# IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED

**(Registration number:2013/211998/06)**
**Annual Financial Statements**
**for the reporting period ended 31 December 2023**

**Audited Annual Financial Statements**
in compliance with the Companies Act of South Africa
Prepared by: Gary Nyamugama
Designation: CA(SA)
Supervised by: Jan Luus
Designation: CA(SA)

# IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED

(Registration Number 2013/211998/06)
Annual Financial Statements for the year ended 31 December 2023

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# IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED

(Registration Number 2013/211998/06)
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## DIRECTORS' RESPONSIBILITIES AND APPROVAL

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:

- The board of directors sets standards and management implement 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 of directors and management identify all key areas of risk across the Company and endeavour to mitigate or minimise these risks by ensuring that appropriate infrastructure, controls, systems and discipline are applied and managed within predetermined procedures and constraints;
- The internal audit function outsourced from Absa Group Limited Internal Audit, which operates unimpeded and independently from operational management, appraises, evaluates and, when necessary, recommends improvements to the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and
- The internal auditors play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

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

The company consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis. The annual 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 as issued by the IASB (IFRS® Accounting Standards) 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 annual financial statements have accordingly been prepared on this basis.

It is the responsibility of the independent auditor to report on the annual annual financial statements. Their report to the shareholder of the Company is set out on pages 15 to 23 of this report.

The directors' report on pages 12 to 14 and annual financial statements of the company which appears on pages 24 to 72 were approved by the board of directors on 23 April 2024 and are signed on its behalf by:

DocuSigned by:
35ED7CBC099A472...

ML De Nysschen
Sandton

DocuSigned by:
Brendan Purbick
178055A2B3A948F...

BJ Purbrick
Sandton

## COMPANY SECRETARY'S CERTIFICATE

To the shareholder 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 2023, 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.

DocuSigned by:
Gerrie Van Rooyen
465BA48AB9964B2...

ABSA Secretarial Services Proprietary Limited (Represented by:
Gerrie van Rooyen)
23 April 2024

# IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED

(Registration Number 2013/211998/06)
Annual Financial Statements for the year ended 31 December 2023

## CORPORATE GOVERNANCE REPORT

The Company’s corporate governance practices are guided by the Companies Act No. 71 of 2008 (as amended), and the Company's Memorandum of Incorporation (MoI). The Company is also subject to the Absa Group Governance Risk Framework that was adopted.

The Company applies the principles and governance practices of the King Report on Corporate Governance for South Africa, 2016 (“King IV Report”) as far as they are applicable and proportional to the company’s needs. The Board are of the opinion that the Company has applied the principles and recommendations of the Code in all material aspects for the year ended 31 December 2023.

**BOARD OF DIRECTORS**

**Role of the Board**

The Board of the Company ("the Board") sets the overarching governance principles to be upheld and practiced by embedding good governance practices. The Board is responsible for delivering sustainable value to the shareholder.

**Management of the Company**

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 Absa Corporate and Investment Banking Special Purpose Vehicle (CIB SPV) Management Team, in terms of a Service Level Agreement, whose performance the Board monitors through regular operational and financial reporting.

**Composition of the Board**

As at 31 December 2023, the Board comprised four directors, three of whom were independent non-executive directors (including the Chairman), and one executive director. The independent non-executive directors are representatives of the shareholder, iMpumelelo Owner Trust, and are appointed through TMF Corporate Services (South Africa) (Pty) Limited ("TMF”).

| Name of Director | Status | Appointment Date |
|---|---|---|
| Melanie de Nysschen | Independent Non-executive Director | 1 August 2018 |
| Stewart Adams | Independent Non-executive Director | 22 September 2023 |
| Nicholas Clarke | Independent Non-executive Director | 22 September 2023 |
| Brendan Purbrick | Executive Director | 17 November 2023 |

The following Board resignations were received during 2023:

Jonathan Burnett (resigned with effect 17 November 2023); Rishendrie Thanthony (resigned with effect 22 September 2023) and Jonathan Wheeler (resigned with effect 22 September 2023).

**Director Conflicts of interest**

The Board reviews the director’s declarations of interest and other directorships on an ongoing basis and has considered the declarations during the reported period.

**Meetings**

The Board held three  scheduled meetings during the year under review. All meetings held complied with the requirements of quorum. Meetings were held on 12 April 2023, 20 July 2023 and 8 November 2023.

**Professional Advice**

The Board and individual directors have access to the advice and services of the Company Secretary and may also, if necessary, procure independent professional advice at the expense of the Company in the discharge of their duties as directors. Requests for independent professional advice is governed by the Group Legal Entity and Directors Policy.

## CORPORATE GOVERNANCE REPORT

**Board performance effectiveness evaluation**
The Board conducted a self-evaluation of the effectiveness of its performance as a collective.

**Company Secretarial and Governance support**
Absa Secretarial Services (Proprietary) Limited, a subsidiary of Absa Group, is the duly appointed Company Secretary of the Company and is represented by a qualified and skilled Company Secretary.

The day-to-day subsidiary corporate, secretarial and governance support duties are managed by the dedicated Company Secretary with support from the Head of Secretarial Services for South Africa and the statutory administration team at Absa Group Secretariat.

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

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

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

**CONTROL FUNCTIONS**
**Internal Audit function**
The Company's internal audit function is conducted by the Group's Internal Audit division.

**Risk Management function**
The Board and executive management are responsible for the Company's risk governance and management within the overall context of the Company's risk appetite and principal risks.

The Company's Audit Committee, in conjunction with Absa Corporate and Investment Banking ("CIB"), a division of Absa Bank Limited, develops appropriate risk processes for managing risks. The Board believes that the risk of the Company is adequately managed.

**Compliance function**
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.

**Integrated 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 Board is, however, responsible for ensuring the accuracy of the financial information which is reported to all the relevant stakeholders.

**Information Technology (IT)**
The Company is reliant on the Group's IT systems and infrastructure and is governed in accordance with the Absa Group's IT governance policies.

## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES
The establishment of Board committees is informed by legislation and the company's needs. The Board has two committees namely an Audit Committee and a Social and Ethics Committee.

### AUDIT COMMITTEE
The Committee was established in terms of section 94(7) of the Companies Act. The Audit Committee is required by the Companies Act to report annually to the shareholder describing how it performed its duties during the year, pronouncing on the independence of the auditor, and commenting on the financial statements. The Audit Committee assumes responsibility for the fulfillment of the audit function. All functions were performed as per the Committee's terms of reference and the Companies Act.

Notwithstanding the role of the Audit Committee in relation to the audit function, the Board remains at all times accountable for monitoring the effectiveness of the company control environment. The Audit Committee reviews and recommends the financial statements to the Board for approval and the Board, via delegation to the Audit Committee, engages with representatives of the internal and external audit for assurance on the integrity of the financial and related information.

**Membership**
The membership of the Committee comprised three independent non-executive directors who are directors of the Board. On an annual basis, the shareholder appoints the members of the Committee at the annual general meeting.

In accordance with the Companies Act, the members of the Committee were re-appointed by the shareholder at the annual general meeting held on 23 August 2023.

| Name of Director | Status | Appointment Date |
|---|---|---|
| Melanie de Nysschen | Independent Non-Executive Director | 1 August 2018 |
| Stewart Adams | Independent Non-Executive Director | 22 September 2023 |
| Nicholas Clarke | Independent Non-Executive Director | 22 September 2023 |

The following Board and Audit Committee resignations were received during 2023:
Rishendrie Thanthony (resigned with effect 22 September 2023) and Jonathan Wheeler (resigned with effect 22 September 2023).

**Meetings**
The Committee held two scheduled meetings during the year under review. All meetings held complied with the requirements of quorum. Meetings were held on 12 April 2023 and 8 November 2023.

Private meetings were held with all the assurance providers in the absence of management to discuss among other, any difficulties that the assurance providers may have encountered in the performance of their work.

### SOCIAL AND ETHICS COMMITTEE
The Committee held one meeting during the period under review and reported to the shareholder at the annual general meeting.

The Social and Ethics Committee assumes responsibility for fulfillment of Social and Ethics function. All functions were performed as per the Committee's terms of reference.

## CORPORATE GOVERNANCE REPORT

**Membership**

The membership of the Committee comprised two independent non-executive directors and one executive director, all of whom are also members of the Board

| Name of Director | Status | Appointment Date |
|---|---|---|
| Brendan Purbrick | Executive Director | 17 November 2023 |
| Stewart Adams | Independent Non-Executive Director | 22 September 2023 |
| Nicholas Clarke | Independent Non-Executive Director | 22 September 2023 |

The following Board and Social and Ethics Committee resignations were received during 2023:
Rishendrie Thanthony (resigned with effect 22 September 2023) and Jonathan Wheeler (resigned with effect 22 September 2023).

**Meetings**

The Committee held one scheduled meeting during the year under review. All meetings held complied with the requirements of quorum. The meeting was held on 20 July 2023.

**Fundamental and affected transactions**

There were no fundamental transactions for the period under review.

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

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) and (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 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 the ethical standards of behaviour stipulated by the Group's Code of Conduct and related policies.

The Board, in conjunction with the Absa Group's board, and through the Absa Group's Social and Ethics Committee, is responsible for executing policies and programmes to embed ethics in the company. Key focus areas of ethics during the current period can be found from Absa Group's Integrated Report available on the website.

