**IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED**
**(Registration number: 2013/211998/06)**
**AUDITED ANNUAL FINANCIAL STATEMENTS**
**31 December 2019**

Preparer: Jonathan Bradley
Designation: Trainee Accountant Product Control, Corporate and Investment Banking, Absa Bank Limited

**Contents**

**IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED**
**(Registration number: 2013/211998/06)**
**DIRECTORS' RESPONSIBILITIES AND APPROVAL**
*As at 31 December 2019*

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.

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 auditors to report on the annual financial statements. Their report to the shareholders of the Company is set out on pages 12 to 14 of this report.

The directors' report on pages 15 to 16 and financial statements of the Company which appears on pages 17 to 54 were approved by the board of directors on 3 April 2020 and are signed on its behalf by:

ML De Nysschen
Sandton

JR Burnett
Sandton

**IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED**
**(Registration number: 2013/211998/06)**
**COMPANY SECRETARY'S CERTIFICATE**
***As at 31 December 2019***

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 2019, 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)
26 March 2020

The Company's corporate governance practices are guided by the Companies Act No. 71 of 2008 (as amended), relevant sections of the JSE Listings Requirements, 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 representatives of the shareholder, iMpumelelo Owner Trust, and appointed through TMF Corporate Services (South Africa) Proprietary Limited.

**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 and Risk Committee (ARC) 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 ARC 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 2019 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, whereby all services are outsourced to external service providers, and as such, the Company has no employees.

**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 Group 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 and Risk 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 Bank 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 and have considered the declarations during the period under review.

**Fundamental and affected transactions**

There were no fundamental transactions for the period under review.

**King Report on Corporate Governance**

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 its legislative responsibilities as set out by the JSE Listings Requirements (if applicable); and 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).

**King Report on Corporate Governance (continued)**

**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 and Risk Committee (ARC) 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.

**King Report on Corporate Governance (continued)**

**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 delegate 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 ARC and the matters reserved for the Board's own authority. The role and functions of the ARC 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 ARC 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)

**King Report on Corporate Governance (continued)**

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 engages 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 during 2021. The ARC effectiveness and performance evaluation will be conducted during 2020.

**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 ARC 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.

**King Report on Corporate Governance (continued)**

• 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.

**Members of the Audit Committee and independent non-executive directors**

| | |
|---|---|
| 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 26 March 2020 during which it fulfilled its responsibilities in terms 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**

Following the review by the committee of the audited annual financial statements of the Company for the year ended 31 December 2019 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 2019 audited annual financial statements for approval to the Board on 26 March 2020. 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

3 April 2020

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**Independent Auditor's Report To the Shareholders of Impumelelo CP Note Programme 1 (RF) Limited**

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of Impumelelo CP Note Programme 1 (RF) Limited ('the company') set out on pages 17 to 54, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

*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 are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the 54-page document titled "Impumelelo CP Note Programme 1 (RF) Limited Audited Financial Statements for the year ended 31 December 2019" 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 as well as the Corporate Governance statement. The other information does not include the financial statements and our auditor's reports 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Statements*

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

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

*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 Ernst & Young Inc. has been the auditor of Impumelelo CP Note Programme 1 (RF) Limited for 2 years.

Ernst & Young Inc.

Ernst & Young Inc.
Partner – Janneman Labuschagne
Registered Auditor
Chartered Accountant (SA)
3 April 2020

| | | |
|---|---|---|
| **Company registration number** | 2013/211998/06 | |
| **Country of incorporation and domicile** | South Africa | |
| **Date of publication** | 3 April 2020 | |
| **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** |
| | ***Independent non-executive directors*** | |
| | R Thanthony | 27 February 2015 |
| | JN Wheeler | 01 December 2018 |
| | O Ferreira (Alternate) | 31 January 2017 |
| | ML De Nysschen | 01 December 2018 |
| | ***Executive directors*** | |
| | JR Burnett | 01 January 2017 |
| **Registered office** | 7th Floor Absa Towers West<br>15 Troye Street<br>Johannesburg<br>Gauteng<br>2000 | |
| **Business address** | 7th Floor Absa Towers West, 15 Troye Street<br>Johannesburg<br>2000<br>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** | Ernst & Young Inc<br>102 Rivonia Road<br>Sandton<br>2196 | |
| **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<br>(Represented by: Gerrie van Rooyen) | |
| **Date of incorporation** | 13 November 2013 | |

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|---|---|
| **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 | 2019<br>R | 2018<br>R |
|---|---|---|
| Profit for the year | **40 173 372** | 32 981 121 |
| Total comprehensive income | **43 982 159** | 33 171 684 |
| Taxation | **(15 932 745)** | (12 825 992) |
| Dividends declared and paid | **75 000 000** | - |
| Net assets | **53 760 752** | 84 778 593 |
| Net current liabilities | **(7 773 338 995)** | (4 187 680 783) |

| | |
|---|---|
| **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 28. |
| **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 R75,000,000 was paid to preference shareholders during the year (2018: R0). |

**IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED**
**(Registration number: 2013/211998/06)**
**STATEMENT OF COMPREHENSIVE INCOME**
***for the year ended 31 December 2019***

| | Notes | 2019<br>R | 2018<br>R |
|---|---|---|---|
| Effective interest income | | **540 945 181** | 363 439 861 |
| Other interest income | | **43 077 328** | - |
| **Interest income** | 4 | **584 022 509** | 363 439 861 |
| Total income | | **584 022 509** | 363 439 861 |
| Administration expenses | 6 | **(457 409)** | (434 102) |
| Other expenses | 6 | **(5 119 033)** | (2 736 272) |
| Finance costs | 5 | **(521 985 015)** | (313 143 094) |
| Fair value adjustments | | **(976 444)** | 448 768 |
| Expected credit loss | 6 | **621 509** | (1 768 048) |
| Profit before tax | | **56 106 117** | 45 807 113 |
| Income tax | 7 | **(15 932 745)** | (12 825 992) |
| Profit for the year | | **40 173 372** | 32 981 121 |
| **Items that 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 | | **5 290 242** | 190 563 |
| Deferred Tax | | **(1 481 455)** | - |
| | | **3 808 787** | 190 563 |
| **Total other comprehensive income for the year, net of tax** | | **3 808 787** | 190 563 |
| **Total comprehensive income for the year, net of tax** | | **43 982 159** | 33 171 684 |

**IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED**
**(Registration number: 2013/211998/06)**
**STATEMENT OF FINANCIAL POSITION**
***As at 31 December 2019***

| | Notes | 2019<br>R | 2018<br>R |
|---|---|---|---|
| **Assets** | | | |
| *Non-current assets* | | | |
| Investments | 9 | **2 130 985 922** | 2 127 373 012 |
| Loans and advances | 10 | **5 697 250 069** | 2 144 261 765 |
| Deferred tax assets | 13 | **-** | 824 599 |
| Total non-current assets | | **7 828 235 991** | 4 272 459 376 |
| *Current assets* | | | |
| Other receivables | 11 | **218 703** | 357 437 |
| Loans and advances | 10 | **358 320 160** | 1 131 032 028 |
| Other financial assets | 22.1 | **4 961 981** | - |
| Cash and cash equivalents | 19 | **68 840 099** | 97 069 069 |
| Total current assets | | **432 340 943** | 1 228 458 534 |
| **Total assets** | | **8 260 576 934** | 5 500 917 910 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| *Capital and reserves* | | | |
| Share capital | 15 | **10** | 10 |
| Preference share capital | 15 | **1** | 1 |
| Fair value reserves | | **3 999 350** | 190 563 |
| Retained income | | **49 761 391** | 84 588 019 |
| **Total equity** | | **53 760 752** | 84 778 593 |
| **Liabilities** | | | |
| *Non-current liabilities* | | | |
| Debt securities in issue | 12 | **-** | - |
| Deferred tax liabilities | 13 | **1 136 244** | - |
| Total non-current liabilities | | **1 136 244** | - |
| *Current liabilities* | | | |
| Trade and other payables | 14 | **2 033 291** | 1 837 960 |
| Debt securities in issue | 12 | **8 202 949 946** | 5 413 325 102 |
| Other financial liabilities | 22.1 | **-** | 586 694 |
| Current tax liabilities | | **696 701** | 389 561 |
| Total current liabilities | | **8 205 679 938** | 5 416 139 317 |
| **Total liabilities** | | **8 206 816 182** | 5 416 139 317 |
| **Total equity and liabilities** | | **8 260 576 934** | 5 500 917 910 |

**IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED**
**(Registration number: 2013/211998/06)**
**STATEMENT OF CHANGES IN EQUITY**
***for the year ended 31 December 2019***

| | Share Capital R | Preference share capital R | Fair value reserves R | Retained income R | Total equity R |
|---|---|---|---|---|---|
| Balance at 1 January 2018 | 10 | 1 | - | 52 454 302 | 52 454 313 |
| Decrease resulting from changes in accounting policies | - | - | - | (847 404) | (847 404) |
| Profit for the year | - | - | - | 32 981 121 | 32 981 121 |
| Other comprehensive income for the year | - | - | 190 563 | - | 190 563 |
| Total comprehensive income for the year | - | - | 190 563 | 32 981 121 | 33 171 684 |
| Balance at 31 December 2018 | 10 | 1 | 190 563 | 84 588 019 | 84 778 593 |
| Note | 15 | | | | |
| **Balance at 1 January 2019** | **10** | **1** | **190 563** | **84 588 019** | **84 778 593** |
| Profit for the year | **-** | **-** | **-** | **40 173 372** | **40 173 372** |
| Other comprehensive income for the year | **-** | **-** | **3 808 787** | **-** | **3 808 787** |
| **Total comprehensive income for the year** | **-** | **-** | **3 808 787** | **40 173 372** | **43 982 159** |
| Dividends declared | **-** | **-** | **-** | **(75 000 000)** | **(75 000 000)** |
| **Balance at 31 December 2019** | **10** | **1** | **3 999 350** | **49 761 391** | **53 760 752** |
| Note | 15 | | | | |

