NQABA FINANCE 1 PROPRIETARY LIMITED

(Registration Number 2005/040050/07)
(Previously “Main Street 399 Proprietary Limited”)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

CONTENTS	**PAGE**
Company information	3
Responsibility for and approval of annual financial statements	4
Independent auditors' report	5
Report of the audit and risk committee	7
Report of the directors	9
Statement of financial position	10
Statement of comprehensive income	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the annual financial statements	14 - 28

Prepared by: ________________________

ET Bester
Financial Manager
Eskom Finance Company SOC Limited

COMPANY INFORMATION

Date of incorporation	11 November 2005	
Nature of business	Comprises the management of a pool of mortgage advances, funded via residential mortgage backed securities which are listed on the Interest Rate Market of the Johannesburg Securities Exchange Limited ("JSE"), using a securitisation structure.	
Directors	KW van Staden	Appointed 1 March 2011
	TL Myburgh	Appointed 9 February 2006
	EM Southey	Appointed 31 January 2009
Secretary	Eskom Finance Company SOC Limited performs the functions of the secretary.	
Independent auditors	SizweNtsalubaGobodo Inc.	
Bankers	Absa Bank Limited	
Registered office	Building B Sunninghill Place 9 Simba Road Sunninghill Johannesburg 2157	
Postal address	c/o TL Myburgh PO Box 1091 Johannesburg 2000	
Service providers	The service management agent is Absa Bank Limited. Eskom Finance Company SOC Limited is the servicer.	

RESPONSIBILITY FOR AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The company's independent external auditors, SizweNtsalubaGobodo Inc., have audited the financial statements and their unqualified report appears on page 5.

The directors are also responsible for the systems of internal control and risk management. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The directors have made an assessment of the ability of Nqaba Finance 1 to continue as going concerns in the foreseeable future and are satisfied that they have access to adequate resources and facilities to be able to continue its operations. Accordingly the board have continued to adopt the going-concern basis in preparing the financial statements.

The directors endorse the Code of Corporate Practices and Conduct as set out in the King III Report issued 1 September 2009. By supporting the code the directors recognise the need to conduct the affairs of the company with integrity and accountability in accordance with International Financial Reporting Standards.

As the company is an insolvency remote entity and its affairs are managed in terms of the Servicing and Back-up Servicing Agreement by Eskom Finance Company SOC Limited, many of the requirements of the code are not directly applicable. The company has no employees and no administrative infrastructure of its own, having contracted these functions to Eskom Finance Company SOC Limited, which also endorses the code.

The annual financial statements set out on pages 10 to 28 were approved by the board of directors on 31 May 2012 and are signed on their behalf by:

____
TL Myburgh
Director

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF NQABA FINANCE 1 PROPRIETARY LIMITED

We have audited the accompanying annual financial statements, of Nqaba Finance 1 Proprietary Limited which comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income, the statement of changes in equity, and the statement cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 7 to 28.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

HEAD OFFICE
20 Morris Street East, Woodmead, 2191
P.O. Box 2939, Saxonwold, 2132
Tel: +27 (0) 11 231 0600
Fax: +27 (0) 11 234 0933
www.sizwentsalubagobodo.za.com

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF NQABA FINANCE 1 PROPRIETARY LIMITED (continued)

Auditor's responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Auditor's opinion paragraph

In our opinion, the financial statements present fairly, in all material respects the financial position of Nqaba Finance 1 Proprietary Limited as at 31 March 2012, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and in manner required by the Companies Act in South Africa.

SizweNtsalubaGobodo Inc.

Director: AB Mthimunye

Chartered Accountant (SA)

Registered Auditor

31 May 2012

Johannesburg

HEAD OFFICE
20 Morris Street East, Woodmead, 2191
P.O. Box 2939, Saxonwold, 2132
Tel: +27 (0) 11 231 0600
Fax: +27 (0) 11 234 0933
www.sizwentsalubagobodo.za.com

Report of the audit and risk committee in terms of the Public Finance Management Act, 1 of 1999

The audit and risk committee reports that it has adopted appropriate formal terms of reference as its audit and risk committee charter, has regulated its affairs in compliance with this charter, and has discharged all of its responsibilities contained therein.

