IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
AUDITED ANNUAL FINANCIAL STATEMENTS
31 December 2016

Supervised by: prepared under the supervision of James Jackson
Designation: Head of Asset Classes, Product Control

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for the year ended 31 December 2016

DIRECTORS' RESPONSIBILITIES AND APPROVAL
As at 31 December 2016

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 net income and cash flows for the reporting period, and other information contained in this report.

To enable the directors to meet these responsibilities:

- All directors 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 Barclays Africa Group Limited Internal Audit, which operates unimpeded and independently from operational management, appraises, evaluates and, when necessary, recommends improvements to the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and
- The internal auditors play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

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

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

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

It is the responsibility of the independent auditors to report on the annual financial statements. Their report to the shareholders of the company is set out on page 4 to 6 of this report.

The directors' report on pages 7 to8 and financial statements of the company which appears on pages 9 to 36 were approved by the board of directors on 6 June 2017 and are signed on its behalf by

Director
Johannesburg

Director
Johannesburg

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
COMPANY SECRETARY'S CERTIFICATE
As at 31 December 2016

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

In accordance with the provisions of the South African Companies Act, No 71 of 2008 (as amended), (the Companies Act) I, in my capacity as Company Secretary certify that, in respect of the period ended 31 December 2016, the Company has lodged with the Companies and Intellectual Property Commission (CIPC) all returns prescribed by the Companies Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

TMF Corporate Services (SA) (Pty) Limited
Company Secretary
Represented by: T Russell
6 June 2017

Members of the Audit Committee
R Thanthony (Chairperson)
B Korb
O Shabangu

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

Meetings held by the Audit Committee

The audit committee performed the duties laid upon it by Section 94(7) of the Companies Act 71 of 2008 as amended by holding meetings with the key role players and by the unrestricted access granted to the external auditors.

Expertise and experience of finance function

The on-going accounting, risk management and professional administration is performed by Absa Bank Limited. The ongoing secretarial administration is provided by TMF Corporate Services (SA) (Pty) Ltd.

The committee satisfied itself that the composition, experience and skills set of the finance function met the Company's requirements.

Independence of external auditors

The committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act 71 of 2008 as amended and as per the standards stipulated by the auditing profession. Requisite assurance was sought 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 2016 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 year ended 31 December 2016 audited annual financial statements for approval to the Board on the 6 June 2017.

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:

Chairperson: Audit Committee
Date: 6 June 2017

pwc

Independent auditor's report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of of iMpumelelo CP Note Programme 1 (RF) Limited (the "Company") as at 31 December 2016, and financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

iMpumelelo CP Note Programme 1 (RF) Limited's financial statements set out on pages 9 to 36 comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- a summary of significant accounting policies; and
- The Notes to the financial statements.

Basis for opinion

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

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

Independence

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

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act of South Africa and the Corporate Governance Statement. Other information does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 PricewaterhouseCoopers Inc. has been the auditor of iMpumelelo CP Note Programme 1 (RF) Limited for 4 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Francois Prinsloo
Registered Auditor
Johannesburg
6 June 2016

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

Directors

Name	Appointment date	Resignation date
B Harmse	13 November 2013	31 December 2016
R Thanthony	27 February 2015	
K Chetty	24 April 2014	12 January 2016
WH Swanepoel	30 June 2014	
PJV van der Merwe	24 April 2014	1 March 2016
J Burnett	1 January 2017	
B Korb	31 December 2016	
O Shabangu	31 December 2016	

Registered office and postal address	3rd Floor 200 Main Corner Main and Bowwood Roads Claremont 7708
Business address	3rdFloor 200 Main Corner Main and Bowwood Roads Claremont 7708
Holding company	iMpumelelo Owner Trust
Ultimate holding company	Barclays Bank PLC
Bankers	Absa Bank Limited
Auditors	PricewaterhouseCoopers Inc
Supervised by	These annual financial statements prepared under the direction and supervision of James Jackson, CA (SA), Head of Asset Classes - Product Control

Company secretary

Name	Appointment date
TMF Corporate Services (SA) (Pty) Limited	24/04/2014

Date of incorporation	13/11/2013

Review of financial results

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

Key performance indicators	2016 R	2015 R
Profit for the year	**18 940 150**	7 736 240
Total comprehensive income	**18 940 150**	7 736 240
Taxation	**(7 365 614)**	(3 008 538)
Dividends declared and paid	-	-
Total assets	**3 473 268 213**	3 413 752 807
Total liabilities	**(3 445 261 352)**	(3 404 636 096)
Total equity	**28 006 861**	9 066 711

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 13.

