

**IMPUMELELO CP NOTE PROGRAMME 1 (RF) LTD
(REG NO. 2013/211998/06)
AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014**

TABLE OF CONTENTS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

Contents

Directors' responsibilities and approval	1
Company Secretary's Certificate	2
Audit committee report	3
Independent auditor's report	4
Directors' report	5
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Summary of accounting policies	11
Notes to the annual financial statements	16

**DIRECTORS' RESPONSIBILITIES AND APPROVAL
AS AT 31 DECEMBER 2014**

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

To enable the directors to meet these responsibilities:

- all directors and management 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 to Barclays Africa 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.

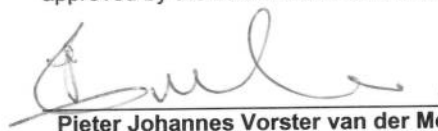
The Company consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis. The financial statements of the company have been prepared in accordance with the provisions of the Companies Act, 71 of 2008, South Africa and comply with International Financial Reporting Standards (IFRS) and all applicable legislation.

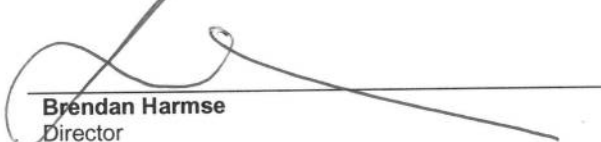
The directors have no reason to believe that the company will not be a going concern in the reporting period ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on this basis.

It is the responsibility of the independent auditors to report on the financial statements. Their report to the shareholders of the company is set out on page 4 of this report.

Approval of the annual financial statements

The directors' report on pages 5 to 6 and financial statements of the company which appears on pages 7 to 25 were approved by the board of directors on 27 May 2015 and are signed on its behalf by:


Pieter Johannes Vorster van der Merwe
Director


Brendan Harmse
Director

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LTD

**COMPANY SECRETARY'S CERTIFICATE
AS AT 31 DECEMBER 2014**

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

In accordance with the provisions of the South African Companies Act, No 71 of 2008 (as amended), (the Companies Act) I in my capacity as Company Secretary certify that, in respect of the period ended 31 December 2014, the Company has lodged with the Companies and Intellectual Property Commission (CIPC) all returns prescribed by the Companies Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



**TMF Corporate Services (South Africa) (Pty) Ltd
Company Secretary
Represented by:**

Date:

**AUDIT COMMITTEE REPORT
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014**

Members of the Audit Committee

Rishendrie Thanthony (Chairperson)
Willem Hermanus Swanepoel
Brendan Harmse

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

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 was formed at the end of 2014 and held its inaugural meeting on the 24th November 2014 during which it determined its audit committee charter (as subsequently approved by the Board). The committee held a meeting on the 27th May 2015 to approve the annual financial statements.

Expertise and experience of finance function

The on-going accounting and professional administration is performed by ABSA. The ongoing secretarial administration is provided by TMF Corporate Services (South Africa) (Pty) Ltd.

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 by 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

Following the review by the committee of the audited annual financial statements of the Company for the 14 months ended 31 December 2014 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 14 months ended 31 December 2014 audited annual financial statements for approval to the Board on the 27th May 2015.

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:



Chairman: Audit Committee
Date: 27/05/2015



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED

We have audited the financial statements of iMpumelelo CP Note Programme 1 (RF) Limited set out on pages 7 to 25, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of iMpumelelo CP Note Programme 1 (RF) Limited as at 31 December 2014, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the period ended 31 December 2014, we have read the Directors' Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: F Prinsloo

Registered Auditor

Johannesburg

27 May 2015

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T: +27 (11) 797 4000, F: +27 (11) 797 5800, www.pwc.co.za

Africa Senior Partner: S P Kana
Management Committee: H Boegman, T P Blandin de Chalaïn, B M Deegan, J G Louw, S N Madikane, P J Mothibe, T D Shango, S Subramoney, A R Tilakdari, F Tonelli
The Firm's principal place of business is at 2 Eglin Road, Sunninghill where a list of the partners' names is available for inspection.
VAT reg.no. 4070182128.

