance and sustainability.

• Planning, testing and user acceptance in relation to new systems and applications.

• The use of information (and data) to sustain and enhance the entity's intellectual capital and strategic advantage.

• The continual monitoring of security of information, including personal information of customers, employees and other stakeholders.

Executive management is responsible for the day-to-day management of IT.

Remuneration Governance

Expected Outcomes - (i) Ethical culture (primary), (ii) Good performance (primary), (iii) Legitimacy (primary), (iv) Effective control (secondary)

Principle 14 - The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The Company pays a corporate service fee to TMF for the provision of non-executive directors. The independent non-executive directors of the Company are remunerated separately by TMF. The Absa appointed director who is an employee of Absa Bank Limited is remunerated as an employee and not separately for his role as a director of the Company.

Shareholder Relationships

Expected Outcomes - (i) Legitimacy (primary), (iv) Good performance (secondary)

Principle 16 - In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The Company's stakeholders are integral to the success of the business. The Board proactively engages with material stakeholders in an inclusive manner that balances their needs, interests and expectations, and to address their concerns in the best way possible.

This allows the Company to manage issues effectively and timeously and reduces the likelihood of reputational risks. The Board understands that communication with stakeholders in respect of financial and non-financial information is vital and open interaction is actively pursued.

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
AUDIT COMMITTEE REPORT
for the year ended 31 December 2022

Members of the Audit Committee and independent non-executive directors

Name	Appointment date
R Thanthony	27 February 2015
ML De Nysschen	01 December 2018
JN Wheeler	01 December 2018

Meetings held by the Audit Committee

The audit committee performed the duties laid upon it by Section 94(7) of the Companies Act 71 of 2008 as amended by holding meetings with the key role players and by the unrestricted access granted to the external auditors. The committee held a meeting on 30 March 2022, 8 November 2022 and 12 April 2023 during which it fulfilled its responsibilities in terms of the audit committee charter, in order to be able to recommend approval of the Company's financial statements to the Board.

Expertise and experience of finance function

Absa Secretarial Services Proprietary Limited, as Company Secretary provides ongoing Company Secretarial administration to iMpumelelo CP Note Programme 1 (RF) Limited (""the Issuer""). Absa Bank Limited, acting through its Corporate and Investment Banking Division ("CIB") is the administrator of the Issuer. The committee satisfied itself that the composition, experience and skills set of the finance function met the Company's requirements.

Independence of external auditors

The committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act 71 of 2008 as amended and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided in terms of the Companies Act 71 of 2008 as amended that internal governance processes within the firm support and demonstrate the claim to independence. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

Discharge of responsibilities and Audited Annual Financial Statements

(i) Following the review by the committee of the audited annual financial statements of the Company for the year ended 31 December 2022 and based on the information provided to it, the committee considers that, in all material respects, the Company complies with the provisions of the Companies Act No 71 of 2008, as amended, International Financial Reporting Standards, and that the accounting policies applied are appropriate. Following the review of the audited annual financial statements, the committee recommended the Company's 2022 audited annual financial statements for approval to the Board on 12 April 2023. The committee further concurred with the Board and management that the adoption of the going-concern status in preparation of the annual audited financial statements is appropriate.

On behalf of the audit committee:

Rishendrie Thanthony

Chairperson: Audit Committee

21 April 2023

Independent auditor's report

To the Shareholder of iMpumelelo CP Note Programme 1 (RF) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of iMpumelelo CP Note Programme 1 (RF) Limited (the Company) as at 31 December 2022, 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

iMpumelelo CP Note Programme 1 (RF) Limited's financial statements set out on pages 23 to 64 comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.
-

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

	Overall materiality • R85.7 million which represents 1% of Total Assets
	Key audit matters • Provision for Expected Credit Losses (ECL) on loans and advances.

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

Materiality

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

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

Overall materiality	R85.7 million
How we determined it	1% of Total Assets
Rationale for the materiality benchmark applied	The Company is set up for the purpose of allowing external note holders to gain exposure to certain investments. The Company functions as a pass-through vehicle that allows for the transfer of South African corporate credit exposures to capital market investors. We therefore selected total assets as our materiality benchmark because, in our view, it is the most appropriate benchmark and is a generally accepted benchmark. We chose 1% which is consistent with materiality thresholds used for similar companies within this sector.

Key audit matters

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

Key Audit Matter	How our audit addressed the key audit matter
Expected credit losses (ECL) on loans and advances The disclosure associated with ECL on loans and advances is set out in the financial statements in the following accounting policies and notes: ● 2.5.3 Expected Credit Losses on Financial Assets ● 3 - Judgements and estimates ● 8. Credit Risk Reconciliation – Expected Credit Loss Allowance ● 10. Loans and Advances ● 24.5 Credit Risk	

Key Audit Matter	How our audit addressed the key audit matter
The Company's loans and advances are material to the financial statements and the related ECL includes significant judgements and assumptions. We identified the audit of ECL on loans and advances to be a matter of most significance to the current year audit due to the following: 1. There is a high degree of estimation uncertainty and significant judgements and assumptions in estimating modelled ECL on loans and advances; 2. Economic scenario forecasts incorporating forward-looking information (FLI) which are used to estimate the ECL on loans and advances require estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation. Any impacts not captured by the statistical model are accounted for via further management adjustments. Such adjustments are also posted where current and forward-looking risks are not fully reflected in the historic data used to calibrate models; and 3. The credit risk disclosures incorporate multiple data inputs and management judgement impacting the completeness and accuracy of the disclosures. As at 31 December 2022 the Company's total carrying amount of loans and advances balance amounted to R 8,518,322,782 while the ECL was R2,478,296. In calculating the ECL, the key areas of significant management judgement and estimation included:	Making use of our internal actuarial, quantitative and economics expertise, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances, as set out below. In addition, we tested controls and performed substantive procedures over the model data inputs.

Key Audit Matter	How our audit addressed the key audit matter
1. Modelled ECL impairment losses • A significant portion of ECL is calculated on a modelled basis which incorporates observable data, assumptions and estimations. The development and execution of these models requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters. • Significant increase in credit risk (SICR) is assessed based on the current risk of default of an account relative to its risk of default at origination. This incorporates judgement and estimation by management. The credit impairment models are subject to formal model governance and approval.	**1. Modelled ECL impairment losses** • We assessed the controls over changes and approval of ECL models. • We reperformed and/or benchmarked the model calculations for material portfolios based on the assumptions as per the model documentation, independently reperformed the PD, EAD and LGD parameters, to test the accuracy, assumptions and appropriateness of the judgement applied in the ECL calculations and noted that the ECL calculated as a result was within an acceptable range of ours. • We assessed the appropriateness of the SICR methodologies and model calibrations and tested the resultant stage allocation and noted that the stage allocation was within an acceptable range of ours. • We tested the completeness and accuracy of data inputs into the models by tracing a sample of data inputs back to information sourced by management from internal systems and external data providers and noted no exceptions. • Through discussions with management and inspection of relevant documentation, we obtained an understanding of the methodologies and assumptions used by management in the various ECL models and how these were calibrated to use historical information to estimate future cash flows. We noted no matters for further consideration.

Key Audit Matter	**How our audit addressed the key audit matter**
2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation • The macroeconomic scenario forecasts are developed internally and require management judgement. Given the uncertain macroeconomic environment, both locally and internationally, there is complexity in incorporating these scenario forecasts, FLIs and probability weightings into the estimation of ECL. • Management adjustments to the modelled ECL output were used within the portfolio to address specific risks which were not catered for in the FLIs incorporated into the models. • Determining the key macroeconomic drivers of credit risk including the relative importance/weighting of each identified factor incorporates judgement and estimation by management.	**2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation** • We obtained an understanding of management's approval processes and tested controls over the approval of macroeconomic forecasts and variables used within the models by the appropriate governance structures. With assistance from our internal economics experts, we assessed the appropriateness of the macroeconomic scenario forecasts and probability weightings by benchmarking these against external evidence and economic data. We noted no matters for further consideration. • We tested the performance and sensitivity of the forward-looking models in order to evaluate whether the chosen macroeconomic variables and model structure provides a reasonable representation of the impact of macroeconomic changes on the ECL, SICR and baseline information built into the forward-looking economic model. We noted no matters for further consideration. • We assessed the reasonableness of how management considered the uncertain macroeconomic environment on the ECL model through independent ECL quantification and sensitivity analysis. We noted no matters for further consideration. • We tested the governance process over management adjustments; assessed management's rationale for the adjustments; and the appropriateness of the assumptions and data used in the determination of the management adjustments. We further evaluated whether these were reflective of current market volatility, idiosyncratic risks or emerging trends. We noted no matters

Key Audit Matter	How our audit addressed the key audit matter
	for further consideration.
3. Disclosures related to credit risk Credit risk disclosures are significant as they rely on material data inputs and explain management judgement, estimates and assumptions used in determining the ECL.	**3. Disclosures related to credit risk** • We evaluated whether the credit risk disclosures are consistent with the ECL information tested which included the ECL data, models, estimates and macroeconomic forecasts. • We assessed the adequacy of the disclosures in the financial statements in accordance with the requirements of IFRS 9. We noted no matters for further consideration in respect of the results on our testing of the disclosures relating to credit risk.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled iMpumelelo CP Note Programme 1 (RF) Limited Financial Statements for the year ended 31 December 2022, which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the 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 the 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.