In the conduct of its duties, the audit and risk committee has, *inter alia* , reviewed the following:

Finance function

- the expertise, resources and experience of the finance function

Internal control, management of risks and compliance with legal and regulatory provisions

- the effectiveness of the internal control systems
- all factors and risks that may impact on the intergrity of the integrated report
- the effectiveness of the system and process of risk management including the following specific risks:
  - financial reporting
  - internal financial controls
  - fraud risks relating to financial reporting
  - information technology risks relating to financial reporting
- the effectiveness of the entity's compliance with legal and regulatory provisions

Financial and sustainability information provided

- the adequacy, reliability and accuracy of financial information provided by management
- the disclosure of substainability issues in the integrated report to ensure that it is reliable and it does not conflict with the financial information

Internal and external audit

- the effectiveness of the assurance and forensic department (internal audit)
- the activities of the assurance and forensic department, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations
- the independence and objectivity of the external auditors
- accounting and auditing concerns identified as a result of internal and external audits, including reportable irregularities

In line with the principle of combined assurance as outlined in the King III Report on Corporate Governance, Eskom has developed a combined assurance model and is in the process of implementing the model to ensure a co-ordinated approach to assurance activities.

The audit and risk committee is of the opinion, based on the information and explanations given by management and the assurance and forensic department and discussions with the independent external auditors that:

- the expertise, resources and experience of the finance function are adequate
- the system and process of risk management and compliance processes are adequate
- the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained
- the information contained in the integrated report and the divisional report on the Eskom website is reliable and does not contradict the financial information of the integrated report or the annual financial statements
- the effectivenes of the assurance and forensic department is adequate and the internal audit charter was approved by the audit and risk committee
- having considered the matters set out in section 94 (8) of the Companies Act of South Africa, 71 of 2008, as amended, and is satisfied with the independence and objectivity of the external auditors

Nothing significant has come to the attention of the audit and risk committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The audit and risk committee has evaluated the consolidated financial statements of Nqaba Finance 1 (Pty) Ltd for the year ended 31 March 2012 and based on the information provided to the audit and risk committee, considers that they comply, in all material respects, with the requirements of the Companies Act of South Africa, 71 of 2008, as amended, the Public Finance Management Act, 1 of 1999, as amended, and International Financial Reporting Standards. The audit and risk committee concurs with the board of directors and management that the adoption of the going-concern premise in the preparation of the financial statements is appropriate. The audit and risk committee has therefore, at their meeting held on 30 May 2012, recommended the adoption of the financial statements by the board of directors.

C Mabude
Chairman
30 May 2012

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report on the activities of the company for the year ended 31 March 2012.

Nature of business

Comprises the management of a pool of mortgage advances, funded via residential mortgage backed securities which are listed on the Interest Rate Market of the JSE, using a securitisation structure.

Operating results and financial position

The results of the company's operations and cash flows for the year, and its financial position at 31 March 2012 are set out in the financial statements and notes which accompany this report.

Share capital

Details of authorised and issued share capital are disclosed in note 8 of the notes to the annual financial statements.

Directors

KW van Staden	Appointed 1 March 2011
TL Myburgh	Appointed 9 February 2006
EM Southey	Appointed 31 January 2009

Directors interest

The directors have no other interests in contracts with the company.

Secretary

Eskom Finance Company SOC Limited performs the functions of the secretary.

Dividends

The following preference share dividend was declared and paid during the year:

3 August 2011	R14,545,455

Controlled entities

In terms of SIC 12, Consolidation of Special Purpose Entities ("SPE's"), where a company, in substance, has the rights to obtain the residual benefits of the activities of an SPE and is exposed to the majority of the risks incidental to the activities of the SPE, the SPE is considered a controlled entity and the SPE should be consolidated. Nqaba Finance 1 Proprietary Limited ("Nqaba") is a controlled entity of Eskom Finance Company SOC Limited and is consolidated in the annual financial statements of Eskom Finance Company SOC Limited.