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LTD**DIRECTORS' REPORT
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014**

Company registration number	2013/211998/06		
Country of incorporation and domicile	South Africa		
Date of publication	27/05/2015		
Nature of business and principle activities	A special purpose company that issues commercial paper to finance, from time to time, the acquisition of Acquired Assets.		
Directors	Name	Appointment date	Resignation date
	Brendan Harmse	13/11/2013	
	Rishendrie Thanthony	27/02/2015	
	Kuveshen Chetty	24/04/2014	
	Morris Mthombeni	24/04/2014	30/06/2014
	Willem Hermanus		
	Swanepoel	30/06/2014	
	Pieter Johannes Vorster		
	Van Der Merwe	24/04/2014	
	Ronald Taguma Gwerera	13/11/2013	24/04/2014
	Shamani Naidoo	17/11/2014	27/02/2015
Registered office	3rd Floor 200 Main Corner Main and Bowwood Roads Claremont 7708		
Business address	6th Floor World Trade Centre Green Park Cnr West Road South and Lower Road Sandton 2196		
Postal address	3rd Floor 200 Main Corner Main and Bowwood Roads Claremont 7708		
Holding company	iMpumelelo Owner Trust		
Controlling company	Absa Bank Limited		
Bankers	Absa Bank Limited		
Auditors	PricewaterhouseCoopers Inc.		
Supervised by	These annual financial statements are prepared by the Senior Product Controller, Arnold Vanslebrouck and supervised by Ameet Lalloo CA(SA).		
Company secretary	Name	Appointment date	
	TMF Corporate Services (South Africa) (Pty) Ltd	24/04/2014	
Date of incorporation	13/11/2013		
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.		

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LTD

**DIRECTORS' REPORT (continued)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014**

	2014 R
Key performance indicators	
Net profit after tax of the company	1 330 460
Total comprehensive income	1 330 460
Taxation	(517 405)
Dividends declared and paid	-
Net assets	1 330 471
Net current liabilities	(572 713)

Authorised and issued share capital	During the year under review, there was a change in the authorised share capital of the company. This resulted in an increase in the total authorised share capital of R100. The share capital is disclosed in note 11. The company has issued share capital of 10 ordinary no par value shares at a consideration of R10 and 1 cumulative redeemable preference no par value share at R1.
Events after the Reporting Date	No event, material to the understanding of these financial statements, has occurred in the period between the financial year end and the date of this report.
Going concern	The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.
Directors' interest in contracts	No contracts were entered into in which the directors of the Company had an interest and which significantly affected the business of the Company.
Directors' emoluments	Directors' emoluments disclosures are included in the attached financial statements.
Special resolutions	No special resolutions were passed during the year.

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

	Notes	2014 R
Investment income	3	25 539 807
Administration expenses	6	(113 219)
Other expenses	6	(1 038 534)
Finance costs	4	(22 540 189)
Profit before tax	6	1 847 865
Income tax expense	5	(517 405)
Profit for the year		1 330 460
Total comprehensive income for the year, net of tax		1 330 460

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LTD

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014 R
ASSETS		
Non-current assets		
Loans and advances	7	1 000 000 000
Deferred tax assets	8	36 180
Total non-current assets		<u>1 000 036 180</u>
Current assets		
Trade and other receivables	10	16 686 310
Current tax assets		10 798
Cash and cash equivalents	14	666 821
Total current assets		<u>17 363 929</u>
Total assets		<u>1 017 400 109</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	11	10
Preference share capital	11	1
Retained income		1 330 460
Total equity		<u>1 330 471</u>
Current liabilities		
Other financial liabilities	17	1 000 000 000
Trade and other payables	9	16 069 638
Total current liabilities		<u>1 016 069 638</u>
Total liabilities		<u>1 016 069 638</u>
Total equity and liabilities		<u>1 017 400 109</u>

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

	Share Capital	Preference share capital	Retained earnings	Total equity
	R	R	R	R
Total comprehensive income for the 14 months	-	-	1 330 460	1 330 460
Share issue	10	1	-	11
Balance at 31 December 2014	10	1	1 330 460	1 330 471

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LTD

STATEMENT OF CASH FLOWS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

	Notes	2014 R
Cash flows from operating activities		
Cash generated from operations	12	100 835
Investment income	16	8 853 497
Finance costs paid	15	(7 723 139)
Income taxes paid	13	(564 383)
Net cash generated by operating activities		666 810
Cash flows from investing activities		
Payments to acquire financial assets		(1 500 000 000)
Proceeds on settlement of financial assets		500 000 000
Net cash generated by investing activities		(1 000 000 000)
Cash flows from financing activities		
Proceeds from issue of debt instruments		1 500 000 000
Debt instruments settled		(500 000 000)
Proceeds from issue of equity instruments of the Company		10
Proceeds from issue of redeemable preference shares		1
Net cash generated by financing activities		1 000 000 011
Net increase in cash and cash equivalents		666 821
Cash and cash equivalents at the beginning of the year		-
Cash and cash equivalents at the end of the year	14	666 821

**SUMMARY OF ACCOUNTING POLICIES
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014**

1.1 Statement of compliance

The audited 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 (IFRIC) and the requirements of the Companies Act of South Africa, as amended.