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of iMpumelelo CP Note Programme 1 (RF) Limited for the first year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Louwrens van Velden
Registered Auditor
Waterfall City, Johannesburg
22 April 2023

Company registration number	2013/211998/06
Country of incorporation and domicile	South Africa
Date of publication	21 April 2023
Nature of business and principal activities	A special purpose company that issues commercial paper to finance the acquisition of assets. The ongoing accounting, risk management and administration are performed by Absa Bank Limited.

Directors

Name	Appointment date	Resignation date
Independent non-executive directors		
R Thanthony	27 February 2015	
JN Wheeler	01 December 2018	
O Ferreira (Alternate)	31 January 2017	01 December 2022
ML De Nysschen	01 December 2018	
Executive directors		
JR Burnett	01 January 2017	

Registered office	7th Floor Absa Towers West 15 Troye Street Johannesburg Gauteng 2000
Business address	7th Floor Absa Towers West, 15 Troye Street Johannesburg 2000 South Africa
Holding company	iMpumelelo Owner Trust
Ultimate holding company	iMpumelelo Owner Trust - Absa Bank Limited guarantees 100% of the notes issued by iMpumelelo, and hence maintains control of the Company in accordance with IFRS 10. The Company is consolidated into Absa Bank Limited.
Bankers	Absa Bank Limited
Auditors	PricewaterhouseCoopers Inc. Waterfall City Heliport, 4 Lisbon Ln, Jukskei View Midrand 2090
Supervised by	These annual financial statements are prepared under the direction and supervision of the Head of Asset Classes Product Control, Corporate and Investment Banking, Absa Bank Limited, Jan Luus, CA(SA).
Company secretary	Absa Secretarial Services Proprietary Limited (Represented by: Gerrie van Rooyen)

Date of incorporation 13 November 2013

Review of operations The directors have performed the required solvency and liquidity tests required by the Companies Act of South Africa.

Review of financial results The financial results of the Company are set out in the attached financial statements. The results do not, in the opinion of the directors, require further explanation.

Key performance indicators	2022 R	2021 R
Profit for the year	**31 352 588**	56 249 833
Total comprehensive income	**34 043 853**	61 667 408
Taxation	**(12 262 243)**	(21 874 935)
Dividends declared and paid	**25 000 000**	55 000 000
Net assets	**42 157 804**	33 113 951
Net current liabilities	**(6 473 243 097)**	(6 135 585 433)

Authorised and issued share capital There were no changes to the authorised or issued share capital for the year under review. The share capital is disclosed in note 15.

Events after the reporting date Events material to the understanding of these annual financial statements that occurred between the financial year end and the date of this report have been disclosed in note 29.

Going concern The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Special resolution No special resolutions were passed during the year.

Dividends paid A dividend of R25,000,000 was paid to preference shareholders during the year (2021: R55,000,000).

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Notes	2022 R	2021 R
Net interest income			
Effective interest income		**452 090 810**	363 244 803
Other interest income		**99 822 321**	41 017 660
Interest income	4	**551 913 131**	404 262 463
Non-interest income from contracts with customers			
Other fee income		**-**	703 800
		-	703 800
Total income		**551 913 131**	404 966 263
Administration expenses	6	**(355 675)**	(306 459)
Other expenses	6	**(6 217 387)**	(5 541 604)
Finance costs	5	**(491 639 109)**	(307 933 791)
Fair value adjustments		**(9 583 868)**	(14 440 043)
Expected credit loss	6	**(502 261)**	1 380 402
Profit before tax		**43 614 831**	78 124 768
Taxation	7	**(12 262 243)**	(21 874 935)
Profit for the year		**31 352 588**	56 249 833
Items that will or may be reclassified subsequently to profit or loss:			
Movement in Fair Value of Debt Instruments measured at FVOCI			
Fair Value gains arising during the reporting period		**4 419 331**	7 979 148
Deferred Tax		**(1 120 450)**	(2 106 834)
Expected credit loss		**(607 616)**	(454 739)
		2 691 265	5 417 575
Total other comprehensive income for the year, net of tax		**2 691 265**	5 417 575
Total comprehensive income for the year, net of tax		**34 043 853**	61 667 408

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 R	2021 R
Assets			
Non-current assets			
Loans and advances	10	**6 514 229 860**	6 167 760 303
Deferred tax assets	13	**1 171 041**	939 081
Total non-current assets		**6 515 400 901**	6 168 699 384
Current assets			
Other receivables	11	**796 542**	796 542
Investments	9	**-**	899 667 028
Loans and advances	10	**2 001 614 626**	766 714 998
Related party receivables	27	**898**	1 075 534
Other financial assets	23.1	**22 018 999**	-
Current tax assets	17	**4 709 679**	-
Cash and cash equivalents	19	**28 846 194**	106 070 489
Total current assets		**2 057 986 938**	1 774 324 591
Total assets		**8 573 387 839**	7 943 023 975
Equity and liabilities			
Equity			
Capital and reserves			
Share capital	15	**10**	10
Preference share capital	15	**1**	1
Fair value reserves		**-**	(2 691 265)
Retained income		**42 157 793**	35 805 205
Total equity		**42 157 804**	33 113 951
Liabilities			
Current liabilities			
Trade and other payables	14	**1 875 882**	1 617 229
Debt securities in issue	12	**8 529 354 153**	7 900 931 811
Other financial liabilities	23.1	**-**	7 327 039
Current tax liabilities		**-**	33 945
Total current liabilities		**8 531 230 035**	7 909 910 024
Total liabilities		**8 531 230 035**	7 909 910 024
Total equity and liabilities		**8 573 387 839**	7 943 023 975

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Share Capital R	Preference share capital R	Fair value reserves R	Retained income R	Total equity R
Balance at 1 January 2021	10	1	(8 108 840)	34 555 372	26 446 543
Profit for the year	-	-	-	56 249 833	56 249 833
Other comprehensive income for the year	-	-	5 417 575	-	5 417 575
Total comprehensive income for the year	-	-	5 417 575	56 249 833	61 667 408
Dividends declared	-	-	-	(55 000 000)	(55 000 000)
Balance at 31 December 2021	10	1	(2 691 265)	35 805 205	33 113 951
Note	15				
Balance at 1 January 2022	**10**	**1**	**(2 691 265)**	**35 805 205**	**33 113 951**
Profit for the year	**-**	**-**	**-**	**31 352 588**	**31 352 588**
Other comprehensive income for the year	**-**	**-**	**2 691 265**	**-**	**2 691 265**
Total comprehensive income for the year	**-**	**-**	**2 691 265**	**31 352 588**	**34 043 853**
Dividends declared	**-**	**-**	**-**	**(25 000 000)**	**(25 000 000)**
Balance at 31 December 2022	**10**	**1**	**-**	**42 157 793**	**42 157 804**
Note	15				

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	Notes	2022 R	2021 R
Cash flows from operating activities			
Cash used in operations	16	**(5 757 079)**	(7 755 186)
Dividends paid	18	**(25 000 000)**	(55 000 000)
Finance costs paid	20	**(432 164 071)**	(331 014 120)
Interest received	21	**490 523 512**	404 197 350
Income taxes paid	17	**(18 358 277)**	(17 406 742)
Net cash inflow (outflow) from derivatives		**(5 217 501)**	(6 754 426)
Net cash generated by/(used in) operating activities		**4 026 584**	(13 733 124)
Cash flows from investing activities			
Loans and advances extended		**(4 082 044 775)**	(4 080 000 000)
Loans and advances settled		**2 531 330 000**	3 086 000 000
Proceeds from disposal of Investments		**900 000 000**	1 000 000 000
Net cash (used in)/generated by investing activities		**(650 714 775)**	6 000 000
Cash flows from financing activities			
Proceeds from issue of debt securities		**8 436 964 775**	7 786 250 000
Debt securities in issue settled		**(7 867 500 000)**	(7 710 482 530)
Net cash generated by financing activities		**569 464 775**	75 767 470
Net (decrease)/increase in cash and cash equivalents		**(77 223 416)**	68 034 346
Cash and cash equivalents at the beginning of the year		**106 072 398**	38 038 052
Cash and cash equivalents at the end of the year	19	**28 848 982**	106 072 398

1. STATEMENT OF COMPLIANCE

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRS-IC) and the requirements of the Companies Act of South Africa, as amended.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

During the current year, the Company has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRS-IC that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2022. For details of the new and revised accounting policies refer to note 30.

2.2 BASIS OF PREPARATION

Apart from certain items that are carried at fair valued amounts, as explained in the accounting policies below, the financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The financial statements are presented in South African Rands (R), the presentation currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 REVENUE RECOGNITION

NET INTEREST INCOME

Interest revenue and interest charges which are calculated using the effective interest method are separately presented in the statement of comprehensive income. Effective interest on loans and advances at amortised cost and debt instruments at fair value through other comprehensive income, as well as the interest expense on financial liabilities held at amortised cost, are calculated using the effective interest rate method. This results in the allocation of interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest method requires the Company to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Due to the large number of products and types (both assets and liabilities), there are no individual estimates that are material to the results or financial position.

The Company also presents as part of net interest income, albeit separate from effective interest income and effective interest expense, other interest income and other interest charges, which are not calculated on the effective interest method.