## CORPORATE GOVERNANCE REPORT

**Responsible Corporate Citizenship and Regulatory Compliance**
Expected Outcomes - (i) Ethical culture (primary), (ii) Legitimacy (primary) and (iii) Good performance (secondary)

**Principle 3 - The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.**
The company's corporate citizenship and regulatory compliance are governed in accordance with the framework set by the Group Board. The Group Board, through the Group Social and Ethics Committee, approves policies and strategies, and monitors and evaluates programmes that strengthen and maintain the Group's standing as a good corporate citizenship.

**Principle 13 - The governing body should govern compliance with laws adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and 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**
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 status as a good corporate citizenship (including the impact of the company's operation on the social and economic environments).

**Strategy and Performance**
Expected Outcomes - (i) Good performance (primary) and (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 creationg 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, and (ii) monitors management's implementation of the strategy and plans accordingly to the approved risk appetite, the available opportunities, and the macro and regulatory environment.

**Report and Assurance**
Expected Outcomes - (i) Effective control (primary), (ii) Good performance (primary), (iii) Ethical culture (secondary) and (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 over the period are detailed and recorded.

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 Board, in overseeing assurance services and the effectiveness of the control environment in order to ensure the objectivity and integrity of the annual financial statements, relies on the work performed by the Absa Group Internal Audit, Absa Group Risk Committee and the oversight role of the Absa Group Audit and Absa Compliance Committee. The Board is ultimately responsible for the integrity of the report and approves the annual financial statements.

## CORPORATE GOVERNANCE REPORT

**Board's Primary Role and Responsibility**
Expected Outcomes - (i) Effective control (primary) and (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, reponsibilities and procedural conduct are documented the company's MoI, the Companies Act.

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

**Board Composition**
Expected Outcomes - Good performance (primary)

**Principle 7 - The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.**
Directors are appointed with due regard to relevant legislation, the constitution of the company and the skills and expertise, industry knowledge, gender and race diversity required to enable the Board function to effectively. Due regard is also given to the Group's requirements for appointing board members as set out in the Group Governance Framework and the Legal Entities and Directors' Policy.

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 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) and (ii) Good performance (primary)

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

**Principle 10 - The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.**
The Shareholder delegates authority to the Board through the Company's MoI and shareholder resolutions passed at the shareholder's meetings.

**Board and committee performance evaluations**
Expected Outcomes - Good performance (primary)

**Principle 9 - The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.**
The effectiveness of the Board and performance of individual directors and the Chairman are assessed biennially (previously annually), against set criteria. Matters arising, including areas requiring improvement, and remedial plans are presented to the Board. Remediation is coordinated by the Company Secretary and monitored by the Board until next evaluation.

The Board conducted a self-evaluation of the effectiveness of its performance as a collective during November 2023. The Audit Committee Self-assessment will be conducted during October 2024.

## CORPORATE GOVERNANCE REPORT

**Risk Governance**
Expected Outcomes - (i) Effective control (primary) and (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 Audit Committee 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**
The Group Information Technology Committee of Absa Group Limited has overall oversight responsibility for information and technology governance in the Group.

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

- The resilience of the technology systems, infrastructure and applications in supporting customers and employees.
- The robustness and resilience of processes to identify and exploit technology and information opportunities to improve the entity's performance and sustainability.
- Planning, testing and user acceptance in relation to new systems and applications.
- The use of information (and data) to sustain and enhance the entity's intellectual capital and strategic advantage.
- The continual monitoring of security of information, including personal information of customers, employees and other stakeholders.

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

**Remuneration Governance**
Expected Outcomes - (i) Ethical culture (primary), (ii) Good performance (primary), (iii) Legitimacy (primary) and (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 Group 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) and (iv) Good performance (secondary)

## CORPORATE GOVERNANCE REPORT

**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, interest 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.

## AUDIT COMMITTEE REPORT

The IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED is, in line with section 94 of the Companies Act ('the Act'), required to have an audit committee.

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

| **Name** | **Appointment date** |
|---|---|
| Stewart Adams | 22 September 2023 |
| Nicholas Clarke | 22 September 2023 |
| ML De Nysschen | 1 August 2018 |

The following Board and Audit Committee resignations were received during 2023:

Rishendrie Thanthony (resigned with effect 22 September 2023) and Jonathan Wheeler (resigned with effect 22 September 2023).

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 12 April 2023, 8 November 2023 and 11 April 2024 during which it fulfilled its responsibilities in terms of the audit committee charter, in order to be able to recommend approval of the Company's financial statements to the Board.

Expertise and experience of finance function

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

Independence of external auditors

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

Discharge of responsibilities and Audited Annual Financial Statements

(i) Following the review by the committee of the audited annual financial statements of the Company for the year ended 31 December 2023 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 2023 audited annual financial statements for approval to the Board on 11 April 2024. 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.

DocuSigned by:

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Nicholas Clarke (Chairperson: Audit Committee)

23 April 2024

# IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED

(Registration Number 2013/211998/06)
Annual Financial Statements for the year ended 31 December 2023

## DIRECTORS' REPORT

| | |
|---|---|
| **Registration number** | 2013/211998/06 |
| **Country of incorporation and domicile** | South Africa |
| **Date of publication** | 23 April 2024 |
| **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 | Status | Appointment date | Resignation date |
|---|---|---|---|
| ML De Nysschen | Independent non-executive director | 1 August 2018 | |
| BJ Purbrick | Executive director | 17 November 2023 | |
| NR Clarke | Independent non-executive director | 22 September 2023 | |
| SC Adams | Independent non-executive director | 22 September 2023 | |
| R Thanthony | Independent non-executive director | 27 February 2015 | 22 September 2023 |
| JN Wheeler | Independent non-executive director | 1 December 2018 | 22 September 2023 |
| JR Burnett | Executive director | 1 January 2017 | 17 November 2023 |

| | |
|---|---|
| **Registered office** | 7th Floor Absa Towers West, 15 Troye Street<br>Johannesburg<br>Gauteng<br>2000 |
| **Business address** | 7th Floor Absa Towers West, 15 Troye Street<br>Johannesburg<br>Gauteng<br>2000 |
| **Postal address** | 7th Floor Absa Towers West, 15 Troye Street<br>Johannesburg<br>Gauteng<br>2000 |
| **Holding company** | iMpumelelo Owner Trust |
| **Ultimate holding company** | Absa Group Limited |

**Shareholder**

| Name | Holding % |
|---|---|
| iMpumelelo Owner Trust | 100.00 |

| | |
|---|---|
| **Bankers** | Absa Bank Limited |

# IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED

(Registration Number 2013/211998/06)
Annual Financial Statements for the year ended 31 December 2023

## DIRECTORS' REPORT

| | |
|---|---|
| **Auditors** | PricewaterhouseCoopers Inc<br>Waterfall City Heliport, 4 Lisbon Ln, Jukskei View<br>Midrand<br>2090 |
| **Supervised by** | These annual financial statements are prepared under the direction and supervision of Jan Luus CA(SA) and audited by PricewaterhouseCoopers Inc. |
| **Company Secretary** | **Name**<br>ABSA Secretarial Services Proprietary Limited<br>(Represented by: Gerrie van Rooyen) |
| **Date of incorporation** | 13 November 2013 |

# IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED

(Registration Number 2013/211998/06)
Annual Financial Statements for the year ended 31 December 2023

## DIRECTORS' REPORT

**Review of operations**

To the best of their knowledge and belief, based on the below, 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 directors have performed the required solvency and liquidity tests required by the Companies Act of South Africa.

**Review of financial results**

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

| Key performance indicators | 2023<br>R | 2022<br>R |
|---|---|---|
| Profit for the year | **49,444,209** | 31,352,588 |
| Total comprehensive income | **49,444,209** | 34,043,853 |
| Taxation | **(18,287,589)** | (12,262,243) |
| Dividend declared and paid | **(42,500,000)** | (25,000,000) |
| | | |
| Net assets | **49,102,013** | 42,157,804 |
| Net current liabilities | **(7,000,136,256)** | (6,473,243,097) |

**Authorised and issued share capital**

There were no changes to the authorised or issued capital for the year under review.

**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 34.

**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.

**Preference dividends paid**

A dividend of R42,500,000 (2022: R25,000,000) was declared and paid

**Restatement of prior year annual financial statements**

No restatement of prior year annual financial statements has occurred.

**Related party event**

No significant related party events have occurred.