The financial statements are presented in South African Rands (R). All financial information is presented to the nearest Rand.

1.2 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 the 14 month period presented, unless otherwise stated.

1.3 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 IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2014. The adoption of these new and revised standards and interpretations has not resulted in material changes to the company's accounting policies. Further details of the new and revised accounting policies adopted during the current year can be found in note 24.

1.4 Basis of preparation

The financial statements have been prepared on the historical cost basis, except where specifically indicated otherwise on accrual basis of accounting. Historical cost is generally based on the fair value of the consideration given in exchange for assets. 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.

1.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Net investment income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Net trading income

In accordance with IAS 39, trading positions are held at fair value and the resulting gains and losses are included in the profit or loss component of the statement of comprehensive income, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Income arises from both the sale and purchase of trading positions, margins which are achieved through market-making and customer business and from changes in fair value caused by movements in interest and exchange rates, equity prices and other market variables.

Own credit gains/losses arise from the fair valuation of financial liabilities designated at fair value through the profit or loss component of the statement of comprehensive income.

Gains or losses on assets or liabilities reported in the trading portfolio are included in the profit or loss component of the statement of comprehensive income under gains and losses from banking and trading activities together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Gains and losses on derivatives linked to investment contracts are recognised in gains and losses from investment activities.

SUMMARY OF ACCOUNTING POLICIES (CONTINUED)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

1.6 Taxation

Income tax expense represents the sum of the current tax and deferred tax.

Current taxation

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

1.7 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

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.

1.7.1 Financial assets and financial liabilities

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial liabilities are either measured at amortised cost or classified as at fair value through profit or loss, which may occur when the financial liability is either held for trading or it is designated as at fair value through profit or loss

SUMMARY OF ACCOUNTING POLICIES (CONTINUED)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

1.7 Financial instruments (continued)

1.7.1 Financial assets and financial liabilities (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

Impairment on financial assets measured at amortised cost:

In accordance with IAS 39, the company assesses at each reporting date whether there is objective evidence that financial assets at amortised cost will not be recovered in full and, wherever necessary, recognises an impairment loss in the profit or loss component of the statement of comprehensive income.

An impairment loss is recognised if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Following impairment, interest income continues to be recognised at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans.

Uncollectable loans are written off against the related allowance for loan impairment on completion of the company's internal processes and all recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the profit or loss component of the statement of comprehensive income.

Identified impairment

Impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows of that instrument being assessed are taken into account, for example, the business prospects for the customer, the fair value of collateral, the company's position relative to other claimants, the reliability of customer information and the likely cost and duration of the workout process. Subjective judgements are made in this process by management.

SUMMARY OF ACCOUNTING POLICIES (CONTINUED)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

1.7 Financial instruments (continued)

1.7.1 Financial assets and financial liabilities (continued)

Impairment of financial assets (continued)

Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in revisions to the impairment allowance as individual decisions are taken case by case. Once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

Unidentified impairment

An impairment allowance is recognised when observable data indicates there is a measurable decrease in the estimated future cash flows from a group of financial assets since the original recognition of those assets, even though the decrease cannot yet be identified for the individual assets in the group. The purpose of collective assessment of impairment is to test for latent losses on a portfolio of loans that have not been individually evidenced.

In cases where the collective impairment of a portfolio cannot be individually evidenced, the company sets out to prove that a risk condition has taken place that will result in an impairment of assets (based on historic experience), but the losses will only be identifiable at an individual borrower level at a future date.

The emergence period concept is applied to ensure that only impairments that exist at the reporting date are captured. The emergence period is defined as the time lapse between the occurrence of a trigger event and the impairment being identified at an individual account level. The probability of default for each exposure class is based on historical default experience, scaled for the emergence period relevant to the exposure class. This probability of default is then applied to the total population for which specific impairments have not been recognised. The resulting figure represents an estimation of the impairment that occurred during the emergence period and therefore has not specifically been identified by the company at the reporting date.