IFRS 9 requires interest income to be calculated on stage 1 or stage 2 financial assets by multiplying the EIR by the gross carrying amount of such assets. Dissimilar to stage 1 and stage 2 assets, IFRS 9 requires interest income on stage 3 financial assets to be calculated based on the net carrying value of the exposure, that is, the gross carrying value less the ECL allowance. In order to practically give effect to this requirement, the Company first suspends the recognition of contractual interest, and second, multiplies the net carrying value by the EIR. Unrecognised interest (which is referred to as interest in suspense (IIS)) is the difference between the interest calculated on the gross carrying amount of the financial asset (that is, the interest charged), and the net interest amount, calculated based on the net carrying amount of the financial asset. In some instances, an entity may recover cash flows which are in excess of the cumulative interest previously recognised over the life of the instrument. The IIS recovered is presented as a gain within ECL.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is measured based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Company recognises the revenue from contracts with customers when it transfers control over to the customers.

2.4 TAXATION

Income tax expense represents the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities.

CURRENT TAXATION

Income tax payable on taxable profits ("current taxation") is recognised as an expense in the reporting period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior reporting period. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 TAXATION (continued)

DEFERRED TAXATION

Deferred tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the reporting date, which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

CURRENT AND DEFERRED TAX

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.5 FINANCIAL INSTRUMENTS

2.5.1 INITIAL RECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are capitalised to the initial carrying amount of the financial asset/liability, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Company recognises financial assets and liabilities when it becomes a party to the terms of the contract, which is the trade date.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of significant unobservable inputs, the difference between the model valuation and the initial transaction price (Day One profit) is recognised in profit or loss either on a straight-line basis over the term of the transaction, or over the reporting period until all model inputs will become observable where appropriate or released in full when previously unobservable inputs become observable.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

2.5.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

On initial recognition, the Company classifies its financial assets into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss.

The classification and subsequent measurement of financial assets depends on:

- The business model within which the financial assets are managed; and
- The contractual cash flow characteristics of the asset (that is, whether the cash flows represent solely payments of principal and interest).

Business model assessment:
The business model reflects how the Company manages the financial assets in order to generate cash flows and returns. The Company makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The factors considered in determining the business model include:

i. how the financial assets' performance is evaluated and reported to management;
ii. how the risks within the portfolio are assessed and managed; and
iii. the frequency, volume, timing for past sales, sales expectations in future periods, and the reasons for such sales.

The Company reclassifies debt instruments when, and only when, the business model for managing those assets changes. Such changes are highly unlikely and therefore expected to be very infrequent.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI):
In making the assessment of whether the contractual cash flows have SPPI characteristics, the Company considers whether the cash flows are consistent with a basic lending arrangement. That is, the contractual cash flows recovered must represent solely the payment of principal and interest. Principal is the fair value of the financial asset on initial recognition. Interest typically includes only consideration for the time value of money and credit risk but may also include consideration for other basic lending risks and costs, such as liquidity risk and administrative costs, together with a profit margin.

Where the contractual terms include exposure to risk or volatility that is inconsistent with a basic lending arrangement, the cash flows would not be considered to be SPPI and the assets would be mandatorily measured at fair value through profit or loss, as described below. In making the assessment, the Company considers, inter alia, contingent events that would change the amount and timing of cash flows, prepayment and extension terms, leverage features, terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements), and features that modify consideration of the time value of money (e.g. tenor mismatch). Contractual cash flows are assessed against the SPPI test in the currency in which the financial asset is denominated.

Debt Instruments:

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds. The Company classifies its debt instruments as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

2.5.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Debt Instruments: (continued)

- Amortised cost - Financial assets are classified within this measurement category if they are held within a portfolio whose primary objective is the collection of contractual cash flows, where the contractual cash flows on the instrument are SPPI, and that are not designated at fair value through profit or loss. These financial assets are subsequently measured at amortised cost where interest is recognised as effective interest within Effective interest income using the effective interest rate method. The carrying amount is adjusted by the cumulative expected credit losses recognised.

- Fair value through other comprehensive income - This classification applies to financial assets which meet the SPPI test, and are held within a portfolio whose objectives include both the collection of contractual cash flows and the selling of financial assets. These financial assets are subsequently measured at fair value with movements in the fair value recognised in other comprehensive income, with the exception of interest income, expected credit losses and foreign exchange gains and losses that are recognised within profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to Net trading income in profit or loss. Interest income from these financial assets is included as Effective interest income using the effective interest rate method.

- Fair value through profit or loss - Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are mandatorily measured at fair value through profit or loss. Gains and losses on these instruments are recognised in profit or loss. The Company may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. These will be subsequently measured at fair value through profit or loss with gains and losses recognised as Gains and losses from banking and trading activities or in profit or loss.

Equity instruments:

IFRS 9 provides that at initial recognition, an irrevocable election may be made to present subsequent changes in the fair value of an equity instrument in other comprehensive income, provided that the instrument is neither held for trading nor constitutes contingent consideration recognised in a business combination. Amounts recognised in other comprehensive income are not subsequently recognised in profit or loss. Dividends, when representing a return on investment, continue to be recognised in profit or loss when the Company's right to receive payment is established. All equity instruments for which the designation at fair value through other comprehensive income has not been applied are recognised at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

2.5.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Financial Liabilities

Financial liabilities that are held at amortised cost are measured in accordance with the effective interest rate method. That is, the initial fair value (which is normally the amount borrowed) is adjusted for premiums, discounts, repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the liability.

Financial liabilities classified as held for trading are subsequently measured at fair value through profit or loss, with changes in fair value being recognised in profit or loss.

A financial liability may be designated at fair value through profit or loss if (i) measuring the instrument at fair value eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (ii) if the instrument belongs to a group of financial assets or financial liabilities that are managed on a fair value basis, in accordance with a documented risk management or investment strategy. Own credit gains or losses arising from the valuation of financial liabilities designated at fair value through profit or loss are recognised in other comprehensive income and are not subsequently recognised in profit or loss.

2.5.3 EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

The Company uses a mixed approach to impairment where parameters are modelled at an individual financial instrument level or on a portfolio basis when they are only evident at this higher level. A collective approach will only be carried out when financial instruments share similar risk characteristics, which could include factors such as instrument type, collateral type, industry, geography and credit risk ratings.

The Company recognises expected credit losses based on unbiased forward-looking information. Expected credit losses are recognised on:

- financial assets at amortised cost

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

2.5.3 EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS (continued)

Impairment is recognised based on a three-stage approach:

Stage 1: Exposures where there has not been a significant increase in credit risk since origination. For these exposures an expected credit loss is recognised based on the credit losses expected to result from default events that are possible within 12 months of the reporting date. Interest income is calculated based on the gross carrying value of these instruments.

Stage 2: Exposures for which the credit risk has increased significantly since initial recognition. For these exposures lifetime expected credit losses should be recognised (i.e. credit losses from default events that are possible over the life of the instrument). The Company will assess whether a significant increase in credit risk has occurred based on (i) qualitative drivers including being marked as high risk or reflected on management's watch list; and (ii) quantitative drivers such as the change in the asset's cumulative weighted average lifetime probability of default (PD). Any exposure that is more than 30 days past due will also be included in this stage. Interest income is calculated based on the gross carrying value of these instruments.

Stage 3: Exposures which are credit impaired. For these exposures, expected credit losses are based on lifetime losses. Assets are considered to be credit impaired as guided by the regulatory definition of default. Interest income is calculated based on the carrying value net of the loss allowance.

Lifetime expected credit losses will no longer be recognised when there is evidence that the criteria are no longer met. This could include a history of timely payment performance. The low credit risk exemption in IFRS 9 has not been adopted by the Company.

The measurement of expected credit losses must reflect:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money (represented by the effective interest rate); 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.

Expected credit losses comprise the unbiased probability weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. Expected credit losses are calculated (for both 12 months and lifetime losses) as a function of the exposure at default (EAD); PD and loss given default (LGD). These terms are interpreted as follows per the requirements of IFRS 9:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

2.5.3 EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS (continued)

- EAD is the estimated amount at risk in the event of a default (before any recoveries) including behavioural expectation of limit usage by customers in the various stages of credit risk.
- PD is the probability of default at a particular point in time, which may be calculated, based on the defaults that are possible to occur within the next 12 months; or over the remaining life; depending on the stage allocation of the exposure.
- LGD is the difference between the contractual cash flows due and the cash flows expected to be received, discounted to the reporting date at the effective interest rate. The expectation of cash flows take into account cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The estimate reflects the amount and timing of cash flows expected from the enforcement of collateral less the costs of obtaining and selling the collateral. The collection of any cash flows expected beyond the contractual maturity of the contract is also included.

Lifetime of financial instruments
For exposures in stage 2 and stage 3, the maximum lifetime over which expected credit losses should be measured, is the maximum contractual period over which the Company is exposed to credit risk. The Company estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument. In rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the Company uses the remaining contractual term of the financial instrument.

Certain credit exposures include both a drawn and an undrawn component and the Company's contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to the contractual notice period. In this case, expected credit losses are measured over the period that the Company is exposed to credit risk, even if that period extends beyond the maximum contractual period. This applies to overdrafts, credit cards and other revolving products.