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 24.

Going concern

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

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016

	Notes	2016 R	2015 R
Investment income	4	**291 459 816**	129 875 328
Finance costs	5	**(265 081 680)**	(115 411 273)
Gains and losses from trading activities		**2 644 831**	-
Administration expenses	6	**(200 950)**	(279 534)
Other expenses	6	**(2 516 253)**	(3 439 743)
Profit before tax		**26 305 764**	10 744 778
Income tax expense	7	**(7 365 614)**	(3 008 538)
Profit after tax		**18 940 150**	7 736 240
Total comprehensive income for the year		**18 940 150**	7 736 240

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 R	2015 R
Assets			
Non-current assets			
Loans and advances	8	**2 384 000 000**	3 384 000 000
Total non-current assets		**2 384 000 000**	3 384 000 000
Current assets			
Loans and advances	8	**1 037 000 000**	-
Other receivables	9	**29 085 284**	23 067 955
Current tax assets		**-**	108 042
Cash and cash equivalents	16	**23 182 929**	6 576 810
Total current assets		**1 089 268 213**	29 752 807
Total assets		**3 473 268 213**	3 413 752 807
Capital and reserves			
Share capital	13	**10**	10
Preference share capital	13	**1**	1
Retained income		**28 006 850**	9 066 700
Total equity		**28 006 861**	9 066 711
Current liabilities			
Derivative liabilities	19	**8 215 194**	-
Debt securities in issue	10	**3 421 000 000**	3 384 000 000
Trade and other payables	12	**15 819 823**	20 686 096
Current tax liabilities		**226 335**	-
Total current liabilities		**3 445 261 352**	3 404 686 096
Total liabilities		**3 445 261 352**	3 404 686 096
Total equity and liabilities		**3 473 268 213**	3 413 752 807

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share Capital R	Preference share capital R	Retained earnings R	Total equity R
Balance at 1 January 2015	10	1	1 330 460	1 330 471
Total comprehensive income for the year	-	-	7 736 240	7 736 240
Balance at 31 December 2015	10	1	9 066 700	9 066 711
Balance at 1 January 2016	**10**	**1**	**9 066 700**	**9 066 711**
Total comprehensive income for the year	-	-	**18 940 150**	**18 940 150**
Balance at 31 December 2016	**10**	**1**	**28 006 850**	**28 006 861**

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED
(Registration number: 2013/211998/06)
STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	Notes	2016 R	2015 R
Cash flows from operating activities			
Cash generated by/(used in) operations	14	**9 324 123**	(3 671 542)
Investment income	18	**285 706 426**	123 493 683
Finance costs paid	17	**(271 393 193)**	(110 842 550)
Income taxes paid	15	**(7 031 237)**	(3 069 602)
Net cash generated by operating activities		**16 606 119**	5 909 989
Cash flows from investing activities			
Payments to acquire financial assets		**(37 000 000)**	(2 384 000 000)
Net cash generated by/(used in) investing activities		**(37 000 000)**	(2 384 000 000)
Cash flows from financing activities			
Proceeds from issue of debt instruments		**3 424 000 000**	10 391 835 596
Debt instruments settled		**(3 387 000 000)**	(8 007 835 596)
Net cash (used in)/generated by financing activities		**37 000 000**	2 384 000 000
Net increase in cash and cash equivalents		**16 606 119**	5 909 989
Cash and cash equivalents at the beginning of the year		**6 576 810**	666 821
Cash and cash equivalents at the end of the year	16	**23 182 929**	6 576 810

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

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

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 IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2016. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Company's accounting policies. For details of the new and revised accounting policies refer to note 25.