Events after the balance sheet date

The Residential Mortgaged Backed Securities in note 9 of these financial statements, scheduled for maturity on 22 May 2012, have been successfully re-financed on 22 May 2012. None of the notes became a "matured note" as defined in note 2.4 of these financial statements.

Statement of financial position
as at 31 March 2012

	Notes	**31 March 2012** **R**	31 March 2011 R
ASSETS			
Non-current assets		**1,928,036,463**	1,925,532,658
Mortgage advances	3	**1,922,297,214**	1,920,598,369
Properties in possession	4	**4,484,652**	3,871,605
Deferred tax	18.4	**1,254,597**	1,062,684
Current assets		**81,708,326**	76,576,333
Trade and other receivables	6	**26,361,713**	24,539,659
Tax receivable		**-**	-
Mortgage advances	3	**763,160**	891,507
Cash and cash equivalents	7	**47,251,559**	51,145,167
Derivative held for risk management	13	**7,331,894**	-
Total assets		**2,009,744,789**	2,002,108,991
EQUITY AND LIABILITIES			
Capital and reserves		**22,371,651**	20,278,688
Share capital	8	**101**	101
Accumulated profit		**22,371,550**	20,278,587
Non-current liabilities			
Residential mortgage backed securities	9	**1,344,000,000**	365,000,000
Current liabilities		**643,373,138**	1,616,830,303
Residential mortgage backed securities	9	**316,000,000**	1,295,000,000
First loss credit enhancement loan	10	**290,000,000**	290,000,000
Interest accrued	11	**15,551,973**	15,425,260
Trade and other payables	12	**20,640,085**	15,743,950
Derivative held for risk management	13	**-**	388,997
Taxation		**1,181,080**	272,096
Total equity and liabilities		**2,009,744,789**	2,002,108,991

Statement of comprehensive income
for the year ended 31 March 2012

	Notes	**31 March 2012** **R**	31 March 2011 R
Interest income	14	**165,664,653**	175,203,865
Interest expense	15	**(148,483,521)**	(166,231,853)
Net interest income		**17,181,132**	8,972,012
Other income		**3,239,181**	2,440,710
Total income		**20,420,313**	11,412,722
Expenses		**(7,642,440)**	(9,299,974)
Auditor's remuneration	16	**(262,545)**	(261,827)
Back-up servicer fees - Absa Bank Limited		**(192,691)**	(192,953)
Impairment charge		**(2,048,737)**	(3,209,918)
JSE listing fees		**(199,306)**	(168,571)
Liquidity facility fees - Absa Bank Limited		**(41,747)**	(42,928)
Management fees - Absa Bank Limited		**(570,001)**	(570,000)
NCR fees		**(87,655)**	(88,032)
Credit Ombudman		**(50,160)**	(40,000)
Rating fees		**(217,193)**	(187,534)
Redraw facility fees - Absa Bank Limited		**(446,766)**	(418,123)
Safe custody and settlement agent fees - Absa Bank Limited		**(3,901)**	(3,901)
Servicer fees - Eskom Finance Company SOC Limited		**(3,295,310)**	(3,938,004)
STRATE fees		**(77,594)**	(29,754)
Trustee fees		**(148,834)**	(148,429)
Profit before fair value gains/(losses)		**12,777,873**	2,112,748
Fair value gains/(losses)		**7,720,891**	(388,997)
Profit before taxation		**20,498,764**	1,723,751
Taxation	18	**(3,860,346)**	2,862,939
Total comprehensive income for the year		**16,638,418**	4,586,690

Statement of changes in equity
for the year ended 31 March 2012

	Share capital	Accumulated profit	Total
	R	R	R
Balance at 31 March 2011	101	15,691,897	15,691,998
Total comprehensive income for the year		4,586,690	4,586,690
Balance at 31 March 2011	101	20,278,587	20,278,688
Total comprehensive income for the year		16,638,418	16,638,418
Preferential Share Dividends paid		(14,545,455)	(14,545,455)
Balance at 31 March 2012	101	22,371,550	22,371,651