These contracts are cancellable at very short notice and they have no fixed term but credit may continue to be extended for a longer period and may only be withdrawn after the credit risk of the borrower increases, which could be too late to prevent losses. For these types of products the expected life is based on the behavioural life, i.e. the period over which there is exposure to credit risk which is not expected to be mitigated by credit actions (e.g. limit decreases) even though the contract permits immediate limit decrease.

Forward looking information
Forward-looking information is factored into the measurement of expected losses through the use of multiple expected macro-economic scenarios that are either reflected in estimates of PD and LGD for material portfolios; or adjusted through expert credit judgement where the effects could not be statistically modelled.

Write -off
Financial assets are written off, and accordingly derecognised, when the Company believes there to be no reasonable expectation of recovery.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

2.5.4 DERECOGNITION OF FINANCIAL INSTRUMENTS

Derecognition of financial assets

In the course of its normal activities, the Company makes transfers of financial assets, either legally (where legal rights to the cash flows from the asset are passed to the counterparty) or beneficially (where the Company retains the rights to the cash flows, but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer.

On derecognition of a financial instrument, any difference between the carrying amount thereof and the consideration received is recognised in profit or loss.

2.5.5 EQUITY INSTRUMENTS

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

ORDINARY SHARE CAPITAL

Proceeds are included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when declared by the board.

PREFERENCE SHARE CAPITAL

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. Preference share capital is classified as a liability if it is redeemable on a specific future date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as an interest expense in profit or loss.

2.5.6 *DERIVATIVE FINANCIAL INSTRUMENTS*

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in financial liability non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. Embedded derivatives are not separated from financial asset non-derivative host contracts and the entire contract, including any embedded derivatives, is assessed as a whole for classification purposes.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 *OFFSETTING*

In accordance with IAS 32 Financial Instruments: Presentation, the Company reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a current legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.6 CASH AND CASH EQUIVALENTS

Cash comprises of cash on hand and demand deposits, and cash equivalents comprise of highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

2.7 SEGMENTAL REPORTING

Impumelelo CP Note Programme 1 (RF) Limited issues various debt security notes which enables investors to invest in various debt instruments. The information regarding the results of the reportable segment is disclosed in the annual financial statements as currently set out. Management views the entire entity as one segment, thus no further disclosures are required in accordance with IFRS 8 Operating segments.

3. JUDGEMENTS AND ESTIMATES

In the preparation of the annual financial statements, management is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period.

In most instances, this relates to disclosure rather than to the measurement of items.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities, and prepayment and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

The main assumptions and estimates which management considers when applying a model with valuation techniques are:

• The likelihood and expected timing of future cash flows on the instruments. These cash flows are usually governed by terms of the instrument, although management judgement may be required when the ability of the counterparty to services the instrument in accordance with the contractual terms in doubt. Future cash flows may be sensitive to change in market rates.

• Selecting an appropriate discount rate for the instrument. Management bases the determination of this rate on its assessment of what a market participant would regard as the appropriate spread of the rates for the instrument over the appropriate risk-free rate.

3. JUDGEMENTS AND ESTIMATES (continued)

• Judgement to determine what model to use to calculate fair value in areas where the choice of valuation model particularly subjective, for example, when valuing complex derivative products.

When applying a model with unobservable inputs, estimates are made to reflect uncertainties in fair value resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business condition. However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments will be based on some market observable inputs even where the unobservable inputs are significant.

Recognition of loans and advances at fair value through profit and loss

Loans and advances recognised at fair value through profit and loss consist of fixed rate loans with variable rate funding, and interest rate swaps on the fixed rate loans to match the interest payments from the asset to the liability. The assets are thus held at fair value to net out the accounting mismatch caused by the derivatives' revaluing.

Recognition of investment securities at fair value through other comprehensive income

Investment securities, comprising listed bonds, are held with the objective of collecting contractual cash flows, consisting of interest and principal payments, and for sale in the ordinary course of business. They are thus recognised at fair value through other comprehensive income.

Expected Credit Losses

The Expected Credit Loss estimate was made considering all reasonable and available information, including our best estimate of the impact of multiple forward-looking economic scenarios. The Expected Credit Loss estimate is an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. Models, processes and assumptions applied in making the Expected Credit Loss estimate, including management adjustments, costs of collection of outstanding loan exposures, collateral valuation, assessment of significant increase in credit risk and credit impaired exposures, write-off points and the definition of default have been applied consistently and are appropriate in the context of IFRS.

ECL estimation must reflect an unbiased and probability-weighted estimate of future losses determined by evaluating a range of possible macroeconomic outcomes. Whilst economic activity across South Africa has started to recover due to the easing of lock-down restrictions, economic concerns remain due to high levels of unemployment and the risk of a possible resurgence of the virus. Such risks have been incorporated in the scenarios used to calculate the Company's ECL charge at 31 December 2022.

A 40% probability weighting was applied to the baseline scenario; with a 30% probability weighting applied to both the upside and downside scenarios.

The key forward looking macro-economic information used by the credit model in the calculation of expected credit losses include externally sourced data on South Africa's Real Gross Domestic Product, Consumer Price Index, the Repo Rate and the Producer Price Index.

Default assets that are classified as in default are characterised by the distinct possibility that the borrower will default, and should the collateral pledged be insufficient to cover the asset, the company will sustain some loss when default occurs.

	2022 R	2021 R

4. INTEREST INCOME

	2022 R	2021 R
Interest income		
Cash and Cash equivalents - effective interest rate	**1 916 366**	1 578 966
Bonds and Loans - effective interest rate	**450 174 444**	361 665 837
Loans recognised at fair value through profit and loss- effective interest	**99 822 321**	41 017 660
	551 913 131	404 262 463

5. FINANCE COSTS

	2022 R	2021 R
Interest expense		
Interest on debt securities in issue	**491 639 109**	307 933 791
	491 639 109	307 933 791

6. PROFIT FOR THE YEAR

Profit for the year is stated after taking account of the following items:

6.1 Expected credit losses

Financial assets

	2022 R	2021 R
Cash and cash equivalents		
Stage1	**879**	(1 472)
	879	(1 472)
Loans and Advances		
Stage1	**1 108 998**	(924 191)
	1 108 998	(924 191)
Financial assets recognised at Fair Value through Other Comprehensive Income		
Stage1	**(607 616)**	(454 739)
	(607 616)	(454 739)
Total expected credit loss on financial assets	**502 261**	(1 380 402)

6.2 Auditors remuneration

	2022 R	2021 R
Audit fees	**157 688**	110 395
	157 688	110 395

6.3 Directors remuneration

	2022 R	2021 R
Directors fees	**197 987**	196 064
	197 987	196 064

		2022 R	2021 R
6.	**PROFIT FOR THE YEAR (continued)**		
6.4	**Other expenses**		
	Management fees	**5 782 037**	5 224 561
	Bank charges	**13 779**	20 323
	Rating agency and custody fees	**421 571**	296 720
		6 217 387	5 541 604
7	**TAXATION**		
7.1	**INCOME TAX RECOGNISED IN PROFIT OR LOSS**		
	Current tax		
	Normal tax - current year	**13 614 653**	22 598 765
		13 614 653	22 598 765
	Deferred tax		
	Deferred tax recognised in the current year	**(1 352 410)**	(723 830)
		(1 352 410)	(723 830)
	Total income tax recognised in the current year	**12 262 243**	21 874 935
	Reconciliation between operating profit and tax expense		
	Profit before tax for the year	**43 614 831**	78 124 768
	Income tax expense calculated at 28% (2021: 28%)	**(12 212 153)**	(21 874 935)
	Effect on deferred tax balances due to the change in income tax rate	**(50 090)**	-
	Income tax expense recognised in profit or loss	**(12 262 243)**	(21 874 935)
		%	**%**
	Tax rate reconciliation		
	Statutory tax rate	**28.00%**	28.00%
	Effect on deferred tax balances due to the change in income tax rate	**0.10%**	-
	Effective income tax rate	**28.10%**	28.00%

During the budget speech presented on 23 February 2022, the finance minister announced that the South African corporate tax rate will be reduced from 28% to 27%, effective for tax assessment years ending after 31 March 2023. This change was substantively enacted at the balance sheet date and has therefore been reflected in the measurement of the entity's deferred tax balances at 31 December 2022.

8. CREDIT RISK RECONCILIATION - EXPECTED CREDIT LOSS ALLOWANCE

	Balances at the beginning of the reporting period R	Current period provision R	Reductions due to disposals / derecognition of financial assets R	Originated / purchased assets R	Total R
2022					
Cash and cash equivalents					
Stage 1	**1 909**	**879**	**-**	**-**	**2 788**
Total expected credit losses	**1 909**	**879**	**-**	**-**	**2 788**
Loans and Advances					
Stage 1	**1 369 298**	**255 307**	**(252 127)**	**1 105 818**	**2 478 296**
Total expected credit losses	**1 369 298**	**255 307**	**(252 127)**	**1 105 818**	**2 478 296**
Financial Assets held at Fair Value through Other Comprehensive Income					
Stage 1	**607 616**	**-**	**(607 616)**	**-**	**-**
Total expected credit losses	**607 616**	**-**	**(607 616)**	**-**	**-**
2021					
Cash and cash equivalents					
Stage 1	3 381	(1 472)	-	-	1 909
Total expected credit losses	3 381	(1 472)	-	-	1 909
Loans and Advances					
Stage 1	2 293 489	(523 842)	(1 020 060)	619 711	1 369 298
Total expected credit losses	2 293 489	(523 842)	(1 020 060)	619 711	1 369 298
Financial Assets held at Fair Value through Other Comprehensive Income					
Stage 1	1 062 355	(69 466)	(385 273)	-	607 616
Total expected credit losses	1 062 355	(69 466)	(385 273)	-	607 616

8. CREDIT RISK RECONCILIATION - EXPECTED CREDIT LOSS ALLOWANCE (continued)

During the current financial year, gross loans and advances increased to R8,518,322,782, an increase of R1,582,478,183 from prior year. The value of loans originated during the year amounted to R4,082,044,775 leading to an increase in the ECL allowance for the year of R1,105,818. No new loan modifications that did not result in derecognition of the loan were observed. Gross loans and advances settled during the current year amounted to R2,531,330,000 resulting in an decrease of R252,127 to the ECL allowance. Investments worth R900,000,000 were sold suring the current year resulting in a decrease of R607,616 to the ECL allowance.