# *Independent auditor's report*

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

## *Report on the audit of the financial statements*

### *Our opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of iMpumelelo CP Note Programme 1 (RF) Limited (the Company) as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 24 to 72 comprise:

- the statement of comprehensive income for the year then ended;
- the statement of financial position as at 31 December 2023;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### *Basis for opinion*

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

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

**Independence**

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

## Our audit approach

**Overview**

| | |
|---|---|
| | **Overall materiality**<br>• R92.2 million which represents 1% of Total Assets |
| | **Key audit matters**<br>• Provision for Expected Credit Losses (ECL) on loans and advances. |

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

**Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Based on our professional judgement, we determined certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

| | |
|---|---|
| *Overall materiality* | R92.2 million |
| *How we determined it* | 1% of Total Assets |
| *Rationale for the materiality benchmark applied* | The Company is set up for the purpose of allowing external note holders to gain exposure to certain investments. The Company functions as a pass-through vehicle that allows for the transfer of South African corporate credit exposures to capital market investors. We therefore selected total assets as our materiality benchmark because, in our view, it is the most appropriate benchmark and is a generally accepted benchmark. We chose 1% which is consistent with materiality thresholds used for similar companies within this sector. |

## *Key audit matters*

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

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Provision for Expected credit losses (ECL) on loans and advances**<br>The disclosure associated with ECL on loans and advances is set out in the financial statements in the following accounting policies and notes:<br>● 2.6.3 - Expected Credit Losses on Financial Assets<br>● 3 - Judgements and estimates<br>● 12 - Loans and Advances<br>● 27 - Credit Risk Reconciliation of Expected Credit Loss Allowance<br>● 29.5 - Credit Risk | |

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>The Company’s loans and advances are material to the financial statements and the related ECL includes significant judgements and assumptions.<br><br>We identified the audit of ECL on loans and advances to be a matter of most significance to the current year audit due to the following:<br><br>1. There is a high degree of estimation uncertainty and significant judgements and assumptions in estimating modelled ECL on loans and advances;<br>2. Economic scenario forecasts incorporating forward-looking information (FLI) which are used to estimate the ECL on loans and advances require estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation. Any impacts not captured by the statistical model are accounted for via further management adjustments. Such adjustments are also posted where current and forward-looking risks are not fully reflected in the historic data used to calibrate models; and<br>3. The credit risk disclosures incorporate multiple data inputs and management judgement impacting the completeness and accuracy of the disclosures.<br><br>As at 31 December 2023 the Company's total carrying amount of loans and advances balance at amortised cost amounted to R 8,708,024,020 while the recognised ECL was R2,435,964.<br><br>In calculating the ECL, the key areas of significant management judgement and estimation included:</td><td>Making use of our internal actuarial, quantitative and economics expertise, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances, as set out below. In addition, we tested controls and performed substantive procedures over the model data inputs.</td></tr>
<tr><td>1. Modelled ECL impairment losses<br><br>● A significant portion of ECL is calculated on a modelled basis which incorporates observable data, assumptions and estimations. The development and execution of these models requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters.<br>● Significant increase in credit risk (SICR) is assessed based on the current risk of default of an account relative to its risk of default at</td><td>1. Modelled ECL impairment losses<br><br>● We obtained an understanding of management’s data, methodologies and assumptions used in the various ECL models and how these were calibrated to use historical information to estimate ECL, including the controls over the governance of changes to ECL models and the implementation of new ECL models where relevant.</td></tr>
</table>

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| origination. This incorporates judgement and estimation by management.<br><br>● The credit impairment models are subject to formal model governance and approval. | ● On a sample basis we assessed the controls over changes and approval of ECL models.<br>● We reperformed and/or benchmarked the model calculations for material portfolios based on the assumptions as per the model documentation, independently reperformed a sample of the PD, EAD and LGD parameters, to test the accuracy, assumptions and appropriateness of the judgement applied in the ECL calculations and noted that the ECL calculated as a result was within an acceptable range of ours.<br>● For a sample of advances we assessed the appropriateness of the SICR methodologies and model calibrations and tested the resultant stage allocation and noted that the stage allocation was within an acceptable range of ours.<br>● We tested the completeness and accuracy of data inputs into the models by tracing a sample of data inputs back to information sourced by management from internal systems and external data providers and noted no exceptions.<br>● Through discussions with management and inspection of relevant documentation, we obtained an understanding of the methodologies and assumptions used by management in the various ECL models and how these were calibrated to use historical information to estimate future cash flows. We noted no matters for further consideration. |
| **2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation**<br><br>● The macroeconomic scenario forecasts are developed internally and require management judgement. Given the uncertain macroeconomic | **2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation**<br><br>● We obtained an understanding of management's approval processes and tested controls over the approval of macroeconomic forecasts and |

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

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

### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the document titled iMpumelelo CP Note Programme 1 (RF) Limited Annual Financial Statements for the reporting period ended 31 December 2023, which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the directors for the financial statements*

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

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

## *Auditor’s responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## *Report on other legal and regulatory requirements*

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Louwrens van Velden
Registered Auditor
Johannesburg, South Africa
24 April 2024

## STATEMENT OF COMPREHENSIVE INCOME

| | Notes | 2023<br>R | 2022<br>R |
|---|---|---|---|
| Effective interest income | 4 | 784,833,592 | 452,090,810 |
| Other interest income | 5 | 46,714,326 | 99,822,321 |
| **Interest and similar income** | | **831,547,918** | **551,913,131** |
| Effective interest expense | 6 | (773,409,019) | (491,639,109) |
| **Interest expense and similar charges** | | **(773,409,019)** | **(491,639,109)** |
| **Net interest income** | | **58,138,899** | **60,274,022** |
| **Total Income** | | **58,138,899** | **60,274,022** |
| Other gains and losses | 7 | 16,892,790 | (9,583,868) |
| Administration expenses | 8 | (387,683) | (355,675) |
| Other expenses | 9 | (6,591,757) | (6,217,387) |
| Credit impairment (charges) | 10 | (320,451) | (502,261) |
| **Profit before tax** | | **67,731,798** | **43,614,831** |
| Taxation expenses | 11 | (18,287,589) | (12,262,243) |
| **Profit for the year** | | 49,444,209 | 31,352,588 |
| **Other comprehensive income** | | - | 2,691,265 |
| **Items that will or may be reclassified to profit or loss** | | | |
| **Movement in Fair Value of Debt Instruments measured at FVOCI** | | | |
| Fair value gains arising during the reporting period | | - | 3,811,715 |
| Deferred tax | | - | (1,120,450) |
| | | **-** | **2,691,265** |
| **Total comprehensive income for the year** | | 49,444,209 | 34,043,853 |

## STATEMENT OF FINANCIAL POSITION

| | Notes | 2023<br>R | 2022<br>R |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Loans and advances | 12 | 7,048,782,078 | 6,514,229,860 |
| Deferred tax assets | 14 | 456,191 | 1,171,041 |
| **Total non-current assets** | | **7,049,238,269** | **6,515,400,901** |
| **Current assets** | | | |
| Trade and other receivables | 18 | 179,571 | 797,440 |
| Loans and advances | 12 | 2,076,988,053 | 2,001,614,626 |
| Derivative financial instrument assets | 13 | 12,854,981 | 22,018,999 |
| Current tax assets | | - | 4,709,679 |
| Cash and cash equivalents | 15 | 88,902,726 | 28,846,194 |
| **Total current assets** | | **2,178,925,331** | **2,057,986,938** |
| **Total assets** | | **9,228,163,600** | **8,573,387,839** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| **Capital and reserves** | | | |
| Attributable to ordinary equity holders | | | |
| Share capital | 16 | 10 | 10 |
| Preference share capital | 16 | 1 | 1 |
| Retained income | | 49,102,002 | 42,157,793 |
| **Equity attributable to owners of the company** | | 49,102,013 | 42,157,804 |
| **Total equity** | | **49,102,013** | **42,157,804** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 19 | 4,806,007 | 1,875,882 |
| Debt securities in issue | 20 | 9,172,632,938 | 8,529,354,153 |
| Current tax liabilities | | 1,622,642 | - |
| **Total current liabilities** | | **9,179,061,587** | **8,531,230,035** |
| **Total liabilities** | | **9,179,061,587** | **8,531,230,035** |
| **Total Equity and Liabilities** | | **9,228,163,600** | **8,573,387,839** |

# IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED

(Registration Number 2013/211998/06)
Annual Financial Statements for the year ended 31 December 2023

## STATEMENT OF CHANGES IN EQUITY

| | Ordinary share capital | Preference share capital | Retained income | Total reserves: Fair value through other comprehensive income reserve | Capital and reserves attributable to equity holders | Total equity |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | R |
| **2022** | | | | | | |
| Balance at the beginning of the reporting year | 10 | 1 | 35,805,205 | (2,691,265) | 33,113,951 | 33,113,951 |
| Total comprehensive income for the year | - | - | 31,352,588 | 2,691,265 | 34,043,853 | 34,043,853 |
| Profit for the period | - | - | 31,352,588 | - | 31,352,588 | 31,352,588 |
| Other comprehensive income for the period | - | - | - | 2,691,265 | 2,691,265 | 2,691,265 |
| Dividends paid during the reporting period | - | - | (25,000,000) | - | (25,000,000) | (25,000,000) |
| **Balance at the end of the reporting year** | 10 | 1 | 42,157,793 | - | 42,157,804 | 42,157,804 |
| Notes | 16 | 16 | | | | |
| **2023** | | | | | | |
| Balance at the beginning of the reporting year | 10 | 1 | 42,157,793 | - | 42,157,804 | 42,157,804 |
| Total comprehensive income for the year | - | - | 49,444,209 | - | 49,444,209 | 49,444,209 |
| Dividends paid during the reporting period | - | - | (42,500,000) | - | (42,500,000) | (42,500,000) |
| **Balance at the end of the reporting year** | 10 | 1 | 49,102,002 | - | 49,102,013 | 49,102,013 |
| Notes | 16 | 16 | | | | |

# IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED

(Registration Number 2013/211998/06)

Annual Financial Statements for the year ended 31 December 2023

## STATEMENT OF CASH FLOWS

| | Notes | 2023<br>R | 2022<br>R |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in) operations | 21 | (3,431,446) | (5,757,079) |
| Dividends paid | 22 | (42,500,000) | (25,000,000) |
| Interest received | 23 | 835,156,115 | 490,523,512 |
| Interest paid | 24 | (730,070,234) | (432,164,071) |
| Taxation (paid) | 25 | (18,280,467) | (18,358,277) |
| Net cash inflow/ (outflow) from derivatives | | 12,505,298 | (5,217,501) |
| Tax refund | | 7,040,049 | - |
| **Net cash generated by operating activities** | | 60,419,315 | 4,026,584 |
| **Cash flows from investing activities** | | | |
| Loans and advances extended | | (3,750,000,000) | (4,082,044,775) |
| Loans and advances settled | | 3,150,060,000 | 2,531,330,000 |
| Proceeds from disposal of investment securities | | - | 900,000,000 |
| **Net cash (used in) investing activities** | | (599,940,000) | (650,714,775) |
| **Cash flows from financing activities** | | | |
| Repayment of debt securities in issue | | (8,436,964,775) | (7,867,500,000) |
| Proceeds from debt securities in issue | | 9,036,904,775 | 8,436,964,775 |
| **Net cash from financing activities** | | 599,940,000 | 569,464,775 |
| **Net increase (decrease) in cash and cash equivalents** | | 60,419,315 | (77,223,416) |
| **Cash and cash equivalents at the beginning of the year** | 15 | 28,848,982 | 106,072,398 |
| **Cash and cash equivalents at the end of the year** | 15 | 89,268,297 | 28,848,982 |

## SUMMARY OF ACCOUNTING POLICIES

### 1. Statement of compliance

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

### 2. Material accounting policies

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

### 2.1 Adoption of new and revised accounting standards

During the current year, the company has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRS-IC that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2023. For details of the new and revised accounting policies refer to note 36.

### 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 (authorised on 23 April 2024) 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 annual financial statements are presented in South African Rand (R), which is the presentation and functional currency of the company.

### 2.3 Segmental reporting

IMPUMELELO CP NOTE PROGRAMME 1 (RF) LIMITED isses 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.

### 2.4 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.

## SUMMARY OF ACCOUNTING POLICIES

**2. Material accounting policies (continued)**

**2.4 Revenue recognition (continued)**

Commitment fees are typically received by the company in return for loan commitments issued. For loan commitments where drawdown is probable, the fee will be recognised as deferred income on balance sheet and subsequently recognised as an adjustment to EIR on the loan upon drawdown. The remaining portion will continue to be deferred until further loan drawdown takes place or else be recognised as fee income when the loan commitment expires without being drawn.

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

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

**2.5 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. Material accounting policies (continued)

### 2.6 Financial instruments

#### 2.6.1 *Initial recognition of financial assets and financial liabilities*

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

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

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

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

#### 2.6.2 *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.

## SUMMARY OF ACCOUNTING POLICIES

**2. Material accounting policies (continued)**
**2.6.2 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 Effective interest income using the effective interest rate method. The carrying amount is adjusted by the cumulative expected credit losses recognised.
- Fair value through other comprehensive income - This classification applies to financial assets which meet the SPPI test, and are held within a portfolio whose objectives include both the collection of contractual cash flows and the selling of financial assets. These financial assets are subsequently measured at fair value with movements in the fair value recognised in other comprehensive income, with the exception of interest income, expected credit losses and foreign exchange gains and losses that are recognised within profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to Net trading income in profit or loss. Interest income from these financial assets is included as Effective interest income using the effective interest rate method.
- Fair value through profit or loss - Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are mandatorily measured at fair value through profit or loss. Gains and losses on these instruments are recognised in profit or loss. The company may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. These will be subsequently measured at fair value through profit or loss with gains and losses recognised as Gains and losses from banking and trading activities 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.

## SUMMARY OF ACCOUNTING POLICIES

**2. Material accounting policies (continued)**

**2.6.2 Classification and measurement of financial instruments (continued)**

Amounts recognised in other comprehensive income are not subsequently recognised in profit or loss. Dividends, when representing a return on investment, continue to be recognised in profit or loss when the company's right to receive payment is established. All equity instruments for which the designation at fair value through other comprehensive income has not been applied are recognised at fair value through profit or loss with gains and losses recognised in 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.

**2.6.3 *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.

Impairment is recognised based on a three-stage approach:

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

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

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

Lifetime expected credit losses will no longer be recognised when there is evidence that the criteria is 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.

## SUMMARY OF ACCOUNTING POLICIES

**2. Material accounting policies (continued)**
**2.6.3 Expected credit losses on financial assets (continued)**

***Expected loss calculation***

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:

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

***Lifetime of financial instruments***

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

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

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

***Forward looking information***

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

***Write -off***

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

## SUMMARY OF ACCOUNTING POLICIES

**2. Material accounting policies (continued)**

**2.6.4 *Derecognition of financial instruments***

*Derecognition of financial assets*

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

The gain or loss on derecognition of financial assets is determined as the difference between the carrying value of the financial asset derecognised (including impairment, if any) and the fair value of any proceeds received.

*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.

**2.6.5 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 for shares 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.

**2.6.6 *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. Material accounting policies (continued)**

**2.6.6 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 fair value through profit or loss. Embedded derivatives are not separated from financial asset non-derivative host contracts and the entire contract, including any embedded derivatives, is assessed as a whole for classification purposes.

**2.7 Cash and cash equivalents**

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

### 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.

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.

• 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.

| | 2023 R | 2022 R |
|---|---|---|

### 3. Judgements and estimates (continued)

**Recognition of investment securities at fair value through other comprehensive income**

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

**Expected Credit Losses**

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

ECL estimation must reflect an unbiased and probability-weighted estimate of future losses determined by evaluating a range of possible macroeconomic outcomes. Whilst economic activity across South Africa has started to recover due to the easing of lock-down restrictions, economic concerns remain due to high levels of unemployment and the risk of a possible resurgence of the virus. Such risks have been incorporated in the scenarios used to calculate the Company's ECL charge at 31 December 2023.

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

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

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

### 4. Effective interest income

| | 2023 R | 2022 R |
|---|---|---|
| On Bank and call accounts | 5,416,629 | 1,916,366 |
| On Loans and advances | 779,416,963 | 450,174,444 |
| **Total Effective interest income** | 784,833,592 | 452,090,810 |

### 5. Other interest income

| | 2023 R | 2022 R |
|---|---|---|
| On Loans and advances held at FVTPL | 46,714,326 | 99,822,321 |
| **Total Other interest income** | 46,714,326 | 99,822,321 |

### 6. Effective interest expense

| | 2023 R | 2022 R |
|---|---|---|
| On Debt securities in issue | 773,409,019 | 491,639,109 |
| **Total Effective interest expense** | 773,409,019 | 491,639,109 |

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| | 2023<br>R | 2022<br>R |
|---|---|---|

### 7. Other gains and losses

| | 2023 R | 2022 R |
|---|---|---|
| Gains/(losses) on financial instruments designated at FVTPL | 14,060,492 | (32,971,678) |
| Net gains/(losses) on financial assets designated at FVTPL | 14,060,492 | (32,971,678) |
| Net gains on financial instruments mandatorily held at FVTPL | 2,832,298 | 23,387,810 |
| **Total Other gains and losses** | 16,892,790 | (9,583,868) |

### 8. Administration expenses

### 8.1 Audit Remuneration

| | 2023 R | 2022 R |
|---|---|---|
| Audit fees-current reporting period | 185,688 | 157,688 |
| **Total Audit remuneration** | 185,688 | 157,688 |

### 8.2 Other

| | 2023 R | 2022 R |
|---|---|---|
| Directors fees | 201,995 | 197,987 |
| **Total Other** | 201,995 | 197,987 |
| | | |
| **Total Administration expenses** | 387,683 | 355,675 |

### 9. Other expenses

### 9.1 Other

| | 2023 R | 2022 R |
|---|---|---|
| Agency costs | 452,266 | 421,571 |
| Bank charges | 16,862 | 13,779 |
| Management fee expenses | 6,122,615 | 5,782,037 |
| Other expenses | 14 | - |
| **Total Other** | 6,591,757 | 6,217,387 |
| | | |
| **Total  Other expenses** | 6,591,757 | 6,217,387 |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | 2023 R | 2022 R |
|---|---|---|
| **10. Credit impairment (charges)** | | |
| **Financial assets** | | |
| Impairment losses recognised on Cash and cash equivalents | **(362,783)** | **(879)** |
| Stage 1 | (362,783) | (879) |
| Impairment losses recognised on Investment securities held at FVOCI | **-** | **607,616** |
| Stage 1 | - | 607,616 |
| Impairment losses recognised on Loans and advances | **42,332** | **(1,108,998)** |
| Stage 1 | 42,332 | (1,108,998) |
| **Total Impairment losses** | **(320,451)** | **(502,261)** |
| **11. Taxation expense recognised in profit or loss** | | |
| **Current tax** | | |
| Current tax-current year | (17,572,739) | (13,614,653) |
| **Total Current tax** | (17,572,739) | (13,614,653) |
| **Deferred tax** | | |
| Deferred tax (expense)/ income recognised in the current year | (714,850) | 1,352,410 |
| **Total Deferred tax** | (714,850) | 1,352,410 |
| **Total taxation expense recognised in the current year** | (18,287,589) | (12,262,243) |
| **Reconciliation between profit** | | |
| **In currency units** | | |
| Profit before tax | 67,731,798 | 43,614,831 |
| | 67,731,798 | 43,614,831 |
| Applicable tax rate: | 27% | 28% |
| Tax calculated at a statutory tax rate | (18,287,585) | (12,212,153) |
| Effect on deferred tax balances due to the change in income tax rate | - | (50,090) |
| Effect of expenses that are not deductible for tax purposes | (3) | - |
| **Total taxation expense recognised in statement of comprensive income** | (18,287,588) | (12,262,243) |