**STATEMENT OF CASH FLOWS**

***for the year ended 31 December 2019***

| | Notes | 2019<br>R | 2018<br>R |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in)/generated by operations | 16 | **(16 906 298)** | 1 993 498 |
| Dividends paid | 18 | **(75 000 000)** | - |
| Finance income received | 21 | **564 643 030** | 350 735 413 |
| Finance costs paid | 20 | **(486 110 170)** | (277 950 573) |
| Income taxes paid | 17 | **(15 146 217)** | (13 095 531) |
| **Net cash (used in)/generated by operating activities** | | **(28 519 655)** | 61 682 807 |
| **Cash flows from investing activities** | | | |
| Payments to acquire financial assets | | **(2 753 750 000)** | (2 200 972 612) |
| **Net cash used in investing activities** | | **(2 753 750 000)** | (2 200 972 612) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of debt securities | | **8 117 250 000** | 5 363 500 000 |
| Debt securities in issue settled | | **(5 363 500 000)** | (3 163 500 000) |
| **Net cash generated by financing activities** | | **2 753 750 000** | 2 200 000 000 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(28 519 655)** | 60 710 195 |
| Cash and cash equivalents at the beginning of the year | | **97 382 919** | 36 672 724 |
| **Cash and cash equivalents at the end of the year** | 19 | **68 863 264** | 97 382 919 |

## 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 1 January 2019. For details of the new and revised accounting policies refer to note 29.

### 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.

### 2.3 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

***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 or the settlement 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 FINANCIAL INSTRUMENTS (continued)

#### *2.5.1 INITIAL RECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)*

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.

#### *2.5.2 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.5 FINANCIAL INSTRUMENTS (continued)

### *2.5.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)*

***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:

- 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 Interest and similar 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 within Interest and similar income using the effective interest rate method.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.5 FINANCIAL INSTRUMENTS (continued)

### *2.5.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)*

***Debt Instruments: (continued)***

- 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 required to be recognised at fair value through profit or loss.

***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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.5 FINANCIAL INSTRUMENTS (continued)

### *2.5.3 EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS (continued)*

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

- financial assets at amortised cost
- debt instruments at fair value through other comprehensive income

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 when they meet the regulatory definition of default which includes unlikeliness to pay indicators as well as any assets that are more than 90 days past due. 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***
Loans and debt securities are written off when there is no realistic prospect of recovery.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 FINANCIAL INSTRUMENTS (continued)

### *2.5.4 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 profit or loss. 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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5.6 *DERIVATIVE FINANCIAL INSTRUMENTS (continued)*

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 FVTPL. 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.

### 2.5.7 *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

For the purposes of the statement of cash flows, cash comprises cash on hand and demand deposits, and cash equivalents comprise 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.

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.

During the reporting period the macro-economic assumptions used in the credit model were updated. Both the baseline and downturn updated scenarios are favourable compared to the scenarios used in 2018, specifically in the short term. All scenarios become punitive as they age, and in the downturn scenario all favourability to previous scenarios will be reversed in Q4 2020. The shift in the downturn macro scenario especially had a positive effect on overall short-term risk in Impumelelo where all of the exposures are assessed for ECL on maturity of 12 months or less.

| | 2019 R | 2018 R |
|---|---|---|

## 4. INVESTMENT INCOME

| | 2019 R | 2018 R |
|---|---|---|
| **Interest income** | | |
| Cash and Cash equivalents - effective interest rate | **3 449 954** | 3 070 700 |
| Bonds and Loans - effective interest rate | **537 495 227** | 360 369 161 |
| Loans | **43 077 328** | - |
| | **584 022 509** | 363 439 861 |

## 5. FINANCE COSTS

| | 2019 R | 2018 R |
|---|---|---|
| **Interest expense** | | |
| Interest on debt securities in issue | **521 985 015** | 313 143 094 |
| | **521 985 015** | 313 143 094 |

## 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**

| | 2019 R | 2018 R |
|---|---|---|
| Expected credit loss recognised on cash and cash equivalents | | |
| Stage1 | **(290 685)** | 313 850 |
| | **(290 685)** | 313 850 |
| Expected credit loss recognised on loans and advances | | |
| Stage1 | **152 725** | 291 023 |
| | **152 725** | 291 023 |
| Expected credit loss recognised on financial assets recognised at Fair Value through Other Comprehensive Income | | |
| Stage1 | **(483 549)** | 1 163 175 |
| | **(483 549)** | 1 163 175 |
| Total expected credit loss on financial assets | **(621 509)** | 1 768 048 |

### 6.2 Auditors remuneration

| | 2019 R | 2018 R |
|---|---|---|
| Audit fees | **171 292** | 225 972 |
| | **171 292** | 225 972 |

### 6.3 Directors remuneration

| | 2019 R | 2018 R |
|---|---|---|
| Directors fees | **286 117** | 208 130 |
| | **286 117** | 208 130 |

| | | 2019 R | 2018 R |
|---|---|---|---|
| **6.** | **PROFIT FOR THE YEAR (continued)** | | |
| **6.4** | **Other** | | |
| | Management fees | **3 906 332** | 2 617 108 |
| | Other professional services | **50 738** | 154 132 |
| | Administration fees and expenses | **468 975** | - |
| | Bank charges | **(103 553)** | (34 968) |
| | Tax penalty and related interest | **796 541** | - |
| | | **5 119 033** | 2 736 272 |
| **7** | **INCOME TAXES** | | |
| **7.1** | **INCOME TAX RECOGNISED IN PROFIT OR LOSS** | | |
| | **Current tax** | | |
| | Normal tax - current year | **15 453 357** | 13 321 045 |
| | | **15 453 357** | 13 321 045 |
| | **Deferred tax** | | |
| | Deferred tax recognised in the current year | **479 388** | (495 053) |
| | | **479 388** | (495 053) |
| | Total income tax recognised in the current year | **15 932 745** | 12 825 992 |
| | **Reconciliation between operating profit and tax expense** | | |
| | Profit before tax for the year | **56 106 117** | 45 807 113 |
| | Income tax expense calculated at 28% (2018: 28%) | **(15 709 714)** | (12 825 992) |
| | Effect of expenses that are not deductible in determining taxable profit | **(223 031)** | - |
| | Income tax expense recognised in profit or loss | **(15 932 745)** | (12 825 992) |
| | | **%** | **%** |
| | **Tax rate reconciliation** | | |
| | Statutory tax rate | **28.00%** | 28.00% |
| | Effective income tax rate | **28.00%** | 28.00% |