	2022 R	2021 R

9. INVESTMENTS

Listed investments

Financial Assets held at Fair Value through Other Comprehensive Income

Notional at beginning of period	**900 000 000**	1 900 000 000
Disposals during the period	**(900 000 000)**	(1 000 000 000)
Fair value adjustments at the end of the period	**-**	(3 678 440)
Accrued interest at the end of the period	**-**	3 345 468
Balance at end of year	**-**	899 667 028

During the year the company sold investments of R900,000,000; as part of the sale fair value losses of R4,419,332 were reclassified from OCI to profit or loss and a gain of R4,419,332 was recognised on the sale. The gains and losses are part of Fair value adjustments in profit or loss.

10. LOANS AND ADVANCES

Investments in loans recognised at amortised cost	**7 337 044 775**	5 686 250 000
Accrued interest on loans recognised at amortised cost	**101 534 625**	36 545 444
Investments in loans recognised at fair value through profit and loss	**1 099 920 000**	1 200 000 000
Accrued interest on loans recognised at fair value through profit and loss	**6 204 757**	6 458 852
Fair value adjustments on loans recognised at fair value through profit and loss	**(26 381 375)**	6 590 303
	8 518 322 782	6 935 844 599
Expected credit losses	**(2 478 296)**	(1 369 298)
Total carrying amount of loans and advances	**8 515 844 486**	6 934 475 301

Maturity of loans and advances

Current	**2 001 614 626**	766 714 998
Non-current	**6 514 229 860**	6 167 760 303
	8 515 844 486	6 934 475 301

10. LOANS AND ADVANCES (continued)

Loans and advances consist of loans with face values and the related interest at fixed and floating rates; floating rates are referenced to Jibar.

The average interest rate for the unlisted bonds and loans during the current reporting period was 6.53% (2021: 5.30%).

All the company's rights and interests to these balances are pledged to iMpumelelo Security SPV 1 (RF) Proprietary Ltd (refer to note 12).

Loans and advances recognised at fair value through profit and loss consist of fixed rate loans which are funded from debt secutities at variable rates, interest rate swaps are taken out on the fixed rate loans to match the interest payments from the asset to the liability. The assets are thus held at fair value to offset the accounting mismatch caused by the derivatives' revaluing and provide a fair presentation of the underlying asset.

	2022 R	2021 R

11. OTHER RECEIVABLES

Refundable tax penalty and related interest	**796 542**	796 542
	796 542	796 542
Current	**796 542**	796 542
	796 542	796 542

Accrued interest is presented with the Investments balance and the Loans And Advances balance as disclosed in notes 9 and 10, respectively.

Amounts due to related parties is disclosed in note 27.

The tax penalty refunds relate penalties and the related interest levied in the year 2019 but which were subsequently waived and credited to the Company's tax account with the South African Revenue Service.

12. DEBT SECURITIES IN ISSUE

Current liabilities

Debt securities in issue	**8 436 964 775**	7 868 017 471
Accrued interest on debt securities	**92 389 378**	32 914 340
	8 529 354 153	7 900 931 811

12. DEBT SECURITIES IN ISSUE (continued)

Notes issued consist of unlisted notes bearing floating interest rates referencing to either Prime or JIBAR.

The average interest rate for the unlisted notes for the current year under review was 5.96% (2021: 4.34%).

In terms of the Security SPV guarantee, iMpumelelo Security SPV 1 (RF) Ltd holds and can realise security for the benefits of the noteholders in the event of a default. In brief, the security consists of the Company's rights, title and interests in and to the bank accounts and permitted investments, the collateral and all other benefits and rights flowing from the aforementioned rights and interests. The default event that drives the guarantee is iMpumelelo CP Note Programme 1 (RF) Limited defaulting on the notes and not the underlying borrowers defaulting on their loans.

The South African Reserve Bank (SARB) announced in 2020 that the JIBAR would cease to exist in the near future as it did not comply with the International Organisation of Securities Commissions Principles for Financial Benchmarks. The SARB Market Practitioners Group (MPG), a joint public-private body has been mandated to facilitate decisions on the choice of alternative reference rates for financial contracts that should replace JIBAR. The transition journey for JIBAR has made some progress at an industry level however transition timelines are yet to be announced by the SARB. The company's administrator, Absa Bank Limited, participates in the SARB's MPG which has started the preparations for the transition of JIBAR at an industry level. The company will leverage the experience gained by its administrator in the IBOR transition journey to plan for the upcoming JIBAR transition. The company's JIBAR journey thus far has been limited to the participation of its administrator on the MPG. The administrator of the company has also been submitting daily transaction data to the SARB for the calculation and publication of ZARONIA.

	2022	**2021**
	R	**R**

13. DEFERRED TAX

Deferred tax balances

The net deferred tax asset at the end of the year is as follows:		
Deferred tax assets	**1 171 041**	939 081

Deferred tax assets and liabilities are attributable to the following:

	Balance at 1 January R	**Recognised in profit or loss R**	**Recognised in other comprehensive income R**	**Balance at 31 December R**
2022				
Financial assets at fair value through profit or loss	**-**	**7 282 786**	**-**	**7 282 786**
Financial Assets at fair value through OCI	**1 120 450**	**-**	**(1 120 450)**	**-**
Derivatives	**(483 197)**	**(6 030 484)**	**-**	**(6 513 681)**
Expected Credit Losses	**301 828**	**100 108**	**-**	**401 936**
	939 081	**1 352 410**	**(1 120 450)**	**1 171 041**

13. DEFERRED TAX (continued)

Deferred tax balances (continued)

2021

	Balance at 1 January R	Recognised in profit or loss R	Recognised in other comprehensive income R	Balance at 31 December R
Financial Assets at fair value through OCI	3 227 286	-	(2 106 836)	1 120 450
Derivatives	(1 424 409)	941 212	-	(483 197)
Expected Credit Losses	519 210	(217 382)	-	301 828
	2 322 087	723 830	(2 106 836)	939 081

14. TRADE AND OTHER PAYABLES

	2022 R	2021 R
Trade payables	**357 905**	331 854
Amounts due to related parties (note 27)	**1 517 977**	1 285 375
	1 875 882	1 617 229

Accrued interest is presented with the Debt securities in issue balance as disclosed in note 12.

	2022 R	**2021 R**
15. SHARE CAPITAL		
Authorised share capital		
100 (2021: 100) ordinary shares of no par value per share.	**100**	100
Authorised preference share capital		
50 (2021: 50) cumulative redeemable preference share capital of no par value per share.	**50**	50
Issued share capital		
10 (2021: 10) ordinary shares of no par value per share.	**10**	10
	10	10
Issued preference share capital		
1 (2021: 1) cumulative redeemable preference share capital of no par value per share.	**1**	1
	1	1

Unissued shares

The unissued shares are under the control of the directors as at the reporting date, in terms of a general authority to allot and issue them on such terms and conditions and at such times as they deem fit. This authority expires at the forthcoming annual general meeting of the Company.

Shares issued during the current reporting period:

There were no shares issued during the current reporting period.

Shares issued during the prior reporting period:

There were no shares issued during the prior reporting period.

All shares issued by the Company were paid in full.

	2022 R	2021 R

16. CASH USED IN OPERATIONS

	2022 R	2021 R
Profit before tax for the year	**43 614 831**	78 124 768
Finance costs	**491 639 109**	307 933 791
Interest income	**(551 913 131)**	(404 262 463)
Net loss arising on financial assets designated as at fair value through profit or loss	**9 583 868**	14 440 043
Expected credit losses (see note 6)	**502 261**	(1 380 402)
Cash used in operations before working capital changes	**(6 573 062)**	(5 144 263)
Changes in working capital		
Decrease in trade and other payables	**(258 653)**	(1 539 886)
Increase (decrease) in amounts receivable from related parties	**1 074 636**	(1 071 037)
Total changes in working capital	**815 983**	(2 610 923)
Cash used in operations	**(5 757 079)**	(7 755 186)

17. TAXATION PAID

	2022 R	2021 R
Tax (payable)/receivable at the beginning of the year	**(33 945)**	5 158 078
Current tax expense	**(13 614 653)**	(22 598 765)
Tax (receivable)/payable at the end of the year	**(4 709 679)**	33 945
	(18 358 277)	(17 406 742)

18. DIVIDENDS PAID

	2022 R	2021 R
Dividends declared and paid during the current year	**25 000 000**	55 000 000
	25 000 000	55 000 000

The preference dividend declared and paid during the year amounts to R25,000,000 per share in issue (1 share in issue).