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.

2.3 REVENUE RECOGNITION

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

NET INVESTMENT INCOME

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

2.4 TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 TAXATION (continued)

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.

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

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

CURRENT AND DEFERRED TAX

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.5 FINANCIAL INSTRUMENTS

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognised at the fair value derived from such observable market data.

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

2.5.1 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial instruments classified as held for trading

In accordance with IAS 39, all assets and liabilities held for trading purposes are held at fair value with gains and losses from changes in fair value taken to gains and losses from trading activities in profit or loss.

Financial instruments designated at fair value through profit or loss

In accordance with IAS 39, financial assets and financial liabilities may be designated at fair value, with gains and losses taken to profit or loss in 'gains and losses from trading activities' and 'gains and losses from investment activities' depending on the nature of the instrument. The entity has the ability to make the fair value designation when this reduces an accounting mismatch (caused by an offsetting liability or asset being held at fair value).

Derivatives
Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the entity's derivative assets and liabilities. Notional amounts of the contracts are not recorded on the statement of financial position. Changes in the fair value of derivatives are recognised in profit or loss.

LOANS AND RECEIVABLES

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.1 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

EFFECTIVE INTEREST METHOD

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

FINANCIAL LIABILITIES

Most financial liabilities are held at amortised cost. 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.

Amortised cost instruments

Impairment on financial assets measured at amortised cost is recognised in accordance with IAS 39, the Company assesses at each reporting date whether there is objective evidence that financial assets at amortised cost will not be recovered in full and, wherever necessary, recognises an impairment loss in profit or loss. An impairment loss is recognised if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets.

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.1 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

***FINANCIAL LIABILITIES* (continued)**

Identified impairment

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

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

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

Unidentified impairment

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.1 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

***FINANCIAL LIABILITIES* (continued)**

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.

2.5.2 EQUITY INSTRUMENTS

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

ORDINARY SHARE CAPITAL

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

PREFERENCE SHARE CAPITAL

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

2.6 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 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.

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.

	2016 R	2015 R
4. NET INVESTMENT INCOME		
Interest income		
Interest on bonds and loans	**290 615 474**	129 729 484
Interest on call accounts	**844 342**	145 845
	291 459 816	129 875 328
5. FINANCE COSTS		
Interest expense		
Interest on notes issued	**265 081 680**	115 411 273
	265 081 680	115 411 273
Net finance income	**26 378 136**	14 464 055

6. PROFIT FOR THE YEAR

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

6.1 Auditors remuneration

	2016	2015
Audit fees	**123 626**	89 451
	123 626	89 451

6.2 Directors remuneration

	2016	2015
Directors fees	**77 324**	190 083
	77 324	190 083

6.3 Other

	2016	2015
Management fees	**2 336 317**	2 493 793
Other professional services	-	330 769
Administration fees and expenses	-	35 746
Bank charges	**27 123**	20 366
Credit ratings	**264 344**	559 069
	2 627 784	3 439 743

	2016 R	2015 R

7. INCOME TAXES

7.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

	2016 R	2015 R
Current tax		
Normal tax - current year	**7 365 614**	2 972 358
	7 365 614	2 972 358
Deferred tax		
Deferred tax expense recognised in the current year	-	36 180
	-	36 180
Total income tax recognised in the current year	**7 365 614**	3 008 538
Tax rate reconciliation		
Statutory tax rate	**28%**	28%
Effective income tax rate	**28%**	28%
Profit for the year	**26 305 764**	10 744 778
Income tax expense calculated at 28% (2015: 28%)	**7 365 614**	3 008 538
Income tax expense recognised in profit or loss	**7 365 614**	3 008 538

8. LOANS AND ADVANCES

	2016 R	2015 R
Investments in bonds and loans	**3 384 000 000**	3 384 000 000
Repurchase agreements	**37 000 000**	-
Total carrying amount of loans and advances	**3 421 000 000**	3 384 000 000
Maturity of loans and advances		
Non-current	**2 384 000 000**	3 384 000 000
Current	**1 037 000 000**	-
	3 421 000 000	3 384 000 000

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 8.59% (2015 : 7.595%).