| | Balances at the beginning of the reporting period R | Expected credit losses allocation R | Total R |
|---|---|---|---|

## 8. CREDIT RISK RECONCILIATION - EXPECTED CREDIT LOSS ALLOWANCE

**2019**

| | Balances at the beginning of the reporting period R | Expected credit losses allocation R | Total R |
|---|---|---|---|
| **Cash and cash equivalents** | | | |
| Stage 1 | **313 850** | **(290 685)** | **23 165** |
| Total expected credit losses | **313 850** | **(290 685)** | **23 165** |
| **Loans and Advances** | | | |
| Stage 1 | **1 467 972** | **152 725** | **1 620 697** |
| Total expected credit losses | **1 467 972** | **152 725** | **1 620 697** |
| **Financial Assets held at Fair Value through Other Comprehensive Income** | | | |
| Stage 1 | **1 163 175** | **(483 549)** | **679 626** |
| Total expected credit losses | **1 163 175** | **(483 549)** | **679 626** |

**2018**

| | Balances at the beginning of the reporting period R | Expected credit losses allocation R | Total R |
|---|---|---|---|
| **Cash and cash equivalents** | | | |
| Stage 1 | - | 313 850 | 313 850 |
| Total expected credit losses | - | 313 850 | 313 850 |
| **Loans and Advances** | | | |
| Stage 1 | 1 176 949 | 291 023 | 1 467 972 |
| Total expected credit losses | 1 176 949 | 291 023 | 1 467 972 |
| **Financial Assets held at Fair Value through Other Comprehensive Income** | | | |
| Stage 1 | - | 1 163 175 | 1 163 175 |
| Total expected credit losses | - | 1 163 175 | 1 163 175 |

## 9. INVESTMENTS

**Listed investments**

**Financial Assets held at Fair Value through Other Comprehensive Income**

| | 2019 R | 2018 R |
|---|---|---|
| Notional at beginning of period | **2 100 000 000** | 1 100 000 000 |
| Additions during the period | **-** | 1 000 000 000 |
| Fair value adjustments during the period | **4 801 179** | (972 612) |
| Accrued interest at the end of the period | **26 184 743** | 28 345 624 |
| Balance at end of year | **2 130 985 922** | 2 127 373 012 |

## 10. LOANS AND ADVANCES

| | 2019 R | 2018 R |
|---|---|---|
| Investments in loans recognised at amortised cost | **5 117 250 000** | 3 263 500 000 |
| Accrued interest on loans recognised at amortised cost | **28 324 994** | 13 261 765 |
| Investments in loans recognised at fair value through profit and loss | **900 000 000** | - |
| Accrued interest on loans recognised at fair value through profit and loss | **6 615 863** | - |
| fair value adjustments on loans recognised at fair value through profit and loss | **5 000 069** | - |
| Carrying value | **6 057 190 926** | 3 276 761 765 |
| Expected credit losses | **(1 620 697)** | (1 467 972) |
| Total carrying amount of loans and advances | **6 055 570 229** | 3 275 293 793 |

**Maturity of loans and advances**

| | 2019 R | 2018 R |
|---|---|---|
| Current | **358 320 160** | 1 131 032 028 |
| Non-current | **5 697 250 069** | 2 144 261 765 |
| | **6 055 570 229** | 3 275 293 793 |

Loans and advances consist of unlisted bonds and loans with the face values and related interest at floating rates referencing either Prime or Jibar.

The average interest rate for the unlisted bonds and loans during the current reporting period was 8.78% (2018: 8.85%).

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 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 and provide a fair presentation of the underlying asset.

## 11. OTHER RECEIVABLES

**Other receivables**

| | 2019 R | 2018 R |
|---|---|---|
| Amounts due from related parties | **218 703** | 357 437 |
| | **218 703** | 357 437 |
| Current | **218 703** | 357 437 |
| | **218 703** | 357 437 |

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 disclosed in note 26.

| | 2019<br>R | 2018<br>R |
|---|---|---|

## 12. DEBT SECURITIES IN ISSUE

**Current liabilities**

| | | |
|---|---|---|
| Debt securities in issue | **8 117 250 000** | 5 363 500 000 |
| Accrued interest on debt securities | **85 699 946** | 49 825 102 |
| | **8 202 949 946** | 5 413 325 102 |

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 7.68% (2018: 8.02%).

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.