19. CASH AND CASH EQUIVALENTS

	2022 R	2021 R
Call account	**2 424 024**	26 037 053
Transaction account	**26 424 958**	80 035 345
Gross Cash and cash equivalents	**28 848 982**	106 072 398
Expected credit losses	**(2 788)**	(1 909)
Carrying amount	**28 846 194**	106 070 489

20. FINANCE COSTS PAID

	2022 R	2021 R
Finance costs	**(491 639 109)**	(307 933 791)
Accrued interest not paid at the beginning of the year	**(32 914 340)**	(55 994 669)
Accrued interest not paid at the end of the year	**92 389 378**	32 914 340
	(432 164 071)	(331 014 120)

	2022 R	2021 R

21. INTEREST RECEIVED

	2022 R	2021 R
Interest Income	**551 913 131**	404 262 463
Accrued interest not received at the beginning of the year	**46 349 764**	46 284 651
Accrued interest not received at the end of the year	**(107 739 383)**	(46 349 764)
	490 523 512	404 197 350

22. RECONCILIATION OF FINANCING ACTIVITIES

	2022 R	2021 R
Opening balance	**7 900 931 811**	8 448 244 670
Proceeds received from the issue of Debt Securities	**8 436 964 775**	7 786 250 000
Debt Securities Settled in Cash	**(7 867 500 000)**	(7 710 482 530)
Debt Securities Settled by transfer of loans	**-**	(600 000 000)
Interest settled in cash	**(432 164 071)**	(331 014 120)
Non-cash adjustments	**(517 471)**	-
Interest accrued	**491 639 109**	307 933 791
Closing balance	**8 529 354 153**	7 900 931 811

23. FINANCIAL INSTRUMENTS

23.1 CATEGORIES OF FINANCIAL INSTRUMENTS

	Fair value through profit/loss - mandatory R	Fair value through profit/loss - designated R	Fair value through OCI - debt instruments R	Amortised cost - debt instruments R	Total assets and liabilities R
Assets as per Statement of Financial Position - 2022					
Loans and advances	-	1 079 743 382	-	7 436 101 104	8 515 844 486
Cash and cash equivalents	-	-	-	28 846 194	28 846 194
Trade and other receivables	-	-	-	796 542	796 542
Other Financial Assets	22 018 999	-	-	-	22 018 999
Related party receivables	-	-	-	898	898
Total	22 018 999	1 079 743 382	-	7 465 744 738	8 567 507 119
Liabilities as per Statement of Financial Position - 2022					
Debt securities in issue	-	-	-	8 529 354 153	8 529 354 153
Trade and other payables	-	-	-	1 875 882	1 875 882
Total	-	-	-	8 531 230 035	8 531 230 035

23. FINANCIAL INSTRUMENTS (continued)

23.1 CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

	Fair value through profit/loss - mandatory R	Fair value through profit/loss - designated R	Fair value through OCI - debt instruments R	Amortised cost - debt instruments R	Total assets and liabilities R
Assets as per Statement of Financial Position - 2021					
Loans and advances	-	1 213 049 155	-	5 721 426 146	6 934 475 301
Cash and cash equivalents	-	-	-	106 070 489	106 070 489
Investment securities	-	-	899 667 028	-	899 667 028
Trade and other receivables	-	-	-	796 542	796 542
Related party receivables	-	-	-	1 075 534	1 075 534
Total	-	1 213 049 155	899 667 028	5 829 368 711	7 942 084 894
Liabilities as per Statement of Financial Position - 2021					
Other financial liabilities	(7 327 039)	-	-	-	(7 327 039)
Debt securities in issue	-	-	-	(7 900 931 811)	(7 900 931 811)
Trade and other payables	-	-	-	(1 617 230)	(1 617 230)
Total	(7 327 039)	-	-	(7 902 549 041)	(7 909 876 080)

	2022 Assets R	2022 Liabilities R	2021 Assets R	2021 Liabilities R

23. FINANCIAL INSTRUMENTS (continued)

23.2 DERIVATIVE FINANCIAL INSTRUMENTS

	2022 Assets R	2022 Liabilities R	2021 Assets R	2021 Liabilities R
Interest rate swaps	**22 018 999**	**-**	-	7 327 039
	22 018 999	**-**	-	7 327 039
Current portion	**22 018 999**	**-**	-	7 327 039
	22 018 999	**-**	-	7 327 039

24. RISK MANAGEMENT

24.1 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There are no externally imposed capital requirements on the Company.

24.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Company's risk management are to identify all key risks for the Company, measure these risks, manage the risk positions and determine capital allocations. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Company's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance. The Company defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The risks arising from financial instruments to which the Company is exposed are credit risk, market risk and liquidity risk.

24.3 MARKET RISK

Market risk is the risk of reduction in the Company's earnings or capital due to:

• Traded market risk: the risk of the Company being impacted by changes in the level or volatility of market rates or prices. This includes changes in interest rates, inflation rates, credit spreads, property prices, equity and bond prices and foreign exchange levels.

• Non-traded market risk: the risk of the Company being exposed to interest rate risk arising from loans, deposits and similar instruments held for longer term strategic purposes rather than for the purpose of profiting from changes in interest rates.

The Company's market risk management objectives include the protection and enhancement of the statement of financial position and statement of comprehensive income and facilitating business growth within a controlled and transparent risk management framework.

24. RISK MANAGEMENT (continued)

24.4 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The notes and bonds expose the company to interest rate risk. This exposure and the effective interest rates on financial instruments on financial position date are linked to the general market interest rates and fluctuate accordingly.

The sensitivity analyses below have been determined based on the exposure to interest rates for the non-derivative instruments at the end of the reporting period. For both floating rate assets and liabilities, the analysis is prepared assuming the amount of the asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Interest rate sensitivity analysis

	Increase in interest rate 2022 R	**Decrease in interest rates 2022 R**	Increase in interest rate 2021 R	Decrease in interest rates 2021 R
Changes in interest				
Increase/(decrease) in interest received	**73 370 448**	**(73 370 448)**	65 862 500	(65 862 500)
Increase/(decrease) in interest paid	**(65 869 648)**	**65 869 648**	(77 862 500)	77 862 500
Increase/(decrease) in profit before taxation	**7 500 800**	**(7 500 800)**	(12 000 000)	12 000 000

Some of the assets and liabilities are at fixed interest rates, exposing the Company to interest rate risk. Interest rate swaps are entered into to mitigate this risk.

24. RISK MANAGEMENT (continued)

24.5 CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Corporate loans and most of the Commercial Property Finance (CPF) loans are extended on an unsecured basis, and no specific collateral is held against these exposures. One of the CPF loans is secured by a portfolio of properties pledged to a number of facility providers (of which the company is one). The value of the collateral is taken into account in the LGD (loss given default) parameter of the impairment model as credit mitigation.

	Gross Maximum Exposure	**12 months expected credit losses - stage 1**
	R	**R**
24.5.1 MAXIMUM CREDIT RISK EXPOSURE		
2022		
Cash and cash equivalents	**28 848 982**	**28 848 982**
Loans and advances	**7 438 579 400**	**7 438 579 400**
Other receivables	**796 542**	**796 542**
Financial assets designated at Fair value	**1 079 743 382**	**1 079 743 382**
Related party receivables	**898**	**898**
Total gross maximum exposure	**8 547 969 204**	**8 547 969 204**
Expected credit losses	**(2 481 084)**	**(2 481 084)**
Total financial assets per the statement of financial position	**8 545 488 120**	**8 545 488 120**

24. RISK MANAGEMENT (continued)

24.5 CREDIT RISK (continued)

24.5.1 MAXIMUM CREDIT RISK EXPOSURE (continued)

	Gross Maximum Exposure	12 months expected credit losses - stage 1
	R	R
2021		
Cash and cash equivalents	106 072 398	106 072 398
Loans and advances	5 722 795 444	5 722 795 444
Other receivables	796 542	796 542
Financial assets designated at Fair value	1 213 049 155	1 213 049 155
Related party receivables	1 075 534	1 075 534
Financial assets measured at Fair Value through Other Comprehensive Income	899 667 028	899 667 028
Total gross maximum exposure	**7 943 456 101**	**7 943 456 101**
Expected credit losses	(1 978 823)	(1 978 823)
Total financial assets per the statement of financial position	**7 941 477 278**	**7 941 477 278**

The expected credit loss on the Other receivables and Related party balances has been judged by management as being immaterial.

24.6 LIQUIDITY RISK

Liquidity risk results from both the differences between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. Liquidity risk management deals with the overall time profile of the current statement of financial position as well the expected future structure. The Company's risk to liquidity is a result of insufficient funds being available in order to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities. The Series 1 Notes are fully supported by an irrevocable and unconditional guarantee issued by Absa Bank Limited (the “Absa Guarantee”) to both the Series 1 Noteholders and the Issuer. The Absa Guarantee is specific to Series 1 and covers the Series 1 Noteholders against any payment obligations by the Issuer to the Noteholders arising from an Event of Default in terms of the Transaction Documents. The Absa Guarantee also provides an irrevocable and unconditional guarantee to the Issuer for any and all payment obligations incurred by the Issuer under the Transaction Documents. The Absa Guarantee also covers the Issuer against any Liquidity Shortfalls arising from a payment mismatch at the maturity date of the Notes.