The impairment allowance also takes into account the expected severity of loss at default, or the loss-given default (LGD), which is the amount outstanding when default occurs that is not subsequently recovered. Recovery varies by product and depends, for example, on the level of security held in relation to each loan, and the company's position relative to other claimants. The LGD estimates are based on historical default experience.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that do not affect the period on which historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Derecognition of financial instruments

Derecognition of financial assets

Full derecognition only occurs when the rights to receive cash flows from the asset have been discharged, cancelled or have expired, or the company transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. When an asset is transferred, in some circumstances, the company may retain an interest in it (continuing involvement) requiring the company to repurchase it in certain circumstances for other than its fair value on that date.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss component of the statement of comprehensive income. Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

SUMMARY OF ACCOUNTING POLICIES (CONTINUED)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

1.7.2 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 paid or 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 the profit or loss component of the statement of comprehensive income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

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2. 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. The accounting policies that are deemed critical to the Company's results and financial position, in terms of the materiality of the items to which the policy is applied, and which involved a high degree of judgement including the use of assumptions and estimation, are included in the individual notes to the annual financial statements.

3. Investment income**Interest income**

Investment securities – bonds

25 539 807

25 539 807

4. Finance costs**Interest expense**

Interest on notes issued

22 540 189

22 540 189

Net finance income

2 999 618

5. Income taxes**Income tax recognised in profit or loss****Current tax**

Normal tax - current year

553 585

553 585

Deferred tax

Deferred tax recognised in the current year

(36 180)

(36 180)

Total income tax recognised in the current year

517 405

Tax rate reconciliation

Statutory tax rate

28.00%

Effective income tax rate

28.00%

Profit before tax for the year

1 847 865

Income tax expense calculated at 28%

517 405

Income tax expense recognised in profit or loss

517 405

6. Profit for the year

Profit for the 14 months is stated after taking account of the following items:

6.1 Auditors remuneration

Audit fees

36 230

36 230

6.2 Directors remuneration

Directors fees

76 989

76 989

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

	2014
	R
6.3 Other	
Management fees	700 696
Other professional services	88 321
Administration fees and expenses	15 851
Bank charges	7 227
Rating agency fees	226 439
	<u>1 038 534</u>
7. Loans and advances	
Investment securities - bonds	<u>1 000 000 000</u>
Total carrying amount of loans and advances	<u>1 000 000 000</u>
Maturity of loans and advances	
Non-current	<u>1 000 000 000</u>
	<u>1 000 000 000</u>
Loans and advances consist of unlisted bonds with face values of R500 000 000 each, bearing interest at a floating rate of 7.175% and 7.233% respectively and maturing in 2017.	
All the company's rights and interests to these balances are pledged to iMpumelelo Security SPV 1 (RF) Pty Ltd (refer to note 17).	
8. Deferred tax	
Deferred tax balances	
The net deferred tax asset at the end of the year is as follows:	
Deferred tax assets	36 180
Deferred tax assets and liabilities are attributable to the following:	
Accruals	<u>36 180</u>
	<u>36 180</u>
9. Trade and other payables	
Trade payables	304 055
Amounts due to related parties	948 533
Accrued interest on notes	14 817 050
	<u>16 069 638</u>
10. Trade and other receivables	
Accrued interest on floating rate bonds	<u>16 686 310</u>
	<u>16 686 310</u>
11. Share capital	
Ordinary share capital	
Authorised share capital	
100 ordinary shares of no par value	
Issued	
10 ordinary shares of no par value at R1 each	<u>10</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

	2014 R
11. Share capital (continued)	
Preference share capital	
Authorised share capital	
50 cumulative redeemable preference shares at no par value.	
Issued	
1 cumulative redeemable preference no par value share at R1	1
The company has issued 1 cumulative redeemable preference no par value share at R1 to Absa Bank Limited.	
Unissued shares	
The unissued shares are under the control of the directors, as at reporting date in terms of a general authority to allot and issue them on such terms and conditions and at such times they deem fit. The authority expires at the forthcoming annual general meeting of the Company.	
12. Cash generated from operations	
Profit for the 14 months	1 330 460
Adjustments for:	
Income tax expense	517 405
Finance costs	22 540 189
Investment income	(25 539 807)
Cash utilised in operations before working capital changes	(1 151 753)
Changes in working capital	
Increase in trade and other payables	1 252 588
Total changes in working capital	1 252 588
Cash generated from operations	100 835
13. Taxation paid	
Current tax expense	(553 585)
Tax receivable at the end of the year	(10 798)
	(564 383)
14. Cash and cash equivalents	
Cash and bank balances	666 821
	666 821
15. Finance costs paid	
Finance costs	(22 540 189)
Accrued interest not paid	14 817 050
	(7 723 139)
16. Investment income received	
Finance income	25 539 807
Accrued interest not received	(16 686 310)
	8 853 497
17. Other financial liabilities	
Notes issued	(1 000 000 000)
	(1 000 000 000)