Statement of cash flows
for the year ended 31 March 2012

	Notes	31 March 2012 R	31 March 2011 R
Cash flows from operating activities			
Cash generated by operations before working capital changes	A	**167,920,013**	167,773,478
Working capital changes		**(4,520,097)**	(3,436,943)
Decrease/(Increase) in trade and other receivables		**(1,822,054)**	595,012
Decrease/(Increase) in other financial assets		**(7,331,894)**	-
Increase/(Decrease) in trade and other payables		**4,896,135**	(2,570,927)
Increase/(Decrease) in other financial liabilities		**(388,997)**	388,997
Decrease in interest accrued		**126,713**	(1,850,025)
Cash generated by operations		**163,399,916**	164,336,535
Other interest received		**3,111,009**	3,392,044
Taxation paid	B	**(3,143,275)**	3,023,875
Interest expense		**(148,483,521)**	(166,231,853)
Net cash flows from operating activities		**14,884,129**	4,520,601
Cash flows from investing activities			
Decrease/(increase) in mortgage advances		**(3,597,690)**	4,218,965
Increase in properties in possession		**(634,592)**	(662,095)
Net cash flows from investing activities		**(4,232,282)**	3,556,870
Cash flows from financing activities			
Dividend paid		**(14,545,455)**	-
Net cash flows from financing activities		**(14,545,455)**	-
Net (decrease)/ increase in cash equivalents		**(3,893,608)**	8,077,471
Cash and cash equivalents at beginning of period		**51,145,167**	43,067,696
Cash and cash equivalents at end of period		**47,251,559**	51,145,167

NOTES TO THE CASH FLOW STATEMENT

A) CASH GENERATED BY OPERATIONS BEFORE WORKING CAPITAL CHANGES

	31 March 2012 R	31 March 2011 R
Profit before taxation	**20,498,764**	1,723,751
Adjustments for:		
Bad debts	**1,134,868**	707,591
Impairment provisions	**913,869**	2,502,327
Other interest income	**(3,111,009)**	(3,392,044)
Interest expense	**148,483,521**	166,231,853
	167,920,013	167,773,478

B) TAXATION PAID

	31 March 2012 R	31 March 2011 R
Taxation and deferred tax receivable at the beginning of the year	**790,588**	951,524
Amount charged to the income statement	**(3,860,346)**	2,862,939
Taxation and deferred tax receivable at the end of the year	**(73,517)**	(790,588)
	(3,143,275)	3,023,875

Accounting policies to the consolidated financial statements
for the year ended 31 March 2012

1 Summary of significant accounting policies

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

1.1 Basis of preparation and measurement

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa, 71 of 2008, as amended.

The financial statements are prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in rands, which is the company's functional and presentation currency.

Changes in accounting policies and comparability

The company has adopted certain new standards, amendments and interpretations to existing standards which were effective for the company for the financial year beginning on or after 1 April 2011.

New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have also been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

IAS 1 Presentation of financial statements (effective 1 July 2012) (amended)

The amendment to IAS 1 requires that the entity should present items of other comprehensive income that may be reclassified to profit or loss separately from those that would never be reclassified to profit or loss. The related tax effects for these sub-categories should be shown separately. The amendment results in a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. It is applicable retrospectively. The group is still determining the impact of the amendment on the presentation of the relevant items in the financial statements.

IAS 12 Income Taxes (effective 1 January 2012) (amended)

The amendment to IAS 12 introduces a rebuttable presumption that an investment property measured at fair value will be recovered in its entirety through its sale. The amendment is not expected to have an impact on the group's financial statements.

IAS 19 Employee Benefits (effective 1 January 2013) (amended)

The amendment to IAS 19 requires a change to the accounting for current and future obligations resulting from the provision of defined benefit plans. The group is still determining the impact of the standard on the financial statements.