All the Company's rights and interests to these balances are pledged to iMpumelelo Security SPV 1 (RF) Pty Ltd (refer to note 10).

9. OTHER RECEIVABLES

	2016 R	2015 R
Accrued interest on bonds and loans	**28 083 232**	23 067 955
Accrued interest on repurchase agreements	**263 939**	-
Amounts due from related parties	**738 113**	-
	29 085 284	23 067 955

10. DEBT SECURITIES IN ISSUE

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 7.82% (2015: 6.70%).

	2016 R	2015 R
Notes issued	**3 421 000 000**	3 384 000 000
	3 421 000 000	3 384 000 000

In terms of the security SPV guarantee, iMpumelelo Security SPV 1 (RF) Proprietary Limited holds and can realise security for the benefits of the note holders in the event of a default. In brief, the security consists of the Company's rights, title and interests in and to the bank accounts and permitted investments, the collateral and all other benefits and rights flowing from aforementioned rights and interests.

11. DEFERRED TAX

Deferred tax balances

Deferred tax assets and liabilities are attributable to the following:

	Balance at 1 January R	Recognised in profit or loss R	Balance at 31 December R
2015			
Accruals	36 180	(36 180)	-
	36 180	(36 180)	-

12. TRADE AND OTHER PAYABLES

	2016 R	2015 R
Trade payables	**100 561**	516 479
Amounts due to related parties (note 24)	**2 645 002**	783 844
Accrued interest on debt securities in issue	**13 074 260**	19 385 773
	15 819 823	20 686 096

13. SHARE CAPITAL

	2016 R	2015 R
Ordinary share capital		
Authorised share capital		
100 ordinary shares of no par value.		
Issued share capital		
10 (2015: 10) ordinary shares of no par value	**10**	10
	10	10
Preference share capital		
Authorised share capital		
50 cumulative redeemable preference shares at no par value		
Issued share capital		
1 (2015: 1) cumulative redeemable preference no par value	**1**	1
	1	1

The company has issued 1 cumulative redeemable preference no par value share at R1 to Absa Bank Limited.

All issued share capital has been fully paid up.

Unissued shares

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

The authority expired at the forthcoming annual general meeting of the Company.

14. CASH GENERATED BY OPERATIONS

	2016 R	2015 R
Profit before Tax	**26 305 764**	10 744 778
Adjustments for:		
Finance costs	**265 081 680**	115 411 273
Investment income	**(291 459 816)**	(129 875 328)
Cash used in operations before working capital changes	**(72 372)**	(3 719 277)
Changes in working capital		
Increase in trade and other payables	**1 181 301**	47 735
Increase in derivative liabilities	**8 215 194**	-
Total changes in working capital	**9 396 495**	47 735
Cash generated by/(used in) operations	**9 324 123**	(3 671 542)

		2016 R	2015 R
15.	**TAXATION PAID**		
	Tax receivable at the beginning of the year	**108 042**	10 798
	Current tax expense	**(7 365 614)**	(2 972 359)
	Tax payable/(receivable) at the end of the year	**226 335**	(108 042)
		(7 031 237)	(3 069 603)
16.	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	**6 645 854**	6 407 780
	Inter-group call loans	**16 537 075**	169 030
		23 182 929	6 576 810
17.	**FINANCE COSTS PAID**		
	Finance costs	**(265 081 680)**	(115 411 273)
	Accrued interest not paid at the beginning of the year	**(19 385 773)**	(14 817 050)
	Accrued interest not paid at the end of the year	**13 074 260**	19 385 773
		(271 393 193)	(110 842 550)
18.	**FINANCE INCOME RECEIVED**		
	Accrued interest not received at the beginning of the year	**23 067 955**	16 686 310
	Investment income	**291 459 816**	129 875 328
	Interest on the repurchase agreements in gains and losses from trading activities	**263 939**	-
	Accrued interest not received at the end of the year	**(29 085 284)**	(23 067 955)
		285 706 426	123 493 683