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 12. Loans and advances

| | 2023<br>R | 2022<br>R |
|---|---|---|
| Investments in loans recognised at amortised cost | 8,708,024,020 | 7,438,579,400 |
| Investments in loans recognised at fair value through profit and loss | 420,182,075 | 1,079,743,382 |
| **Gross loans and advances** | 9,128,206,095 | 8,518,322,782 |
| Expected credit losses | (2,435,964) | (2,478,296) |
| **Net loans and advances** | 9,125,770,131 | 8,515,844,486 |
| **Maturity of loans and advances** | | |
| Current portion | 2,076,988,053 | 2,001,614,626 |
| Non-current portion | 7,048,782,078 | 6,514,229,860 |
| | 9,125,770,131 | 8,515,844,486 |

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

The average interest rate for the loans during the current reporting period was 9.26% (2022: 6.53%).

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

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

The accrued interest balance on loans recognised at amortised cost is R95,979,244 (2022: R101,534,625)

The accrued interest balance on loans recognised at fair value through profit and loss is R7,972,369 (2022: R6,204,757)

Fair value adjustments on loans recognised at fair value through profit and loss: -R12,650,295 (2022: -R26,381,375)

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 13. Derivative financial instruments

| 2023 | Notional contract amount | Assets |
|---|---|---|
| **Interest rate derivatives** | | |
| Swaps | 12,854,981 | 12,854,981 |
| **Interest rate derivatives** | 12,854,981 | 12,854,981 |

| 2023 | Notional contract amount | Assets |
|---|---|---|
| Current | 12,854,981 | 12,854,981 |
| **Total derivatives** | 12,854,981 | 12,854,981 |

| 2022 | Notional contract amount | Assets |
|---|---|---|
| **Interest rate derivatives** | | |
| Swaps | 22,018,999 | 22,018,999 |
| **Interest rate derivatives** | 22,018,999 | 22,018,999 |

| 2022 | Notional contract amount | Assets |
|---|---|---|
| Current | 22,018,999 | 22,018,999 |
| **Total derivatives** | 22,018,999 | 22,018,999 |

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| | 2023 R | 2022 R |
|---|---|---|

### 14. Deferred tax

### 14.1 Deferred tax

| 2023 | Balance at the beginning of reporting year | Recognised in profit or loss | Recognised in other comprehensive income | Balance at the end of the reporting year |
|---|---|---|---|---|
| Loans and advances held at fair value through profit or loss | 7,282,786 | (3,864,789) | - | 3,417,997 |
| Derivatives financial instruments | (6,513,681) | 3,098,026 | - | (3,415,655) |
| Expected credit losses | 401,937 | 51,912 | - | 453,849 |
| | 1,171,042 | (714,851) | - | 456,191 |

| 2022 | Balance at the beginning of reporting year | Recognised in profit or loss | Recognised in other comprehensive income | Balance at the end of the reporting year |
|---|---|---|---|---|
| Investment securities held at fair value through OCI | 1,120,450 | - | (1,120,450) | - |
| Loans and advances held at fair value through profit or loss | - | 7,282,786 | - | 7,282,786 |
| Derivatives financial instruments | (483,197) | (6,030,484) | - | (6,513,681) |
| Expected credit losses | 301,828 | 100,109 | - | 401,937 |
| | 939,081 | 1,352,411 | (1,120,450) | 1,171,042 |

| | 2023 | 2022 |
|---|---|---|
| Deferred tax assets | 456,191 | 1,171,041 |
| **Total deferred tax** | 456,191 | 1,171,041 |

### 15. Cash and cash equivalents

| | 2023 | 2022 |
|---|---|---|
| Cash and bank balances | 89,268,297 | 28,848,982 |
| | **89,268,297** | **28,848,982** |
| Expected credit losses | (365,571) | (2,788) |
| **Net Cash and Cash Equivalents** | **88,902,726** | **28,846,194** |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 16. Share capital

### 16.1 Share capital

| | Authorised number of shares | Issued number of shares | Authorised Amount | Issued Amount | Price per share |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Ordinary shares of no par value per share | 100 | 10 | 100 | 10 | 1 |
| | | | 100 | 10 | |
| **2022** | | | | | |
| Ordinary shares of no par value per share | 100 | 10 | 100 | 10 | 1 |
| | | | 100 | 10 | |

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.

There were no shares issued during the current or prior reporting period. All shares Issued by the Company were fully paid up.

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 16. Share capital (continued)

### 16.2 Preference share capital

| | Authorised number of shares | Issued number of shares | Authorised Amount | Issued Amount | Price per share |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Preference shares | 50 | 1 | 50 | 1 | 1 |
| | | | 50 | 1 | |
| **2022** | | | | | |
| Preference shares | 50 | 1 | 50 | 1 | 1 |
| | | | 50 | 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.

There were no shares issued during the current or prior reporting period. All shares Issued by the Company were fully paid up.

| | 2023 R | 2022 R |
|---|---|---|

### 17. Share-based payments

#### 17.1 Description of share-based payments and deferred cash-settled payment arrangements

The Absa Group B-BBEE transaction resulted in the indirect allocation of 3% of the Group's shareholding to a Staff Trust (the Absa Empowerment Trust). SA Staff Scheme participants are awarded units in the Staff Trust corresponding to an allocation of the Absa shares held by Newshelf 1405 (RF) Proprietary Limited (NS 1405). The SA Staff Scheme participants benefit from an attributable share of annual dividends equal to 25% of the Absa dividend paid to NS 1405 in the preceding 12 months, subject to a minimum loan to value ratio being maintained. The vesting term of the SA Staff Scheme is five years at which time qualifying participants will be direct and beneficial owners of unencumbered Absa shares. Notional units forfeited prior to the vesting date will be retained in the Staff Trust and re-allocated to eligible staff who join the Absa Group in the first 3 years of commencement of the SA Staff Scheme on a first-come-first-served basis.

### 18. Trade and other receivables

#### 18.1 Trade receivables

| | 2023 R | 2022 R |
|---|---|---|
| Sundry debtors | - | 796,543 |
| **Total Trade receivables** | - | 796,543 |

#### 18.2 Other receivables

| | 2023 R | 2022 R |
|---|---|---|
| Amounts owed by related parties | 179,571 | 897 |
| **Total Other receivables** | 179,571 | 897 |
| **Total Trade and other receivables** | 179,571 | 797,440 |

The sundry debtors amount in the prior year relates to tax penalty refunds for penalties and the related interest levied in the year 2019 but which were subsequently waived and credited to the Company's tax account with the South African Revenue Service. The refund was offset against the current tax payable in the current year.

### 19. Trade and other payables

#### 19.1 Trade payables

| | 2023 R | 2022 R |
|---|---|---|
| Trade payables | 808,840 | 357,905 |
| **Total trade payables** | 808,840 | 357,905 |

#### 19.2 Other payables

| | 2023 R | 2022 R |
|---|---|---|
| Amounts owing to related parties | 3,997,167 | 1,517,977 |
| **Total Other payables** | 3,997,167 | 1,517,977 |
| **Total trade and other payables** | 4,806,007 | 1,875,882 |

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| | 2023<br>R | 2022<br>R |
|---|---|---|

### 20. Debt securities in issue

### 20.1 Debt securities held at amortised cost

| | 2023 R | 2022 R |
|---|---|---|
| Commercial paper | 9,172,632,938 | 8,529,354,153 |
| | 9,172,632,938 | 8,529,354,153 |
| **Total Debt securities in issue** | 9,172,632,938 | 8,529,354,153 |

### 20.2 Debt securities in issue

**Current portion**

| | 2023 R | 2022 R |
|---|---|---|
| Debt securities held at amortised cost | 9,036,904,775 | 8,436,964,775 |
| Accrued Interest on debt securities held at amortised cost | 135,728,163 | 92,389,378 |
| | 9,172,632,938 | 8,529,354,153 |

### 20.3 Summary of terms

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 8.57% (2022: 5.96%).

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.s. The default event that drives the guarantee is iMpumelelo CP Note Programme 1 (RF) Limited defaulting on the notes and not the underlying borrowers defaulting on their loans.