IAS 27 Separate Financial Statements (effective 1 January 2013) (revised)

IAS 27 was revised and it supersedes the previous IAS 27 (2008). The revised IAS 27 carries forward the existing accounting and disclosure requirements for separate financial statements, with minor clarifications. The adoption of the revised IAS 27 is not expected to have a significant impact on the company and group's financial statements.

IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2013)

IAS 28 was revised and it supersedes the previous IAS 28 (2008). The revised IAS 28 carries forward the existing accounting and disclosure requirements with limited amendments. The adoption of the revised IAS 28 is not expected to have a significant impact on the group's financial statements.

IAS 32 Financial instruments: Presentation (effective 1 January 2013)

The amendements to IAS 32 were issued to address inconsistencies in current practice when applying the offsetting criteria in IAS 32 *Financial Instruments: Presentation*. The amendments clarify the meaning of *currently has a legally enforceable right of set-off*; and that some gross settlement systems may be considered equivalent to net settlement. The group is still determining the impact of the standard on the financial statements.

IFRS 7 Financial instruments: Disclosure (effective 1 January 2014)

The amendements to IFRS 7 require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will not have an impact on the group's financial statements.

IFRS 9 Financial instruments (effective 1 January 2015)

IFRS 9 addresses the initial measurement and classification of financial assets and financial liabilities, and replaces the relevant sections of IAS 39 *Financial instruments: Recognition and measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Under IFRS 9, the classification and measurement requirements for financial liabilities are the same as per IAS 39, except for two aspects. The first aspect relates to fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability. The second aspect relates to derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured. The group is still determining the impact of the standard on the financial statements.

IFRS 9 has also been amended to include the derecognition requirements from IAS 39. These requirements have remained unchanged but additional disclosure requirements relating to the disclosure of transfers of financial assets have been included in IFRS 7 (refer above).

IFRS 10 Consolidated Financial Statements (effective 1 January 2013)

IFRS 10 is a new standard that replaces the consolidation requirements in SIC-12 C*onsolidation-Special Purpose entities* and IAS 27 C*onsolidated and Separate Financial Statements*. The standard builds on existing priciples by identifying the concept of control as the determining factor as to whether or not an entity should be included within the consolidated financial statements of the parent company and provide additional guidance to assist in the determination of control where this is difficult to assess. The group is still determining the impact of the standard on the financial statements.

IFRS 11 Joint Arrangements (effective 1 January 2013)

IFRS 11 is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. The standard requires a single method for accounting for interests in jointly controlled entities. IFRS 11 has superseded IAS 31 Interests in Joint Ventures which has been withdrawn. The group is still determining the impact of the standard on the financial statements.

Accounting policies to the consolidated financial statements
for the year ended 31 March 2012

IFRS 12 Disclosures of Interests in Other Entities (effective 1 January 2013)

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities. The group is still determining the impact of the standard on the financial statements.

IFRS 13 Fair Value Measurement (effective 1 January 2013)

IFRS 13 introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosure requirements for fair value measurements. The group is still determining the impact of the standard on the financial statements.

IFRIC 20 Stripping costs in the production phase of a surface mine (effective 1 January 2013)

IFRIC 20 considers when and how to account separately for the benefits arising from the stripping activity in surface mining operations, as well as how to measure these benefits both initially and subsequently. IFRIC 20 only deals with waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). The interpretation is not expected to have an impact on the group's financial statements.

Standards, interpretations and amendments to published standards that are effective and applicable to the group:

The following standards, interpretations and amendments were effective and applicable to the group for the year ended 31 March 2012, but had no impact on the financial statements:

IFRIC 14 - The limit on a defined benefit asset, minimum funding requirements and their interaction (effective 1 January 2011) (amended)

The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset on the basis that the entity has a future economic benefit. The amendment had no impact on the group's financial statements.

IFRIC 19 Extinguishing financial liabilities with equity instruments (effective 1 July 2010)

IFRIC 19 provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. The interpretation clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation did not have an impact on the group's financial statements.