## 13. DEFERRED TAX

**Deferred tax balances**

| | | |
|---|---|---|
| The analysis of the deferred tax assets and deferred tax liabilities is as follows: | | |
| Deferred tax assets | **-** | 824 599 |
| Deferred tax liabilities | **1 136 244** | - |
| Net deferred tax (liability)/asset at the end of the year | **(1 136 244)** | 824 599 |

## 13. DEFERRED TAX (continued)

**Deferred tax balances (continued)**

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 | Recognised directly in equity R | Balance at 31 December R |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Financial Assets at fair value through OCI | **-** | **-** | **(1 481 455)** | **-** | **(1 481 455)** |
| Expected Credit Losses | **824 599** | **(479 388)** | **-** | **-** | **345 211** |
| | **824 599** | **(479 388)** | **(1 481 455)** | **-** | **(1 136 244)** |
| **2018** | | | | | |
| Expected Credit Losses | - | 495 053 | - | 329 546 | 824 599 |
| - | - | 495 053 | - | 329 546 | 824 599 |

| | 2019<br>R | 2018<br>R |
|---|---|---|

## 14. TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| Trade payables | **292 131** | 1 263 439 |
| Amounts due to related parties (note 26) | **1 741 160** | 574 521 |
| | **2 033 291** | 1 837 960 |

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

## 15. SHARE CAPITAL

**Authorised share capital**

| | | |
|---|---|---|
| 100 (2018: 100) ordinary shares of no par value per share. | **100** | 100 |

**Authorised preference share capital**

| | | |
|---|---|---|
| 50 (2018: 50) cumulative redeemable preference share capital of no par value per share. | **50** | 50 |

**Issued share capital**

| | | |
|---|---|---|
| 10 (2018: 10) ordinary shares of no par value per share. | **10** | 10 |
| | **10** | 10 |

**Issued preference share capital**

| | | |
|---|---|---|
| 1 (2018: 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**

All shares issued by the Company were paid in full.

## 16. CASH (USED IN)/GENERATED BY OPERATIONS

| | 2019 R | 2018 R |
|---|---|---|
| Profit before tax for the year | **56 106 117** | 45 807 113 |
| **Adjustments for:** | | |
| Finance costs | **521 985 015** | 313 143 094 |
| Investment income | **(584 022 509)** | (363 439 861) |
| Net gain arising on financial assets designated as at fair value through profit or loss | **(5 000 069)** | - |
| Expected credit losses (see note 6) | **(621 509)** | 1 768 048 |
| Cash used in operations before working capital changes | **(11 552 955)** | (2 721 606) |
| **Changes in working capital** | | |
| Increase in trade and other payables | **195 332** | 304 926 |
| (decrease)/Increase in derivative liabilities | **(5 548 675)** | 4 410 178 |
| Total changes in working capital | **(5 353 343)** | 4 715 104 |
| Cash (used in)/generated by operations | **(16 906 298)** | 1 993 498 |

## 17. TAXATION PAID

| | 2019 R | 2018 R |
|---|---|---|
| Tax payable at the beginning of the year | **(389 561)** | (164 047) |
| Current tax expense | **(15 453 357)** | (13 321 045) |
| Tax payable at the end of the year | **696 701** | 389 561 |
| | **(15 146 217)** | (13 095 531) |

## 18. DIVIDENDS PAID

| | 2019 R | 2018 R |
|---|---|---|
| Dividends declared and paid during the current year | **75 000 000** | - |
| | **75 000 000** | - |

The preference dividend declared and paid during the year amounts to R75,000,000 per share in issue (1 share in issue).

## 19. CASH AND CASH EQUIVALENTS

| | 2019 R | 2018 R |
|---|---|---|
| Call account | **68 863 264** | 95 699 688 |
| Transaction account | **-** | 1 683 231 |
| Gross Cash and cash equivalents | **68 863 264** | 97 382 919 |
| Expected credit losses | **(23 164)** | (313 850) |
| Carrying amount | **68 840 100** | 97 069 069 |

## 20. FINANCE COSTS PAID

| | 2019 R | 2018 R |
|---|---|---|
| Finance costs | **(521 985 015)** | (313 143 094) |
| Accrued interest not paid at the beginning of the year | **(49 825 101)** | (14 632 580) |
| Accrued interest not paid at the end of the year | **85 699 946** | 49 825 101 |
| | **(486 110 170)** | (277 950 573) |

| | 2019 R | 2018 R |
|---|---|---|

## 21. FINANCE INCOME RECEIVED

| | 2019 R | 2018 R |
|---|---|---|
| Interest Income | **584 995 121** | 363 439 861 |
| Accrued interest not received at the beginning of the year | **40 992 212** | 28 287 764 |
| Accrued interest not received at the end of the year | **(61 344 303)** | (40 992 212) |
| | **564 643 030** | 350 735 413 |