17. Other financial liabilities (continued)

Other financial liabilities consist of listed and unlisted notes with face values of R 500 000 000 each bearing interest at a rate of 6.56% and 6.35% respectively and maturing in January 2015.

In terms of the security SPV guarantee, iMpumelelo Security SPV 1 (RF) Pty 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 aforementioned rights and interests.

18. Risk management

18.1 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. In order to maintain or adjust the capital structure, the Company may adjust the amount of ordinary dividends paid to shareholders. There are no externally imposed capital requirements on the Company.

18.2 Financial risk management

18.3 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 financial risks, which include credit risk, market risk and liquidity risk (which are discussed below) and operational risk.

18.4 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.

18.5 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

18.5 Interest rate risk (continued)

Sensitivity analysis

A simplified sensitivity analysis is prepared whereby interest rates are shifted by 100 bps to estimate the impact such a market move would have on bonds and notes.

	2014 R
	Profit or (loss)
Floating rate bonds	
100 bps increase in rate	10 000 000
100 bps decrease in rate	(10 000 000)
Floating rate notes	
100 bps increase in rate	(10 000 000)
100 bps decrease in rate	10 000 000

18.6 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from investment securities and cash and cash equivalents.

The carrying amount of the financial assets represents that maximum credit exposure. The maximum exposure to credit risk at the reporting period represented below is the worst case scenario of credit risk exposure.

Financial assets exposed to credit risk at year end were as follows:

	2014 R
Maximum credit risk	
Investment securities – floating rate bonds	1 000 000 000
Accrued interest on bonds not received	16 686 310
Cash and cash equivalents	666 821
	<u>1 017 353 131</u>

The exposure is neither past due nor impaired. The credit quality of the financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings.

Asset Class	Nominal (ZAR)	Asset Rating	Industry
Bond	1 000 000 000	AA (zaf)	Automotive

Cash and cash equivalents are held with a counterparty with an external credit rating Fitch AA+ (zaf).

18.7 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.

Liquidity risk management process

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

18.7 Liquidity risk (continued)

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

	2014	
	Less than 1 month	Total
	R	R
Non-derivative financial liabilities		
Trade and other payables	16 069 638	16 069 638
Notes issued	1 000 000 000	1 000 000 000
	<u>1 016 069 638</u>	<u>1 016 069 638</u>
Non-derivative financial assets	Less than 1 month	1-5 years
	R	R
Cash and cash equivalents	666 821	-
Investment securities - bonds	16 686 310	1 000 000 000
	<u>17 353 131</u>	<u>1 017 353 131</u>

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.

19. Fair value of financial instruments not held at fair value

All of the below financial assets and financial liabilities have carrying amounts that approximate their fair values.

	2014	
	Carrying amount	Fair value
	R	R
Financial Assets		
Cash and cash equivalents	666 821	666 821
Investment securities - bonds	1 000 000 000	1 000 000 000
Interest receivable	16 686 310	16 686 310
	<u>1 017 353 131</u>	<u>1 017 353 131</u>
Financial Liabilities		
Trade and other payables	16 069 638	16 069 638
Notes issued	1 000 000 000	1 015 150 688
	<u>1 016 069 638</u>	<u>1 031 220 326</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

19. Fair value of financial instruments not held at fair value (continued)

19.1. 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.