The South African Reserve Bank (SARB) announced in 2020 that the JIBAR would cease to exist in the near future as it did not comply with the International Organisation of Securities Commissions Principles for Financial Benchmarks. The SARB Market Practitioners Group (MPG), a joint public-private body has been mandated to facilitate decisions on the choice of alternative reference rates for financial contracts that should replace JIBAR. The transition journey for JIBAR has made some progress at an industry level however transition timelines are yet to be announced by the SARB. The company's administrator, Absa Bank Limited, participates in the SARB’s MPG which has started the preparations for the transition of JIBAR at an industry level. The company will leverage the experience gained by its administrator in the IBOR transition journey to plan for the upcoming JIBAR transition. The company's JIBAR journey thus far has been limited to the participation of its administrator on the MPG. The administrator of the company has also been submitting daily transaction data to the SARB for the calculation and publication of ZARONIA. Following the conclusion of the ZARONIA observation period on the 3rd of November 2023, the SARB announced that market participants may use ZARONIA as a reference rate in financial contracts.

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| | 2023<br>R | 2022<br>R |
|---|---|---|
| **21. Cash (used in) operating activities** | | |
| Profit before tax | 67,731,798 | 43,614,831 |
| **Adjustments for:** | | |
| Interest income | (831,547,918) | (551,913,131) |
| Interest expense | 773,409,019 | 491,639,109 |
| Expected credit losses | 320,451 | 502,261 |
| Net (gain)/loss on financial assets designated as at fair value through profit or loss | (16,892,790) | 9,583,868 |
| Cash flow (used in) operating activities before changes in operating assets and liabilities | (6,979,440) | (6,573,062) |
| **Changes in operating assets and liabilities** | | |
| Decrease in trade and other receivables | 617,869 | 1,074,636 |
| Increase/(decrease) in trade and other payables | 2,930,125 | (258,653) |
| **Total changes in working capital** | **3,547,994** | **815,983** |
| **Cash (used in) operations** | **(3,431,446)** | **(5,757,079)** |
| **22. Dividends paid** | | |
| Dividends declared during the current year | (42,500,000) | (25,000,000) |
| **Dividends paid** | (42,500,000) | (25,000,000) |
| **23. Interest received** | | |
| Interest income recognised in profit and loss | 831,547,918 | 551,913,131 |
| Accrued interest receivable at the beginning of the year | 107,739,383 | 46,349,764 |
| Accrued interest receivable at the end of the year | (104,131,186) | (107,739,383) |
| **Total interest received** | 835,156,115 | 490,523,512 |
| **24. Interest paid** | | |
| Interest expense recognised in profit and loss | (773,409,019) | (491,639,109) |
| Accrued interest payable at the beginning of the year | (92,389,378) | (32,914,340) |
| Accrued interest payable at the end of the year | 135,728,163 | 92,389,378 |
| **Total interest paid** | (730,070,234) | (432,164,071) |

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### 25. Taxation paid

| | 2023<br>R | 2022<br>R |
|---|---|---|
| Tax receivable/(payable) at the beginning of the year | 4,709,679 | (33,945) |
| Current tax expense | (17,572,739) | (13,614,653) |
| Refund received from SARS | (7,040,049) | - |
| Tax payable/(receivable) at the end of the year | 1,622,642 | (4,709,679) |
| **Taxation paid** | **(18,280,467)** | **(18,358,277)** |

### 26. Reconciliation of changes in liabilities arising from financing activities

| 2023 | Debt securities in issue<br>R | Total<br>R |
|---|---|---|
| Balance at the beginning of the reporting period | 8,529,354,153 | 8,529,354,153 |
| Issue of instruments | 9,036,904,775 | 9,036,904,775 |
| Redemption of instruments | (8,436,964,775) | (8,436,964,775) |
| Interest paid | (730,070,234) | (730,070,234) |
| Interest accrued | 773,409,019 | 773,409,019 |
| **Balance at the end of the reporting period** | 9,172,632,938 | 9,172,632,938 |

| 2022 | Debt securities in issue<br>R | Total<br>R |
|---|---|---|
| Balance at the beginning of the reporting period | 7,900,931,811 | 7,900,931,811 |
| Issue of instruments | 8,436,964,775 | 8,436,964,775 |
| Redemption of instruments | (7,867,500,000) | (7,867,500,000) |
| Interest paid | (432,164,071) | (432,164,071) |
| Interest accrued | 491,639,109 | 491,639,109 |
| Non cash adjustments | (517,471) | (517,471) |
| **Balance at the end of the reporting period** | 8,529,354,153 | 8,529,354,153 |

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 27. Credit Risk Reconciliation of Expected Credit Loss Allowance

| | Balances at the beginning of the reporting period | Current period provision | Reductions due to disposals / derecognition of financial assets | Originated/ purchased credit impaired assets | Balance at the end of the reporting period |
|---|---|---|---|---|---|
| **2023** | | | | | |
| **Cash and cash equivalents** | | | | | |
| Stage 1 | 2,788 | 362,783 | - | - | 365,571 |
| **Total expected credit losses** | 2,788 | 362,783 | - | - | 365,571 |
| **Loans and advances** | | | | | |
| Stage 1 | 2,478,296 | (960,238) | (667,850) | 1,585,756 | 2,435,964 |
| **Total expected credit losses** | 2,478,296 | (960,238) | (667,850) | 1,585,756 | 2,435,964 |

### 27. Credit Risk Reconciliation of Expected Credit Loss Allowance (continued)

| | Balances at the beginning of the reporting period | Current period provision | Reductions due to disposals / derecognition of financial assets | Originated/ purchased credit impaired assets | Balance at the end of the reporting period |
|---|---|---|---|---|---|
| **2022** | | | | | |
| **Cash and cash equivalents** | | | | | |
| Stage 1 | 1,909 | 879 | - | - | 2,788 |
| **Total expected credit losses** | 1,909 | 879 | - | - | 2,788 |
| **Loans and advances** | | | | | |
| Stage 1 | 1,369,298 | 255,307 | (252,127) | 1,105,818 | 2,478,296 |
| **Total expected credit losses** | 1,369,298 | 255,307 | (252,127) | 1,105,818 | 2,478,296 |
| **Investment securities held at FVOCI** | | | | | |
| Stage 1 | 607,616 | - | (607,616) | - | - |
| **Total expected credit losses** | 607,616 | - | (607,616) | - | - |

During the current financial year, gross loans and advances increased to R9,128,206,095 , an increase of R609,883,313 from prior year. The value of loans originated during the year amounted to R3,750,000,000 leading to an increase in the ECL allowance for the year of R1,585,756. No new loan modifications that did not result in derecognition of the loan were observed. Gross loans and advances settled during the current year amounted to R3,150,060,000 resulting in an decrease of R667,850 to the ECL allowance.

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### 28. Financial instruments

### 28.1 Categories of Financial instruments

| | Fair Value through Profit/Loss - Mandatory | Fair Value through Profit/Loss - Designated | Total - Fair Value through Profit/Loss | Amortised Cost - Debt instruments | Total - Amortised Cost | Total | Outside the Scope of IFRS 9 | Total Assets and Liabilities |
|---|---|---|---|---|---|---|---|---|
| | R | R | R | R | R | R | R | R |
| **2023** | | | | | | | | |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | - | - | **-** | 88,902,726 | **88,902,726** | **88,902,726** | - | **88,902,726** |
| Trade and other receivables | - | - | **-** | 179,571 | **179,571** | **179,571** | - | **179,571** |
| Loans and advances | - | 420,182,075 | **420,182,075** | 8,705,588,056 | **8,705,588,056** | **9,125,770,131** | - | **9,125,770,131** |
| Derivative financial instrument assets | 12,854,981 | - | **12,854,981** | - | **-** | **12,854,981** | - | **12,854,981** |
| **Total** | **12,854,981** | **420,182,075** | **433,037,056** | **8,794,670,353** | **8,794,670,353** | **9,227,707,409** | **-** | **9,227,707,409** |
| **Liabilities** | | | | | | | | |
| Trade and other payables | - | - | **-** | - | **-** | **-** | 4,806,007 | **4,806,007** |
| Debt securities in issue | - | - | **-** | 9,172,632,938 | **9,172,632,938** | **9,172,632,938** | - | **9,172,632,938** |
| **Total** | **-** | **-** | **-** | **9,172,632,938** | **9,172,632,938** | **9,172,632,938** | **4,806,007** | **9,177,438,945** |

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**28. Financial instruments (continued)**

**28.1 Categories of Financial instruments (continued)**

| | Fair Value through Profit/Loss - Mandatory | Fair Value through Profit/Loss - Designated | Total - Fair Value through Profit/Loss | Amortised Cost - Debt instruments | Total - Amortised Cost | Total | Outside the Scope of IFRS 9 | Total Assets and Liabilities |
|---|---|---|---|---|---|---|---|---|
| | R | R | R | R | R | R | R | R |
| **2022** | | | | | | | | |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | - | - | **-** | 28,846,194 | **28,846,194** | **28,846,194** | - | **28,846,194** |
| Trade and other receivables | - | - | **-** | 797,440 | **797,440** | **797,440** | - | **797,440** |
| Loans and advances | - | 1,079,743,382 | **1,079,743,382** | 7,436,101,104 | **7,436,101,104** | **8,515,844,486** | - | **8,515,844,486** |
| Derivative financial instrument assets | 22,018,999 | - | **22,018,999** | - | **-** | **22,018,999** | - | **22,018,999** |
| **Total** | **22,018,999** | **1,079,743,382** | **1,101,762,381** | **7,465,744,738** | **7,465,744,738** | **8,567,507,119** | **-** | **8,567,507,119** |
| **Liabilities** | | | | | | | | |
| Trade and other payables | - | - | **-** | - | **-** | **-** | 1,875,882 | **1,875,882** |
| Debt securities in issue | - | - | **-** | 8,529,354,153 | **8,529,354,153** | **8,529,354,153** | - | **8,529,354,153** |
| **Total** | **-** | **-** | **-** | **8,529,354,153** | **8,529,354,153** | **8,529,354,153** | **1,875,882** | **8,531,230,035** |

### 29. Risk management

### 29.1 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.

Oversight of risk management is the responsibility of the company's management, the management team satisfies itself that an effective control environment exists within the company and that all major risks are adequately managed and that a structure exists which ensures good corporate governance practices.