## 22. FINANCIAL INSTRUMENTS

### 22.1 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 | Amortised cost financial liabilities R | Total assets and liabilities R |
|---|---|---|---|---|---|---|
| **Assets as per Statement of Financial Position - 2019** | | | | | | |
| Loans and advances | **-** | **911 615 932** | **-** | **5 143 957 125** | **-** | **6 055 573 057** |
| Cash and cash equivalents | **-** | **-** | **-** | **68 840 099** | **-** | **68 840 099** |
| Investment securities | **-** | **-** | **2 130 985 922** | **-** | **-** | **2 130 985 922** |
| Trade and other receivables | **-** | **-** | **-** | **218 703** | **-** | **218 703** |
| Other Financial Assets | **4 961 981** | **-** | **-** | **-** | **-** | **4 961 981** |
| Total | **4 961 981** | **911 615 932** | **2 130 985 922** | **5 213 015 927** | **-** | **8 260 579 762** |
| **Liabilities as per Statement of Financial Position - 2019** | | | | | | |
| Debt securities in issue | **-** | **-** | **-** | **-** | **(8 202 949 946)** | **(8 202 949 946)** |
| Trade and other payables | **-** | **-** | **-** | **-** | **(2 033 557)** | **(2 033 557)** |
| Total | **-** | **-** | **-** | **-** | **(8 204 983 503)** | **(8 204 983 503)** |

## 22. FINANCIAL INSTRUMENTS (continued)

### 22.1 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 | Amortised cost financial liabilities R | Total assets and liabilities R |
|---|---|---|---|---|---|---|
| **Assets as per Statement of Financial Position - 2018** | | | | | | |
| Loans and advances | - | - | - | 3 275 293 793 | - | 3 275 293 793 |
| Cash and cash equivalents | - | - | - | 97 069 069 | - | 97 069 069 |
| Investment securities | - | - | 2 127 373 012 | - | - | 2 127 373 012 |
| Trade and other receivables | - | - | - | 357 437 | - | 357 437 |
| Total | - | - | 2 127 373 012 | 3 372 720 299 | - | 5 500 093 311 |
| **Liabilities as per Statement of Financial Position - 2018** | | | | | | |
| Other financial liabilities | - | - | - | - | 586 694 | 586 694 |
| Debt securities in issue | - | - | - | - | 5 413 325 102 | 5 413 325 102 |
| Trade and other payables | - | - | - | - | 1 837 960 | 1 837 960 |
| Total | - | - | - | - | 5 415 749 756 | 5 415 749 756 |

## 22. FINANCIAL INSTRUMENTS (continued)

### 22.2 DERIVATIVE FINANCIAL INSTRUMENTS

| | **2019 Assets R** | **2019 Liabilities R** | 2018 Assets R | 2018 Liabilities R |
|---|---|---|---|---|
| Interest rate swaps | **4 961 981** | **-** | - | 586 694 |
| | **4 961 981** | **-** | - | 586 694 |
| Current portion | **4 961 981** | **-** | - | 586 694 |
| | **4 961 981** | **-** | - | 586 694 |

## 23. RISK MANAGEMENT

### 23.1 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.

### 23.2 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.

### 23.3 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 .

## 23. RISK MANAGEMENT (continued)

### 23.3 MARKET RISK (continued)

Given that the assets are match funded, the company has limited exposure to market risk.

### 23.4 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 2019 R** | **Decrease in interest rates 2019 R** | Increase in interest rate 2018 R | Decrease in interest rates 2018 R |
|---|---|---|---|---|
| **Changes in interest** | | | | |
| Increase/(decrease) in interest received | **58 902 258** | **(58 902 258)** | 36 343 986 | (36 343 986) |
| Increase/(decrease) in interest paid | **(52 198 502)** | **52 198 502** | (31 314 309) | 31 314 309 |
| Increase/(decrease) in profit before taxation | **6 703 756** | **(6 703 756)** | 5 029 677 | 5 029 677 |

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.

## 23. RISK MANAGEMENT (continued)

### 23.5 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.

Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

| | **Gross Maximum Exposure** | **12 months expected credit losses - stage 1** |
|---|---|---|
| | **R** | **R** |
| **23.5.1 MAXIMUM CREDIT RISK EXPOSURE** | | |
| **2019** | | |
| Cash and cash equivalents | **68 863 264** | **68 863 264** |
| Loans and advances | **5 145 574 994** | **5 145 574 994** |
| Other receivables | **218 703** | **218 703** |
| Financial assets designated at Fair value | **911 615 932** | **911 615 932** |
| Financial assets measured at Fair Value through Other Comprehensive Income | **2 130 985 922** | **2 130 985 922** |
| **Total gross maximum exposure to credit risk** | **8 257 258 815** | **8 257 258 815** |
| Expected credit losses | **(1 641 033)** | **(1 641 033)** |
| **Total financial assets per the statement of financial position** | **8 255 617 782** | **8 255 617 782** |
| **2018** | | |
| Cash and cash equivalents | 97 382 919 | 97 382 919 |
| Loans and advances | 3 276 761 765 | 3 276 761 765 |
| Other receivables | 357 437 | 357 437 |
| Financial assets measured at Fair Value through Other Comprehensive Income | 2 127 373 012 | 2 127 373 012 |
| **Total gross maximum exposure to credit risk** | **5 501 875 133** | **5 501 875 133** |
| Expected credit losses | (1 781 822) | (1 781 822) |
| **Total financial assets per the statement of financial position** | **5 500 093 311** | **5 500 093 311** |

## 23. RISK MANAGEMENT (continued)

### 23.5 CREDIT RISK (continued)

### 23.5.1 MAXIMUM CREDIT RISK EXPOSURE (continued)

The expected credit loss on the Other receivables balance has been judged by management as being immaterial.