Liquidity and interest risk tables

The following are the contractual maturities of financial liabilities including estimated interest payments.

24. RISK MANAGEMENT (continued)

24.6 LIQUIDITY RISK (continued)

Liabilities

	Less than 1 year R	1-3 years R	3-5 years R	Total R
2022				
Trade and other payables	**(1 875 882)**	**-**	**-**	**(1 875 882)**
Debt securities in issue	**(8 894 492 510)**	**-**	**-**	**(8 894 492 510)**
	(8 896 368 392)	**-**	**-**	**(8 896 368 392)**
2021				
Trade and other payables	(1 617 230)	-	-	(1 617 230)
Debt securities in issue	(8 037 250 932)	-	-	(8 037 250 932)
Other financial liabilities	(15 983 275)	7 666 888	3 839 978	(4 476 409)
	(8 054 851 437)	7 666 888	3 839 978	(8 043 344 571)

Assets

	Less than 1 year R	1-3 years R	3-5 years R	Total R
2022				
Cash and cash equivalents	**28 846 194**	**-**	**-**	**28 846 194**
Other receivables	**796 542**	**-**	**-**	**796 542**
Loans and advances	**2 551 405 433**	**5 503 752 732**	**2 394 078 992**	**10 449 237 157**
Other financial assets	**9 200 491**	**9 171 453**	**1 475 582**	**19 847 526**
Related party receivables	**898**	**-**	**-**	**898**
	2 590 249 558	**5 512 924 185**	**2 395 554 574**	**10 498 728 317**
2021				
Cash and cash equivalents	106 070 489	-	-	106 070 489
Other receivables	796 542	-	-	796 542
Loans and advances	853 060 387	6 284 360 244	919 819 810	8 057 240 441
Investments	922 413 813	-	-	922 413 813
Related party receivables	1 075 534	-	-	1 075 534
	1 883 416 765	6 284 360 244	919 819 810	9 087 596 819

The mechanism of an asset backed commercial paper (ABCP) conduit is to fund long-dated assets with short-term notes. The notes roll on maturity to match the final maturity of the assets. The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS NOT HELD AT FAIR VALUE

Some of the below financial assets and financial liabilities have carrying amounts that approximate their fair values. The disclosed fair value of these financial assets and financial liabilities measured at amortised cost approximate their carrying value because some of these financial assets and financial liabilities have floating interest rates.

	2022		2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	R	**R**	R	R
Financial Assets				
Cash and cash equivalents	**28 846 194**	**28 846 194**	106 070 489	106 070 489
Loans and advances	**7 436 101 105**	**7 436 101 105**	5 721 426 146	5 721 426 146
Other receivables	**796 542**	**796 542**	796 542	796 542
Related Party receivables	**898**	**898**	1 075 534	1 075 534
Total	**7 465 744 739**	**7 465 744 739**	5 829 368 711	5 829 368 711
Financial Liabilities				
Trade and other payables	**1 875 882**	**1 875 882**	1 617 230	1 617 230
Notes issued	**8 529 354 153**	**8 529 354 153**	7 900 931 811	7 900 931 811
Total	**8 531 230 035**	**8 531 230 035**	7 902 549 041	7 902 549 041

25.1. FAIR VALUE HIERARCHY

The following table provides an analysis of the Company's financial assets and financial liabilities that are not measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the instrument's fair value is observable. The classification of instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined below.

Level 1
Items valued with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.
An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2
Items valued using inputs other than quoted prices as described above for Level 1 but which are observable for the asset or liability, either directly or indirectly, such as:

- quoted price for similar assets or liabilities in an active market;
- quoted price for identical or similar assets or liabilities in inactive markets;
- valuation model using observable inputs; and
- valuation model using inputs derived from/corroborated by observable market data.

Level 3
Items valued using significant inputs that are not only based on observable market data. These include inputs based on an entity's own assumptions and assumptions applied by other market participants in pricing similar assets.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS NOT HELD AT FAIR VALUE (continued)

25.1. FAIR VALUE HIERARCHY (continued)

	Level 2 R	Total R
2022		
Financial Assets		
Trade and other receivables		
Trade and other receivables	**796 542**	**796 542**
	796 542	**796 542**
Loans and advances		
Loans and advances	**7 436 101 105**	**7 436 101 105**
	7 436 101 105	**7 436 101 105**
Related Party receivables		
Related Party receivables	**898**	**898**
	898	**898**
Cash and cash equivalents		
Cash and cash equivalents	**28 846 194**	**28 846 194**
	28 846 194	**28 846 194**
Financial Liabilities		
Trade and other payables		
Trade and other payables	**1 875 882**	**1 875 882**
	1 875 882	**1 875 882**
Debt securities in issue		
Debt securities in issue	**8 529 354 153**	**8 529 354 153**
	8 529 354 153	**8 529 354 153**

25. FAIR VALUE OF FINANCIAL INSTRUMENTS NOT HELD AT FAIR VALUE (continued)

25.1. FAIR VALUE HIERARCHY (continued)

	Level 2 R	Total R
2021		
Financial Assets		
Trade and other receivables		
Trade and other receivables	796 542	796 542
	796 542	**796 542**
Loans and advances		
Loans and advances	5 721 426 146	5 721 426 146
	5 721 426 146	**5 721 426 146**
Related Party receivables		
Related Party receivables	1 075 534	1 075 534
	1 075 534	**1 075 534**
Cash and cash equivalents		
Cash and cash equivalents	106 070 489	106 070 489
	106 070 489	**106 070 489**
Financial Liabilities		
Trade and other payables		
Trade and other payables	1 617 230	1 617 230
	1 617 230	**1 617 230**
Debt securities in issue		
Debt securities in issue	7 900 931 811	7 900 931 811
	7 900 931 811	**7 900 931 811**

25. FAIR VALUE OF FINANCIAL INSTRUMENTS NOT HELD AT FAIR VALUE (continued)

25.2. VALUATION TECHNIQUES FOR THE LEVEL 2 FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT HELD AT FAIR VALUE

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments, which are not held at fair value, but whose fair value is categorised as Level 2. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations is set out in the table below:

Category of asset	Types of financial instruments	Valuation techniques applied	Significant observable inputs
Trade and other receivables	Debtors	Discounted cash flow	Interest rate curves
Loans and advances	Bonds and Loans	Discounted cash flow	Interest rate curves
Related Party receivables	Debtors	Discounted cash flow	Interest rate curves
Cash and cash equivalents	Bank deposits	Discounted cash flow	Interest rate curves

Category of liability	Types of financial instruments	Valuation techniques applied	Significant observable inputs
Trade and other payables	Creditors	Discounted cash flow	Interest rate curves
Debt securities in issue	Notes issued	Discounted cash flow	Interest rate curves

26. FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES HELD AT FAIR VALUE

26.1 FAIR VALUE HIERARCHY

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

26. FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES HELD AT FAIR VALUE (continued)

26.1 FAIR VALUE HIERARCHY (continued)

2022

	Level 2 R	Level 3 R	Total R
Recurring fair value measurements			
Financial Assets			
Fair Value Through Profit and Loss			
Financial assets held at Fair Value through Profit or Loss	**600 496 555**	**479 246 827**	**1 079 743 382**
Derivatives	**22 018 999**	**-**	**22 018 999**
	622 515 554	**479 246 827**	**1 101 762 381**

2021

	Level 2 R	Level 3 R	Total R
Recurring fair value measurements			
Financial Assets			
Fair Value Through Profit and Loss			
Financial assets held at Fair Value through Profit or Loss	608 189 147	604 860 008	1 213 049 155
	608 189 147	604 860 008	1 213 049 155
Fair value through OCI			
Investments	899 667 028	-	899 667 028
	899 667 028	-	899 667 028
Fair Value Through Profit and Loss			
Derivatives	7 327 039	-	7 327 039
	7 327 039	-	7 327 039

26.2 FAIR VALUE MEASUREMENT PROCESSES

VALUATION TECHNIQUES FOR THE LEVEL 2 FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES HELD AT FAIR VALUE

The table below sets out information about the valuation techniques applied at the end of the reporting period in measuring assets and liabilities whose fair value is categorised as Level 2 in the fair value hierarchy. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations is set out in the table below:

Category of asset/liability	Valuation technique applied	Significant observable inputs
Investments	Discounted cash flow	Interest rate curves/Credit spread
Derivative Liabilities	Discounted cash flow	Interest rate curves
Loans and advances	Discounted cash flow	Interest rate curves/Credit spread

26. FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES HELD AT FAIR VALUE (continued)

26.3 VALUATION TECHNIQUES FOR THE LEVEL 3 FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES HELD AT FAIR VALUE

The table below sets out information about the significant unobservable inputs used at the end of the reporting period in measuring assets and liabilities whose fair value is categorised as Level 3 in the fair value hierarchy.

Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs
Loans and advances	Discounted cash flow	Credit spreads	Internal default grade >12 or maturity > 5 years

27. RELATED PARTIES

iMpumelelo Owner Trust owns 100% of the ordinary shares in the Company.

Absa Bank Limited invested in 100% of the Preference share capital.

Absa Bank Limited holds 44% (2021: 76%) of the notes issued on behalf of the Company under the Dealer Arrangement Agreement.