The following standards, interpretations and amendments were effective and applicable to the group for the year ended 31 March 2012 and had an impact on the financial statements:

IAS 24 Related party disclosures (Refer note 18.3)

Various improvements to IFRS

A number of standards have been amended as part of the International Accounting Standards Board's (IASB) annual improvement project. Management is in the process of considering the relevant amendments to the standards and determining the financial implications and impact on the company.

1.2 Properties in possession

Properties in possession are recognised initially at the lower of fair value of the property or outstanding loan balance. Properties in possession are subsequently measured at the lower of fair value of the property or the initially recognised value. Valuations are performed annually by independent assessors.

1.3 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that were subject to impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment (loss)/reversal is recognised in profit or loss within *net impairment (loss)/reversal.*

1.4 Financial instruments

1.4.1 Non-derivative financial instruments

Recognition, measurement and derecognition of financial assets

Non-derivative financial assets comprise investments, financial instruments with company companies, financial trading assets, trade and other receivables, finance lease receivables and cash and cash equivalents.

Cash and cash equivalents comprise balances with local banks, monies in call accounts, short-term assets and money market assets with an original maturity of less than 90 days.

Where relevant, non-derivative financial assets are recognised on the date of commitment to purchase (trade date). Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the company has transferred substantially all the risks and rewards of ownership. Realised gains and losses on derecognition are determined using the weighted average method.

Non-derivative financial assets are recognised initially at fair value plus any directly attributable transaction costs except for financial assets at fair value through profit or loss. Directly attributable transaction costs related to financial assets at fair value through profit or loss are recognised in profit or loss on initial recognition when incurred. Subsequent to initial recognition, non-derivative financial assets are measured per asset category (as stated below). The appropriate classification of the financial asset is determined at the time of commitment to acquire the financial asset.

When entering into a transaction, the financial instrument is recognised initially at the transaction price which is the best indicator of fair value. Where fair value of the financial instrument is different from the transaction price a day-one gain or loss may arise. The day-one gain or loss is immediately recognised in profit or loss (except for embedded derivatives and the subordinated loan from shareholder) within *net fair value gain/(loss) on financial instruments, excluding embedded derivatives*, provided that the fair value has been determined based on market-observable data.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that management has both the ability and intent to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal payments, plus or minus the cumulative amortisation using the effective interest method and minus any reduction for impairment or uncollectibility.

The effective interest rate is the rate that discounts the estimated future cash receipts of the financial asset exactly to its net carrying amount.

Accounting policies to the consolidated financial statements
for the year ended 31 March 2012

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. An instrument may only be designated at fair value through profit or loss when certain criteria are met. The company has not elected to designate financial assets at fair value through profit or loss.

Subsequent to initial recognition, changes in the fair value of these financial assets are recognised in profit or loss within impairment charge/(reversal).

Loans and receivables

The trade and other receivables of the company are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Original transaction costs and origination fees received are capitalised to the value of the loan and amortised through interest income.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

Impairment

A review for impairment indicators is carried out at each financial year end to determine whether there is any objective evidence that a financial asset not carried at fair value through profit or loss is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be an indicator that the securities are impaired.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in company's that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss within *net impairment loss* .

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets carried at amortised cost, the reversal is recognised in profit or loss within *net impairment loss* .

Recognition, measurement and derecognition of financial liabilities

Non-derivative financial liabilities comprise debt securities issued, financial instruments with company companies, financial trading liabilities, finance lease liabilities, borrowings and trade and other payables.

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs except for financial liabilities at fair value through profit or loss. Directly attributable transaction costs related to liabilities recognised at fair value through profit or loss are recognised in profit or loss on initial recognition when incurred. Subsequent to initial recognition, non-derivative financial liabilities are measured at amortised cost or fair value as per the relevant liability category (as described below).

Where relevant, non-derivative financial liabilities are recognised on the date of commitment (trade date) and are derecognised when the obligation expires, is discharged or cancelled. Realised gains and losses are determined using the weighted average method.