### 23.6 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 (including MTN 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.

| | **Less than 1 year R** | **Total R** |
|---|---|---|
| **Liabilities** | | |
| **2019** | | |
| Trade and other payables | **2 033 557** | **2 033 557** |
| Debt securities in issue | **8 202 949 946** | **8 202 949 946** |
| | **8 204 983 503** | **8 204 983 503** |
| **2018** | | |
| Trade and other payables | 1 837 960 | 1 837 960 |
| Debt securities in issue | 5 413 325 102 | 5 413 325 102 |
| Other financial liabilities | 586 694 | 586 694 |
| | 5 415 749 756 | 5 415 749 756 |

## 23. RISK MANAGEMENT (continued)

### 23.6 LIQUIDITY RISK (continued)

**Assets**

| | Less than 1 year R | 1-5 years R | Total R |
|---|---|---|---|
| **2019** | | | |
| Cash and cash equivalents | **68 840 099** | **-** | **68 840 099** |
| Other receivables | **218 703** | **-** | **218 703** |
| Loans and advances | **358 320 160** | **5 697 250 069** | **6 055 570 229** |
| Investments | **-** | **2 130 985 922** | **2 130 985 922** |
| Other financial assets | **4 961 981** | **-** | **4 961 981** |
| | **432 340 943** | **7 828 235 991** | **8 260 576 934** |
| **2018** | | | |
| Cash and cash equivalents | 97 069 069 | - | 97 069 069 |
| Other receivables | 357 437 | - | 357 437 |
| Loans and advances | 1 131 032 028 | 2 144 261 765 | 3 275 293 793 |
| Investments | - | 2 127 373 012 | 2 127 373 012 |
| | 1 228 458 534 | 4 271 634 777 | 5 500 093 311 |

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.

## 24. 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..

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Carrying amount R** | **Fair value R** | Carrying amount R | Fair value R |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **68 840 099** | **68 840 099** | 97 069 069 | 97 069 069 |
| Loans and advances | **5 143 954 297** | **5 143 957 125** | 3 275 293 793 | 3 275 293 793 |
| Other receivables | **218 714** | **218 714** | 357 437 | 357 437 |
| Total | **5 213 013 110** | **5 213 015 938** | 3 372 720 299 | 3 372 720 299 |
| **Financial Liabilities** | | | | |
| Trade and other payables | **2 033 292** | **2 033 292** | 1 837 960 | 1 837 960 |
| Notes issued | **8 202 949 946** | **8 202 949 946** | 5 413 325 102 | 5 413 325 102 |
| Total | **8 204 983 238** | **8 204 983 238** | 5 415 163 062 | 5 415 163 062 |

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

### 24.1. 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.

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

### 24.1. FAIR VALUE HIERARCHY (continued)

| | Level 2<br>R | Total<br>R |
|---|---|---|
| **2019** | | |
| **Financial Assets** | | |
| **Trade and other receivables** | | |
| Trade and other receivables | **218 703** | **218 703** |
| | **218 703** | **218 703** |
| **Loans and advances** | | |
| Loans and advances | **5 143 957 125** | **5 143 957 125** |
| | **5 143 957 125** | **5 143 957 125** |
| **Financial Liabilities** | | |
| **Trade and other payables** | | |
| Trade and other payables | **2 033 292** | **2 033 292** |
| | **2 033 292** | **2 033 292** |
| **Debt securities in issue** | | |
| Debt securities in issue | **8 202 949 946** | **8 202 949 946** |
| | **8 202 949 946** | **8 202 949 946** |
| **2018** | | |
| **Financial Assets** | | |
| **Trade and other receivables** | | |
| Trade and other receivables | 357 437 | 357 437 |
| | **357 437** | **357 437** |
| **Loans and advances** | | |
| Loans and advances | 3 275 293 793 | 3 275 293 793 |
| | **3 275 293 793** | **3 275 293 793** |
| **Financial Liabilities** | | |
| **Trade and other payables** | | |
| Trade and other payables | 1 837 960 | 1 837 960 |
| | **1 837 960** | **1 837 960** |
| **Debt securities in issue** | | |
| Debt securities in issue | 5 413 325 102 | 5 413 325 102 |
| | **5 413 325 102** | **5 413 325 102** |

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

### 24.2. 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** | Investment securities - Bonds and Loans | Discounted cash flow | Interest rate curves |
| **Loans and advances** | Interest receivable | 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 | Credit spread |
| **Debt securities in issue** | Notes issued | Discounted cash flow | Interest rate curves |

## 25. FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES HELD AT FAIR VALUE

### 25.1 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 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

### 25.1 FAIR VALUE HIERARCHY (continued)

**2019**

| | Level 2<br>R | Total<br>R |
|---|---|---|
| **Recurring fair value measurements** | | |
| **Financial Assets** | | |
| Fair Value Through Profit and Loss | | |
| Financial assets held at Fair Value through Profit or Loss | **911 615 932** | **911 615 932** |
| | **911 615 932** | **911 615 932** |
| Fair value through OCI | | |
| Investments | **2 130 985 922** | **2 130 985 922** |
| | **2 130 985 922** | **2 130 985 922** |
| Derivative instruments in designated hedge accounting relationships | | |
| Other financial assets | **4 961 981** | **4 961 981** |
| | **4 961 981** | **4 961 981** |