### 29.2 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.

### 29.3 Market risk

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

- Traded market risk: The risk of the company's earnings or capital being adversely impacted due to changes in the level or volatility of prices affecting the positions undertaken in its business operations. This may include but is not limited to changes in interest rates, credit spreads, commodity prices, equity prices and foreign exchange levels.

- Non-traded market risk: The risk of the company exposed to interest rate risk arising from loans 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.

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**29. Risk management (continued)**

**29.4 Interest rate risk management**

The company is exposed to interest rate risk because the company borrow funds at both fixed and floating interest rates. The risk is managed by the company by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity management section of this note.

**Sensitivity Analysis**

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.

Some of the loans and advances disclosed in note 12 and the the debt securities issued as disclosed in note 20, are sensitive to changes in market interest rates and as such expose the company to interest rate risk.

| | Increase in interest rates 2023 | Decrease in interest rates 2023 | Increase in interest rates 2022 | Decrease in interest rates 2022 |
|---|---|---|---|---|
| Increase/(decrease) in interest received | 85,970,448 | (85,970,448) | 73,370,448 | (73,370,448) |
| (Increase)/decrease in interest paid | (89,161,947) | 89,161,947 | (65,869,648) | 65,869,648 |
| Increase/(decrease) in profit before taxation | (3,191,499) | 3,191,499 | 7,500,800 | (7,500,800) |

**29. Risk management (continued)**

**29.5 Credit risk**

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

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

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

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

Corporate loans and most of the Commercial Property Finance (CPF) loans are extended on an unsecured basis, and no specific collateral is held against these exposures. Some of the CPF loans are secured by a portfolio of properties pledged to a number of facility providers (of which the company is one). The value of the collateral is taken into account in the LGD (loss given default) parameter of the impairment model as credit mitigation. The value of the collateral at year end was R729,233,831.

| | **Gross maximum exposure R** | **12 months expected credit losses-Stage 1 R** |
|---|---|---|
| **Maximum credit risk exposure** | | |
| **2023** | | |
| Cash and cash equivalents | 89,268,297 | 89,268,297 |
| Loans and advances | 9,128,206,095 | 9,128,206,095 |
| Trade and other receivables | 179,571 | 179,571 |
| **Total gross maximum exposure credit risk** | 9,217,653,963 | 9,217,653,963 |
| Expected credit losses | (2,801,535) | (2,801,535) |
| **Total net exposure to credit risk as disclosed on the statement of financial position** | 9,214,852,428 | 9,214,852,428 |
| **Total financial assets per the statement of financial position** | 9,214,852,428 | 9,214,852,428 |

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**29. Risk management (continued)**
**29.5 Credit risk (continued)**

| | Gross maximum exposure R | 12 months expected credit losses-Stage 1 R |
|---|---|---|
| **Maximum credit risk exposure** | | |
| **2022** | | |
| Cash and cash equivalents | 28,848,982 | 28,848,982 |
| Loans and advances | 8,518,322,782 | 8,518,322,782 |
| Trade and other receivables | 797,438 | 797,438 |
| **Total gross maximum exposure credit risk** | 8,547,969,202 | 8,547,969,202 |
| Expected credit losses | (2,481,084) | (2,481,084) |
| **Total net exposure to credit risk as disclosed on the statement of financial position** | 8,545,488,118 | 8,545,488,118 |
| **Total financial assets per the statement of financial position** | 8,545,488,118 | 8,545,488,118 |

**29.6 Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

**29. Risk management (continued)**
**29.6 Liquidity risk management (continued)**

**29.6.1 Liquidity and interest risk tables**
**Maturity analysis for undiscounted financial liabilities**

The following tables detail the company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the company may be required to pay.

| | Less than 1 year<br>R | Total<br>R |
|---|---|---|
| **2023** | | |
| Debt securities in issue | (9,731,687,490) | (9,731,687,490) |
| Trade and other payables | (4,806,007) | (4,806,007) |
| | (9,736,493,497) | (9,736,493,497) |
| **2022** | | |
| Debt securities in issue | (8,894,492,510) | (8,894,492,510) |
| Trade and other payables | (1,875,882) | (1,875,882) |
| | (8,896,368,392) | (8,896,368,392) |

### 29. Risk management (continued)

**Maturity analysis for undiscounted financial assets**

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

| | Less than 1 year<br>R | 1 - 3 years<br>R | 3 - 5 years<br>R | Total<br>R |
|---|---|---|---|---|
| **2023** | | | | |
| Cash and cash equivalents | 88,902,726 | - | - | 88,902,726 |
| Loans and advances | 1,967,339,848 | 3,080,195,342 | 5,696,153,220 | 10,743,688,411 |
| Trade and other receivables | 179,571 | - | - | 179,571 |
| | 2,056,422,145 | 3,080,195,342 | 5,696,153,220 | 10,832,770,708 |
| **2022** | | | | |
| Cash and cash equivalents | 28,846,194 | - | - | 28,846,194 |
| Loans and advances | 2,551,405,433 | 5,503,752,732 | 2,394,078,992 | 10,449,237,157 |
| Trade and other receivables | 797,440 | - | - | 797,440 |
| | 2,581,049,067 | 5,503,752,732 | 2,394,078,992 | 10,478,880,791 |

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.

### 29. Risk management (continued)

**Maturity analysis for derivatives instruments**

The following table details the company's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting period.

| | Less than 1 year | 1 - 3 years | 3 - 5 years | Total |
|---|---|---|---|---|
| | R | R | R | R |
| **2023** | | | | |
| **Net settled:** | | | | |
| Interest rate swaps | 7,966,659 | 7,061,541 | 1,403,928 | 16,432,128 |
| **2022** | | | | |
| **Net settled:** | | | | |
| Interest rate swaps | 9,200,491 | 9,171,453 | 1,475,582 | 19,847,526 |

### 30. Fair value hierarchy of assets and liabilities held at fair value

#### 30.1 Fair value hierarchy

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

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

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

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

### 30. Fair value hierarchy of assets and liabilities held at fair value (continued)

### 30.2 Recurring fair value measurements

| | Level 2<br>R | Level 3<br>R | Total<br>R |
|---|---|---|---|
| **Financial assets** | | | |
| **2023** | | | |
| **FVTPL-Designated as at FVTPL** | | | |
| Loans and advances | 420,182,075 | - | 420,182,075 |
| | **420,182,075** | **-** | **420,182,075** |
| **FVTPL-Mandatorily measured** | | | |
| Derivative financial instruments assets | 12,854,981 | - | 12,854,981 |
| | **12,854,981** | **-** | **12,854,981** |

| **2022** | **Level 2**<br>**R** | **Level 3**<br>**R** | **Total**<br>**R** |
|---|---|---|---|
| **FVTPL-Designated as at FVTPL** | | | |
| Loans and advances | 600,496,555 | 479,246,827 | 1,079,743,382 |
| | **600,496,555** | **479,246,827** | **1,079,743,382** |
| **FVTPL-Mandatorily measured** | | | |
| Derivative financial instruments assets | 22,018,999 | - | 22,018,999 |
| | **22,018,999** | **-** | **22,018,999** |

### 30. Fair value hierarchy of assets and liabilities held at fair value (continued)

### 30.3 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 assets** | **Types of financial instruments** | **Valuation techniques applied** | **Significant observable inputs** |
|---|---|---|---|
| Loans and advances | loans | Discounted cash flow | Interest rate curves & credit spreads |
| Derivative financial | swaps | Discounted cash flow | Interest rate curves |

**Valuation techniques for the level 3 fair value measurement of assets and liabilities held at fair value**

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

| **Category of assets** | **Types of financial instruments** | **Valuation techniques applied** | **Significant observable inputs** | **Range of estimates utilised for the unobservable inputs** |
|---|---|---|---|---|
| Loans and advances | loans | Discounted cashflows | Credit spreads | Internal default grade >12 or maturity > 5 years |