	2014			
	Level 1	Level 2	Level 3	Total
	R	R	R	R
Financial Assets				
Cash and cash equivalents	666 821	-	-	666 821
Loans and advances	-	-	1 000 000 000	1 000 000 000
Trade and other receivables	-	-	16 686 310	16 686 310
Financial Liabilities				
Trade and other payables – trade payables and amounts due to related parties	-	-	1 252 588	1 252 588
Trade and other payables - accrued interest on notes	8 902 000	-	5 915 050	14 817 050
Other financial liabilities	500 138 785	-	500 000 000	1 000 138 785

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

19. Fair value of financial instruments not held at fair value (continued)

19.1. Fair value hierarchy (continued)

Reconciliation of Level 3 assets and liabilities

	Opening Balance	Additions	Disposals	Closing Balance
	R	R	R	R
Financial Assets				
Loans and advances	-	1 500 000 000	(500 000 000)	1 000 000 000
Trade and other receivables	-	16 686 310	-	16 686 310
Financial Liabilities				
Trade and other payables – trade payables and amounts due to related parties	-	1 252 588	-	1 252 588
Trade and other payables - accrued interest on notes	-	5 915 050	-	5 915 050
Other financial liabilities	-	1 000 000 000	(500 000 000)	500 000 000

19.2 Valuation techniques for the level 3 fair value measurement of financial assets and financial liabilities not held at fair value

The table below sets out information about significant unobservable inputs used at the end of the reporting period in measuring financial instruments that are not held at fair value, but whose fair value is categorised as Level 3.

<u>Category of asset</u>	<u>Types of financial instruments</u>	<u>Valuation techniques applied</u>	<u>Significant unobservable inputs</u>
Loans and advances	Investment securities - bonds	Discounted cash flow	Interest rate curves
<u>Category of liability</u>	<u>Types of financial instruments</u>	<u>Valuation techniques applied</u>	<u>Significant unobservable inputs</u>
Trade and other payables	Creditors	Discounted cash flow	Credit spread
Other financial liabilities	Notes issued	Discounted cash flow	Interest rate curves

20. 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. Corporate Investment Bank, a division of ABSA Bank Limited, administers the Company and receives a management fee as compensation.

2014

R

Related party transactions

Management fee - ABSA Bank Limited	700 696
Director's fees - TMF Corporate Services (South Africa) Proprietary Limited	76 989

Related party balances

Preference share capital issued – ABSA Bank Limited	1
Management fee payable – ABSA Bank Limited	307 162
Intergroup payable - tax paid by ABSA Bank Limited	564 382
Director's fees payable - TMF Corporate Services (South Africa) Proprietary Limited	76 989

The fees paid to TMF Corporate Services (South Africa) (Pty) Ltd are for director services provided to the company. 3 of the directors are employees and are remunerated by TMF Corporate Services (South Africa) (Pty) Ltd on a separate basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

21. Subsequent events

The financial statements were approved by the directors on the date in the statement of directors' responsibility. The directors are not aware of any events after the reporting date and at the date of authorisation of these annual financial statements.

22. 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 IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2014. The adoption of these new and revised standards and interpretations has not resulted in material changes to the company's accounting policies.

The company adopted the following standards, interpretations and amended standards during the year:

IFRS 10	Consolidated Financial Statements - An exemption from the requirement to consolidate subsidiaries for eligible investment entities (such as mutual funds, unit trusts, and similar entities), instead requiring the use of the fair value to measure those investments.
IFRS 12	Disclosures of Interests in Other Entities - Amendments following the changes made to IFRS 10 in relation to investment entities.
IAS 27	Separate Financial Statements - Amendments following the changes made to IFRS 10 in relation to investment entities.
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities
IAS 39	Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception

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:

Standard		Annual periods beginning on or after
IFRS 13	Fair Value Measurement - Clarifies that the scope of the portfolio exception defined in IFRS 13 includes all contracts accounted for within the scope of IAS 39, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.	1 July 2014
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014
IAS 24	Related Party Disclosures - Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.	1 July 2014
IFRS 7	Financial Instruments: Disclosures - Additional disclosures following the finalisation of IFRS 9 Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	1 January 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS ENDED 31 DECEMBER 2014

22. New accounting pronouncements (continued)

IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	1 January 2016
IAS 19	Employee Benefits - Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).	1 January 2016
IAS 27	Separate Financial Statements - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	1 January 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
IFRS 15	Revenue from Contracts with Customers - A new accounting standard that provides a single, principle based, five-step model to be applied to all contracts with customers. New disclosures about revenue are also introduced.	1 January 2017
IFRS 7	Financial Instruments: Disclosures - Additional disclosures following the finalisation of IFRS 9 Financial Instruments	1 January 2018
IFRS 9	Financial Instruments - A new accounting standard that represents a package of reforms to financial instrument accounting was issued in July 2014. IFRS 9 replaces the previous standard on financial instruments, IAS 39.	1 January 2018

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.