**2018**

| | Level 2<br>R | Total<br>R |
|---|---|---|
| **Recurring fair value measurements** | | |
| **Financial Assets** | | |
| Fair value through OCI | | |
| Investments | 2 127 373 012 | 2 127 373 012 |
| | 2 127 373 012 | 2 127 373 012 |
| Derivative instruments in designated hedge accounting relationships | | |
| Other financial liabilities | 586 694 | 586 694 |
| | 586 694 | 586 694 |

### 25.2 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. 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 36% (2018: 72%) 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 | Bank charges R |
|---|---|---|---|
| **2019** | | | |
| **Other** | | | |
| Absa Bank Limited | **(3 906 332)** | **3 449 954** | **(103 553)** |
| | **(3 906 332)** | **3 449 954** | **(103 553)** |
| **2018** | | | |
| **Other** | | | |
| Absa Bank Limited | (2 771 240) | 3 070 700 | (34 968) |
| | (2 771 240) | 3 070 700 | (34 968) |

| | Current amounts receivable R | Current amounts payable R | Cash and cash equivalents R | Preference share capital R |
|---|---|---|---|---|
| **2019** | | | | |
| **Other related parties** | | | | |
| Absa Bank Limited | **218 703** | **(2 890 250 000)** | **68 840 099** | **(1)** |
| | **218 703** | **(2 890 250 000)** | **68 840 099** | **(1)** |
| **2018** | | | | |
| **Other related parties** | | | | |
| Absa Bank Limited | 357 437 | (1 435 572 838) | 97 069 069 | (1) |
| | 357 437 | (1 435 572 838) | 97 069 069 | (1) |

Management fee payable to Absa Bank Limited R1 741 426 (2018: R0).

## 27. 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 R286 117 (2018: R208 130) are paid to TMF Corporate Services (South Africa) Proprietary Limited for non-executive director services provided to the Company.

## 28. EVENTS AFTER THE REPORTING DATE

The financial statements were approved by the directors on the date in the statement of directors' responsibility.

The estimates and judgements applied to determine the financial position at 31 December 2019 have been included as part of the accounting policies of the Company. The estimates applied, most specifically as they relate to the calculation of impairments of loans and advances, were based on a range of forecast economic conditions as at that date. The outbreak of the coronavirus has resulted in disruption to business activity globally and recent market volatility, since mid-January 2020. On 27 March 2020, South Africa's sovereign credit rating was also downgraded to sub-investment grade. The impact of the coronavirus and the downgrade will be closely monitored and assessed for it’s impact on the business.

Except for those listed above, the directors are not aware of any other events after the reporting date and at the date of authorisation of these annual financial statements.

## 29. 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 1 January 2019. 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:

| | |
|---|---|
| IFRIC 23 | *Uncertainty Over Income Tax Treatments* - Interpretation clarifying the accounting for uncertainties in income taxes. |

**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 3 | *Business Combinations* - Amendments to the definitions included in the appendix to IFRS 3 which will assist entities in determining whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. | Acquisitions on or after 1 January 2020 |
| 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 2020 |

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 2019***

**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 in the Annual return or tagged as such in the iXBRL version submitted to the CIPC.

| | | |
|---|---|---|
| **Jan Luus, CA(SA)** | FALSE | 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 2019 | |
| Disclosure of directors' responsibility [text block] | TRUE | |
| Date of approval of annual financial statements (director sign off date) | 3 April 2020 | |
| Audit partner name | Janneman Labuschagne | |
| Disclosure of directors' report [text block] | TRUE | |
| Date of publication of financial statements | 3 April 2020 | |
| Name of individual responsible for preparation or supervising preparation of financial statements | Jonathan Bradley | |
| 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 | TRUE | |
| 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 | 3 April 2020 | |

**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.

**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 2019***

**Values extracted from FF**

| | 2019 R | 2018 R | |
|---|---|---|---|
| Average number of employees | **-** | - | tab 6060 line 97/tab6061 line 29(BNK) |
| Increase (decrease) in equity | **(31 017 841)** | | |
| Cash and cash equivalents | **68 863 264** | 97 382 919 | |
| Increase (decrease) in cash and cash equivalents | **(28 519 655)** | 60 710 195 | |
| Cash flows from (used in) financing activities | **2 753 750 000** | 2 200 000 000 | |
| Cash flows from (used in) investing activities | **(2 753 750 000)** | (2 200 972 612) | |
| Cash flows from (used in) operating activities | **(28 519 655)** | 61 682 807 | |
| Comprehensive income | **43 982 159** | 33 171 684 | |
| Other comprehensive income | **3 808 787** | 190 563 | |
| Tax expense (income), continuing operations | **(15 932 745)** | (12 825 992) | |
| Profit (loss) | **40 173 372** | 32 981 121 | |
| Profit (loss) before tax | **56 106 117** | 32 981 121 | |
| Assets | **8 260 576 934** | 5 500 917 910 | |
| Equity | **53 760 752** | 84 778 593 | |
| Liabilities | **8 206 816 182** | 5 416 139 317 | |

**Calculations or values manually calculated and inputted into FF template**

| | | | |
|---|---|---|---|
| **Turnover: (no rounding is applied to this value)** | **589 022 578** | - | Tab 1000 cell F202 |

*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** | **8 205 456 908** | Tab 1000 cell F199 |

Liabilities less related party liabilities, deferred tax and internal provisions

| | | |
|---|---|---|
| **Public Interest (PI) score:** | 8 794 | Tab 1000 cell F196 |

*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 |