Absa Bank Limited has issued a guarantee in respect to 100% of these notes and hence controls the Company in accordance with IFRS 10. The Company is consolidated into Absa Bank Limited. Refer to note 23.5. Absa Corporate and Investment Bank, a division of Absa Bank Limited, administers the Company and receives a management fee as compensation.

	Admin and management fees paid R	Interest received R	Interest paid R	Bank charges R
2022				
Other				
Absa Bank Limited	**(5 782 037)**	**1 916 366**	**(322 473 821)**	**13 779**
	(5 782 037)	**1 916 366**	**(322 473 821)**	**13 779**
2021				
Other				
Absa Bank Limited	(5 224 561)	1 578 966	(188 465 198)	20 323
	(5 224 561)	1 578 966	(188 465 198)	20 323

	Current amounts receivable R	Current amounts payable R	Cash and cash equivalents R	Preference share capital R
2022				
Other related parties				
Absa Bank Limited	**898**	**(3 729 200 580)**	**28 848 982**	**(1)**
	898	**(3 729 200 580)**	**28 848 982**	**(1)**

27. RELATED PARTIES (continued)

2021

	Current amounts receivable R	Current amounts payable R	Cash and cash equivalents R	Preference share capital R
Other related parties				
Absa Bank Limited	1 075 534	(5 988 043 479)	106 072 398	(1)
	1 075 534	(5 988 043 479)	106 072 398	(1)

Admin and management fee payable to Absa Bank Limited at the end of the reporting period R1,518,241 (2021: R1,285,640).

Interest on cash balances receivable from Absa Bank Limited R898 (2021: R3,556)

Other receivables from Absa Bank Limited R0 (2021: R1,071,977)

28. DIRECTORS EMOLUMENTS

Absa Group Limited representative directors are not remunerated for their services by the Company or any company in the Group as defined by the Companies Act. The Company's non-executive directors' fees of R197,987 (2021: R196,064) are paid to TMF Corporate Services (South Africa) Proprietary Limited for non-executive director services provided to the Company.

29. EVENTS AFTER THE REPORTING DATE

Grey-Listing of South Africa by the FATF

In February 2023, the international Financial Action Task Force (FATF) announced its decision to place South Africa, among other countries, on its 'grey list' as the country has not yet implemented all the actions recommended by FATF to combat money laundering, terrorist financing and similar threats adequately. The grey-listing action may raise the cost of transactions as foreign financial institutions will, at least in some instances, apply additional controls to transactions that involve South African entities and individuals. The company, through its administrator Absa bank Limited, already complies with rigorous international anti-financial crime standards and regulations, as required in order to access global financial markets. The directors thus consider it unlikely that the grey listing will have a material direct impact on the company in the short term.

30. NEW ACCOUNTING PRONOUNCEMENTS

Adoption of new and revised Standards
During the current year, the Company has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRS-IC that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2022. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Company's accounting policies.

	Standard	Annual periods beginning on or after

30. NEW ACCOUNTING PRONOUNCEMENTS (continued)

Annual Improve -ments	Amendments resulting from annual improvements 2018-2020 Cycle for the following standards:	1 January 2022
•	IFRS 1 - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.	
•	IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.	
•	IFRS 16 - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.	
•	IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	

New and revised International Financial Reporting Standards issued not yet effective
At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

IAS 1	*Classification of liabilities as current or non-current* - Amendments which aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	1 January 2023
IAS 1 and IFRS Practice State-ment 2	*Disclosure of Accounting Policies* - The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the four-step materiality process' described in IFRS Practice Statement 2.	1 January 2023

30. NEW ACCOUNTING PRONOUNCEMENTS (continued)

	Standard	Annual periods beginning on or after
IAS 8	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.	1 January 2023

Apart from the instances detailed above the Company is in the process of assessing the potential impact that the adoption of these standards and interpretations may have on its future financial performance or disclosures in the annual financial statements.

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
CIPC ANNUAL RETURN AND iXBRL MANDATORY FIELDS
for the year ended 31 December 2022

Attestation by AFS reviewer: **True/False**

I hereby attest that the below values and any assumptions applied have been reviewed and agrees to the final signed off Annual financial statements and the above values can be relied on as accurate and final and can be used and tagged as such in the iXBRL version which is filed with the CIPC.

Jan Luus, CA(SA)	**TRUE**	Tab 1000 cell F196

Mandatory Company information	FF Inputs	**Pack reference**
Declaration of audit/review opinion present	TRUE	
Declaration of Directors responsibility report present	TRUE	
Declaration of signature/s by authorised directors	TRUE	
Disclosure of Social and Ethics committee	See Absa Group Limited annual financial statements	
Full registered name of company	iMpumelelo CP Note Programme 1 (RF) Limited	
Registration number of company	2013/211998/06	
Date of end of reporting period	31 December 2022	
Disclosure of directors' responsibility [text block]	TRUE	
Date of approval of annual financial statements (director sign off date)	20 April 2023	
Audit partner name	Louwrens van Velden	
Disclosure of directors' report [text block]	TRUE	
Date of publication of financial statements	20 April 2023	
Name of individual responsible for preparation or supervising preparation of financial statements	Gary Nyamugama, CA(SA)	
Name of designated person responsible for compliance	Jan Luus, CA(SA)	
Professional designation of individual responsible for preparation or supervising preparation of financial statements	Head of Asset Classes Product Control, Corporate and Investment Banking, Absa Bank Limited	
Customer code	BAGL01	
Description of nature of entity's operations and principal activities	A special purpose company that issues commercial paper to finance the acquisition of assets. The ongoing accounting, risk management and administration are performed by Absa Bank Limited.	
Principal place of business of company	Johannesburg	
Business address, country	South Africa	Tab 1000 line 132
Business address, city	Johannesburg	Tab 1000 Line 130
Business address, postal code	2000	Tab 1000 Line 131
Business address, street name	7th Floor Absa Towers West, 15 Troye Street	Tab 1000 Line 129
Postal address same as business address	False	
Period covered by financial statements	January to December	Tab 1000 Line 29
Description of presentation currency	South African Rands	
Nature of Financial statements	Company	
Level of Rounding applied	R	
Level of Assurance	AUDITED	
Annual financial statements audited	TRUE	
Audit report sign off date sign off	20 April 2023	

**All above values are required in the annual return, where you see @@ it means it has not been populated, please go back to your pack and populate.

Values extracted from FF

	2022 R	2021 R	
Average number of employees	**-**	-	tab 6060 line 97/tab6061 line 29(BNK)
Increase (decrease) in equity	**9 043 853**		
Cash and cash equivalents	**28 848 982**	106 072 398	
Increase (decrease) in cash and cash equivalents	**(77 223 416)**	68 034 346	
Cash flows from (used in) financing activities	**569 464 775**	75 767 470	
Cash flows from (used in) investing activities	**(650 714 775)**	6 000 000	
Cash flows from (used in) operating activities	**4 026 584**	(13 733 124)	
Comprehensive income	**34 043 853**	61 667 408	
Other comprehensive income	**2 691 265**	5 417 575	
Tax expense (income), continuing operations	**(12 262 243)**	(21 874 935)	
Profit (loss)	**31 352 588**	56 249 833	
Profit (loss) before tax	**43 614 831**	78 124 768	
Assets	**8 573 387 839**	7 043 356 947	
Equity	**42 157 804**	33 113 951	
Liabilities	**8 531 230 035**	7 909 910 024	

Calculations or values manually calculated and inputted into FF template

Turnover: (no rounding is applied to this value)	**551 913 131**	-	Tab 1000 cell F202
Points allocated to PI (mathematical rounding)	**552**		

Guidance on revenue

Companies act sec 164 - defines turnover as gross revenue, allowed to deduct deductions as allowed by IFRS or discounts or direct taxes

Revenue is treated within IFRS 15, and should include gross fee income (therefore excluding fee expenses)

Whilst interest income is not within the scope of IFRS 15 (that is, its included in IFRS 9), IAS 1 does refer to effective interest as a component of revenue (revenue should exclude interest expense)

No costs of income should be included in revenue

For Insurance the following should be Revenue: Gross written premium, Gross change in unearned premium, Admin fee income, Insurance benefits and claims recovered (not the reinsurance one), Interest income and investment income.

External Liabilities	**4 802 029 455**	Tab 1000 cell F199
Points allocated to PI (mathematical rounding)	**4 802**	
Liabilities less related party liabilities, deferred tax and internal provisions		
Public Interest (PI) score: (as per pack)	5 354	Tab 1000 cell F196
Final PI recalculated with mathematical rounding	**5 354**	(Note this is the PI to be used for XBRL, CIPC have confirmed that the rules of mathematical rounding should be applied)

Guidance on PI Calculation:

a number of points equal to the average number of employees of the company during the financial year;

one point for every R1 million (or portion thereof) in third party liability of the company, at the financial year end;

one point for every R1 million (or portion thereof) in turnover during the financial year; and

one point for every individual who, at the end of the financial year, is known by the company to have a beneficial interest in any of the company's issued securities;

'= Simplified formula: (Revenue + Total Liabilities - Related party liabilities -Deferred Tax)/1000 000 + Ave Employees + Beneficial interest

Maximum number of individuals with beneficial interest in securities of company, or members in case of non profit company	-	Tab 1000 lines 100-109