19. FINANCIAL INSTRUMENTS

19.1. CATEGORIES OF FINANCIAL INSTRUMENTS

	Fair Value Designated Through Profit and Loss R	Loans and receivables amortised cost R	Loans and payables at amortised cost R	Cash and cash equivalents R	Total R
Assets as per Statement of Financial Position - 2016					
Loans and advances	-	3 421 000 000	-	-	3 421 000 000
Other receivables	-	29 085 284	-	-	29 085 284
Cash and cash equivalents	-	-	-	23 182 929	23 182 929
Total		3 450 085 284	-	23 182 929	3 473 268 213
Liabilities as per Statement of Financial Position - 2016					
Trade and other payables	-	-	(15 819 823)	-	(15 819 823)
Notes issued	-	-	(3 421 000 000)	-	(3 421 000 000)
Derivative liabilities	(8 215 194)				(8 215 194)
Total	(8 215 194)	-	(3 436 819 823)	-	(3 445 035 017)
Assets as per Statement of Financial Position - 2015					
Loans and advances	-	3 384 000 000	-	-	3 384 000 000
Other receivables	-	23 067 955	-	-	23 067 955
Cash and cash equivalents	-	-	-	6 576 810	6 576 810
Total	-	3 407 067 955	-	6 576 810	3 413 644 765

19. FINANCIAL INSTRUMENTS (continued)

19.1. CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

	Fair Value Designated Through Profit and Loss R	Loans and receivable amortised cost R	Loans and payables at amortised cost R	Cash and cash equivalents R	Total R
Liabilities as per Statement of Financial Position - 2015					
Trade and other payables	-	-	(20 686 096)	-	(20 686 096)
Notes issued	-	-	(3 384 000 000)	-	(3 384 000 000)
Total	-	-	(3 404 686 096)	-	(3 404 686 096)

20. RISK MANAGEMENT

20.1 CAPITAL RISK MANAGEMENT

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

20.2 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.

20.3 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 .

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

20.4 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.

20. RISK MANAGEMENT (continued)

20.4 INTEREST RATE RISK (continued)

Interest rate sensitivity analysis

	Increase in interest rate 2016 R	**Decrease in interest rates 2016 R**	Increase in interest rate 2015 R	Decrease in interest rates 2015 R
Changes in interest				
Increase/(decrease) in interest received	**34 441 829**	**(34 441 829)**	33 905 899	(33 905 899)
Increase/(decrease) in interest paid	**(34 210 000)**	**34 210 000**	(33 840 000)	33 840 000

20.5 CREDIT RISK

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

The exposure is neither past due nor impaired. The credit quality of the financial assets that are neither past due nor impaired can be assessed by reference to external credit rating (if available) or past information about counterparty default rates.

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

Maximum credit risk		
Investment Securities - floating rate bonds and loans	**3 421 000 000**	3 384 000 000
Accrued interest on bonds and loans	**28 083 231**	23 067 955
Cash and cash equivalents	**23 182 929**	6 576 810
	3 472 266 161	3 413 644 765

		Carrying amount		**Credit limit**	
		2016	2015	**2016**	2015
Industry	**Rating**	**R'000**	R'000	**R'000**	R'000
Automotive	BB+(zaf)	**1 000 000**	1 000 000	**10 000 000**	10 000 000
Commercial Property	n/a	**2 384 000**	2 384 000	**10 000 000**	10 000 000
Financial services		**89 268**			

The Company has a credit limit of R10 billion for the purchase of corporate bonds.

20.6 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.

20. RISK MANAGEMENT (continued)

20.6 LIQUIDITY RISK (continued)

Liquidity and interest risk tables

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

	Less than 1 month R	1-3 months R	3-12 months R	Total R
Non-derivative financial liabilities				
2016				
Trade and other payables	**15 819 823**	**-**	**-**	**15 819 823**
Debt Instruments in issue	**2 378 014 208**	**922 000 000**	**50 985 792**	**3 351 000 000**
	2 393 834 031	**922 000 000**	**50 985 792**	**3 366 819 823**
2015				
Trade and other payables	1 300 323		-	1 300 323
Debt Instruments in issue	1 569 385 773	250 000 000	1 584 000 000	3 403 385 773
	1 570 686 096	250 000 000	1 584 000 000	3 404 686 096