### 30. Fair value hierarchy of assets and liabilities held at fair value (continued)

### 30.4 Fair value hierarchy: Level 3 Recon

| | Loans and advances R | Total R |
|---|---|---|
| **2023** | | |
| Balance at the beginning of the reporting period | 479,246,827 | 479,246,827 |
| Transfers out of level 3 | (420,182,074) | (420,182,074) |
| Total gains and losses recognised in profit or loss | 8,022,877 | 8,022,877 |
| Settlements | (101,794,066) | (101,794,066) |
| Accrued interest | 34,706,436 | 34,706,436 |
| **Balance at the end of the reporting period** | **-** | **-** |

| | Loans and advances R | Total R |
|---|---|---|
| **2022** | | |
| Balance at the beginning of the reporting period | 604,860,007 | 604,860,007 |
| Total gains and losses recognised in profit or loss | (23,801,053) | (23,801,053) |
| Settlements | (144,020,128) | (144,020,128) |
| Accrued interest | 42,208,001 | 42,208,001 |
| **Balance at the end of the reporting period** | **479,246,827** | **479,246,827** |

## 31. Fair value of financial instruments not held at fair value

### 31.1 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.

| | Level 2<br>R | Total<br>R |
|---|---|---|
| **2023** | | |
| **Financial assets** | | |
| **Loans and advances** | | |
| loans and advances | 8,705,588,055 | 8,705,588,055 |
| | **8,705,588,055** | **8,705,588,055** |
| **Cash and cash equivalents** | | |
| Cash and cash equivalents | 88,902,726 | 88,902,726 |
| | **88,902,726** | **88,902,726** |

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

### 31.1 Fair value hierarchy (continued)

| | Level 2<br>R | Total<br>R |
|---|---|---|
| **2023** | | |
| **Trade and other receivables** | | |
| Trade and other receivables | 179,571 | 179,571 |
| | **179,571** | **179,571** |

| | Level 2<br>R | Total<br>R |
|---|---|---|
| **2022** | | |
| **Financial assets** | | |
| **Loans and advances** | | |
| loans and advances | 7,436,101,105 | 7,436,101,105 |
| | **7,436,101,105** | **7,436,101,105** |
| **Cash and cash equivalents** | | |
| Cash and cash equivalents | 28,846,194 | 28,846,194 |
| | **28,846,194** | **28,846,194** |
| **Trade and other receivables** | | |
| Trade and other receivables | 797,438 | 797,438 |
| | **797,438** | **797,438** |

| | Level 2<br>R | Total<br>R |
|---|---|---|
| **2023** | | |
| **Financial liabilities** | | |
| **Trade and other payables** | | |
| Trade and other payables | 4,806,007 | 4,806,007 |
| | **4,806,007** | **4,806,007** |

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

### 31.1 Fair value hierarchy (continued)

| | Level 2<br>R | Total<br>R |
|---|---|---|
| **2023** | | |
| **Debt securities in issue** | | |
| Debt securities in issue | 9,172,632,938 | 9,172,632,938 |
| | **9,172,632,938** | **9,172,632,938** |

### 31. Fair value of financial instruments not held at fair value (continued)
### 31.1 Fair value hierarchy (continued)

| | Level 2<br>R | Total<br>R |
|---|---|---|
| **2022** | | |
| **Financial liabilities** | | |
| **Trade and other payables** | | |
| Trade and other payables | 1,875,882 | 1,875,882 |
| | **1,875,882** | **1,875,882** |
| **Debt securities in issue** | | |
| Debt securities in issue | 8,529,354,153 | 8,529,354,153 |
| | **8,529,354,153** | **8,529,354,153** |

### 31.2 Level 2 and Level 3 fair value measurements

**Valuation techniques for level 2 fair value measurement of financial instruments 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 assets | Types of financial instruments | Valuation techniques applied | Significant observable inputs |
|---|---|---|---|
| Cash and cash equivalents | Bank deposits | Discounted cash flow | Interest rate curves |
| Loans and advances | Loans | Discounted cash flow | Interest rate curves |
| Trade and other receivables | Debtors | Discounted cash flow | Interest rate curves |

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

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

### 31.3 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 of the short term maturities of these assets and liabilities.

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | R | R | R | R |
| **Financial assets** | | | | |
| Cash and cash equivalents | 88,902,726 | 88,902,726 | 28,846,194 | 28,846,194 |
| Loans and advances | 8,705,588,056 | 8,705,588,056 | 7,436,101,105 | 7,436,101,105 |
| Trade and other receivables | 179,571 | 179,571 | 797,438 | 797,438 |
| **Total assets** | 8,794,670,353 | 8,794,670,353 | 7,465,744,737 | 7,465,744,737 |
| **Financial liabilities** | | | | |
| Debt securities in issue | 9,172,632,938 | 9,172,632,938 | 8,529,354,153 | 8,529,354,153 |
| Trade and other payables | 4,806,007 | 4,806,007 | 1,875,882 | 1,875,882 |
| **Total liabilities** | 9,177,438,945 | 9,177,438,945 | 8,531,230,035 | 8,531,230,035 |

### 32. Related parties

### 32.1 Summary of related party relationships

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 70% (2022: 44%) 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. Absa Corporate and Investment Bank, a division of Absa Bank Limited, administers the Company and receives a management fee as compensation.

### 32. Related parties (continued)

### 32.2 Details of related party balances

Included in the Statement of financial position are the following balances related to the respective related parties:

| | Cash and cash equivalents<br>R | Debt securities in issue<br>R | Preference share capital<br>R | Admin and management fee payable<br>R | Interest receivable on cash balances<br>R |
|---|---|---|---|---|---|
| **2023** | | | | | |
| **Shareholders** | | | | | |
| Absa Bank Limited (Preference share holders) | 89,268,297 | (6,428,957,803) | (1) | (3,997,432) | 179,571 |
| **Total Shareholders** | 89,268,297 | (6,428,957,803) | (1) | (3,997,432) | 179,571 |

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### 32. Related parties (continued)
### 32.2 Details of related party balances (continued)

| | Cash and cash equivalents | Debt securities in issue | Preference share capital | Admin and management fee payable | Interest receivable on cash balances |
|---|---|---|---|---|---|
| | R | R | R | R | R |
| **2022** | | | | | |
| **Shareholders** | | | | | |
| Absa Bank Limited (Preference share holders) | 28,848,982 | (3,727,682,339) | (1) | (1,518,241) | 898 |
| **Total Shareholders** | 28,848,982 | (3,727,682,339) | (1) | (1,518,241) | 898 |

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### 32. Related parties (continued)

### 32.3 Details of related party transactions

The related party transactions

| | Admin and management fees paid R | Interest received R | Interest paid R | Bank Charges R |
|---|---|---|---|---|
| **2023** | | | | |
| **Shareholders** | | | | |
| Absa Bank Limited (Preference share holders) | (6,122,615) | 4,237,768 | (527,545,010) | (32,703) |
| **Total Shareholders** | (6,122,615) | 4,237,768 | (527,545,010) | (32,703) |

| | Admin and management fees paid R | Interest received R | Interest paid R | Bank Charges paid R |
|---|---|---|---|---|
| **2022** | | | | |
| **Shareholders** | | | | |
| Absa Bank Limited (Preference share holders) | (5,782,037) | 1,916,366 | (322,473,821) | (13,779) |
| **Total Shareholders** | (5,782,037) | 1,916,366 | (322,473,821) | (13,779) |

### 33. 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 R201,995 (2022: R197,987) are paid to TMF Corporate Services (South Africa) Proprietary Limited for non-executive director services provided to the Company.

### 34. Events after the reporting date

The directors are not aware of any events, after the reporting date, that could materially impact these financials statements as currently presented.

### 35. Financial statement preparation

A change in systems, used to prepare annual financial statements, in the 2023 financial year has allowed, in certain circumstances, for further disaggregation and condensing of amounts presented in the annual financial statements. Comparative information has been updated to reflect this disaggregation or condensing.

### 36. New accounting pronouncements

### 36.1 Standards, amendments to standards and circulars adopted for the first time in the current reporting period

| Standard | Annual periods beginning on or after |
|---|---|
| **Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies** | 1 January 2023 |

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, guidelines and examples have been developed to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

| | |
|---|---|
| **Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors** | 1 January 2023 |

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, while changes in accounting policies are generally applied retrospectively to past transactions and other past events. The amendments are effective for reporting periods beginning on or after 1 January 2023.

| | |
|---|---|
| **Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction** | 1 January 2023 |

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

| | |
|---|---|
| **Amendments to IAS 12 International Tax Reform– Pillar Two Model Rules** | 1 January 2023 |

The Organisation for Economic Co-operation and Development (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum, 15% tax rate. The amendments will introduce:

- A temporary exception – to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules. This will help ensure consistency in the financial statements while easing the implementation of the rules; and
- Targeted disclosure requirements – to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

The Amendments were effective in the current financial year but, with the exception of the adoption of IFRS 17, had no impact on the annual financial statements of the company.

### 36. New accounting pronouncements (continued)

### 36.2 New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards have been issued but not yet effective for the reporting period and have not been applied in preparing these annual financial statements. Unless specifically noted to the contrary, these amendments are not expected to have a material impact on the company.

**Amendments to IAS 1 Classification of liabilities as current or non-current and non-current liabilities with covenants** 1 January 2024

The amendments 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. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

**Amendments to IFRS 16 sale and leaseback with variable payments that do not depend on an index or rate** 1 January 2024

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it doesn't recognise any amount of the gain or loss that related to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss, any gain or loss relating to the partial or full termination of a lease. The amendments are effective for reporting periods beginning on or after 1 January 2024.