Non-derivative financial assets

	Less than 1 month R	Within 1 year R	1-5 years R	Total R
2016				
Cash and cash equivalents	**23 182 929**	**-**	**-**	**23 182 929**
Other receivables	**-**	**29 085 284**	**-**	**29 085 284**
Loans and advances	**-**	**1 037 000 000**	**2 384 000 000**	**3 421 000 000**
	23 182 929	**1 066 085 284**	**2 384 000 000**	**3 473 268 213**
2015				
Cash and cash equivalents	6 576 810	-	-	6 576 810
Other receivables	23 067 955	-	-	-
Loans and advances	-	3 384 000 000	-	3 407 067 955
	29 644 765	3 384 000 000		3 413 644 765

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. The available but unused financing facilities at the end of the reporting period were R 6 579 000 000 (2015: R 6 616 000 000).

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

All of the below financial assets and financial liabilities have carrying amounts that approximate their fair values. The disclosed fair value of these financial assets and financial liabilities measured at amortised cost approximate their carrying value because they are short term in nature.

	2016 Carrying amount R	Fair value R	2015 Carrying amount R	Fair value R
Financial Assets				
Cash and cash equivalents	**23 182 929**	**23 182 929**	6 576 810	6 576 810
Loans and advances	**3 421 000 000**	**3 421 000 000**	3 384 000 000	3 384 000 000
Other receivables	**29 085 284**	**29 085 284**	23 067 955	23 067 955
Total	**3 473 268 213**	**3 473 268 213**	3 413 644 765	3 413 644 765
Financial Liabilities				
Trade and other payables	**15 819 823**	**15 819 823**	20 686 096	20 686 096
Debt securities in issue	**3 421 000 000**	**3 421 000 000**	3 384 000 000	3 384 000 000
Total	**3 436 819 823**	**3 436 819 823**	3 404 686 096	3 404 686 096

21.1. 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 liability	Types of financial instruments	Valuation techniques applied	Significant observable inputs
Trade and other payables	Creditors	Discounted cash flow	Credit spread

21.2 VALUATION TECHNIQUES FOR THE LEVEL 3 FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT HELD AT FAIR VALUE

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

Category of asset	Types of financial instruments	Valuation techniques applied	Significant unobservable 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 unobservable inputs
Debt securities in issue	Notes issued	Discounted cash flow	Interest rate curves
Trade and other payables - accrued expenses	Creditors	Discounted cash flow	Credit spread

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

22.1 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).

	Opening balance R	Additions R	Disposals R	Total R
22.2 Reconciliation of Level 3 assets and liabilities				
Financial Liabilities				
Derivative Liabilities	-	**8 215 194**		**8 215 194**

23. 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 the notes issued on behalf of the Company under the Dealer Arrangement Agreement.

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

23. RELATED PARTIES (continued)

	Investment Income	Finance Costs	Other expenses	Administration expenses
2016	**R**	**R**	**R**	**R**
Group Companies				
Absa Bank Limited	**844 342**	**-**	**(2 627 783)**	**-**
TMF Corporate Services (SA) Pty Limited	**-**	**-**	**-**	**(77 323)**
	844 342	**-**	**(2 627 783)**	**(77 323)**
2015				
Group Companies				
Absa Bank Limited		(107 161 943)	(2 529 539)	
TMF Corporate Services (SA) Pty Limited				(190 083)
		(107 161 943)	(2 529 539)	(190 083)

	Loans and advances	Other receivables	Cash and cash equivalents	Debt securities in issue	Derivatives liabilities	Trade and other payables	Preference share capital
	R	**R**	**R**	**R**	**R**	**R**	**R**
2016							
Absa Bank Limited	**37 000 000**	**738 113**	**23 182 929**	**(2 413 000 000)**	**(8 215 194)**	**(4 976 816)**	**(1)**
TMF Corporate Services (SA) Pty Limited	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	37 000 000	**738 113**	**23 182 929**	**(2 413 000 000)**	**(8 215 194)**	**(4 976 816)**	**(1)**
2015							
Absa Bank Limited			6,576,810	(2,884,000,000)	-	(12,763,592)	(1)
TMF Corporate Services (SA) Pty Limited	-	-	-	-	-	(190,083)	-
			6,576,810	(2,884,000,000)	-	(12,953,675)	(1)

25. NEW ACCOUNTING PRONOUNCEMENTS (continued)

IFRS 10	*Consolidated Financial Statements* - Clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances.
IFRS 11	*Joint arrangements* - Amendments regarding the accounting for acquisitions of an interest in a joint operation.
IFRS 12	*Disclosure of Interest in Other Entities* - Amendments to clarify the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances.
IAS 1	*Presentation of Financial Statements* - Amendments are designed to encourage entities to apply professional judgement in determining what information to disclose, as well as where and in what order information is presented in the financial disclosures provided in the financial statements.
IAS 16	*Property, Plant and Equipment* - Amendments regarding the clarification of acceptable methods of depreciation and amortization, and amendment to include bearer plants in the scope of IAS 16.
IAS 28	*Investments in Associates and Joint Ventures* - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture.
IAS 38	*Intangible Assets* - Amendments regarding the clarification of acceptable methods of depreciation and amortisation.

Annual improvements (2012- 2014 cycle)
Non-urgent but necessary clarifications and amendments to the following standards of IFRS:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosure
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting

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**
IAS 7	*Statement of Cash Flows* - Amendments as result of the Disclosure Initiative. Additional disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017
IAS 12	*Income Taxes* - Amendments regarding the recognition of deferred tax assets for unrealised losses.	1 January 2017

25. NEW ACCOUNTING PRONOUNCEMENTS (continued)

	Standard	**Annual periods beginning on or after**
IFRS 4	*Insurance contracts* - Applying IFRS 9 Financial instruments (amendments) allow an entity that issues insurance contracts the opportunity to utilize two options - where IFRS 9 is applied prior to the forthcoming insurance contracts standard. These are (a) the overlay approach - which permits an insurer to reclassify certain income/expenditure, arising from designated financial instruments, from profit or loss to OCI, and (b) the deferral approach - temporary exemption from IFRS 9 for insurers whose predominant activity is issuing insurance contracts.	1 January 2018
IFRS 9	*Financial Instruments* - A new accounting standard that represents a package of reforms to financial instrument accounting was issued in July 2014. IFRS 9 replaces the previous standard on financial instruments, IAS 39. IFRS 9 will lead to significant changes in the accounting for financial instruments. The key changes relate to: *Financial assets:* Financial assets will be measured at either fair value through profit or loss or amortised cost, except for debt instruments meeting specific criteria, which are required to be measured at fair value through other comprehensive income, or equity investments not held for trading, which may be measured at fair value through other comprehensive income; *Financial liabilities:* The accounting for financial liabilities is largely unchanged, except for non-derivative financial liabilities designated at fair value through profit or loss. Gains and losses on such financial liabilities arising from own credit risk will be presented in other comprehensive income rather than in profit or loss; *Impairment:* Credit losses expected at the reporting date (rather than only losses incurred in the year) on loans and advances, debt securities, loan commitments and financial guarantee contracts not held at fair value through profit or loss will be reflected in impairment allowances.	1 January 2018
IFRS 15	*Revenue from Contracts with Customers* - A new accounting standard that provides a single, principle based, five-step model to be applied to all contracts with customers. New disclosures about revenue are also introduced.	1 January 2018
IAS 40	*Investment Properties* - Amendments regarding when an entity should transfer property into, or out of, investment property.	1 January 2018
IFRIC22	*Foreign Currency Transactions and Advance Consideration* - Amendments clarifying the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	1 January 2018

25. NEW ACCOUNTING PRONOUNCEMENTS (continued)

	Standard	Annual periods beginning on or after
IFRS 16	*Leases* - A new accounting standard that eliminates the classification of leases as either operating leases or finance leases for lessees and, instead, introduces a single accounting model, which recognises all leases on the statement of financial position.	1 January 2019

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.