Financial liabilities at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. An instrument may only be designated at fair value through profit or loss when certain criteria are met. The company has not elected to designate financial liabilities at fair value through profit or loss.

A financial liability is classified as held-for-trading if it is:
- incurred principally for the purpose of selling or repurchasing it in the near term
- part of a portfolio of identified financial instruments that is managed together and for which there is evidence of a recent pattern of short-term profit taking, or
- a derivative instrument

Subsequent to initial recognition, financial liabilities at fair value through profit or loss continue to be measured at fair value.

Financial liabilities at amortised cost

Financial liabilities that are not held-for-trading are classified as financial liabilities at amortised cost. Debt securities issued, including foreign loans, that are not held-for-trading are classified as held at amortised cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. The trade and other payables of the company are classified as financial liabilities at amortised cost.

Fair value

The fair value of *financial trading liabilities* is based on quoted offer prices. For liabilities that are not quoted in an active market, valuation techniques are used. Where pricing models are used, inputs are based on market-related measures at the reporting date. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a financial liability with similar terms and conditions at the reporting date.

Fair value hierarchy

Fair values are determined according to the following hierarchy based on the requirements in IFRS 7 ‘Financial Instruments: Disclosures’:

Level 1: quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.

Level 2: valuation techniques using observable inputs: quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.

Level 3: valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable. The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, a valuation technique is used.

1.4.2 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.5 Share capital

Ordinary shares are classified as equity.

Accounting policies to the consolidated financial statements
for the year ended 31 March 2012

1.6 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

1.7 Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting nor taxable profit or loss. However, deferred tax is provided in respect of the temporary differences arising on the assets and provisions created in respect of decommissioning and nuclear waste management and closure, pollution control and rehabilitation. Deferred tax is determined using tax rates (and laws) enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reversed if it is no longer probable that the related tax benefits will be realised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

1.8 Employee benefits

The company does not have any employees. All employees are Eskom Holdings SOC Limited employees seconded to the company.

1.9 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised as *finance cost* .

The provisions below are restated on an annual basis to reflect changes in measurement that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in discount rate, which shall be accounted for as follows:
- changes in the liability shall be added to, or deducted from, the cost of the related asset in the current period
- the amount deducted from the cost of the asset shall not exceed its carrying amount. The excess shall be recognised in profit or loss
- any additions to the cost of an asset shall be reviewed in terms of the normal impairment principles

1.10 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown, net of value added tax, estimated returns, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

Sale of services

Sale of services is recognised in the reporting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Other revenue

Other revenue is recognised when the significant risks and rewards of ownership are transferred to the buyer and the amount of revenue can be measured reliably.

1.11 Finance income

Finance income comprises interest receivable on loans, advances, trade receivables, and income from financial market investments. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Direct incremental transaction costs incurred and origination fees received are capitalised to the carrying amount of financial instruments (excluding financial instruments at fair value through profit or loss) and amortised as interest income over the life of the asset.

1.12 Finance cost

Finance cost comprises interest payable on borrowings and interest resulting from the unwinding of discount on liabilities. Borrowing costs which are not capitalised are recognised in profit or loss using the effective interest method.

1.13 Derivative held for risk management

Certain derivative instruments do not qualify for hedge accounting and are used for economic hedging. Changes in the fair value of these derivative instruments are recognised in profit or loss within *net fair value gain/(loss)* .

1.14 Dividend income

Dividend income is recognised when the right to receive payment is established.

1.15 Dividend distribution

Dividend distribution to the shareholder is recognised as a liability in the financial statements of the company in the period in which the dividends are approved by the shareholder.

1.16 Related parties

IAS 24 Related party disclosures provides government-related entities an exemption which eliminates the requirements to disclose information that is costly to gather and of less value to users. The group applies the exemption in respect of its relationship with public entities at the national, provincial and local spheres of government (refer to note 19)

Notes to the consolidated financial statements
for the year ended 31 March 2012

2 FINANCIAL RISK MANAGEMENT

2.1 Introduction and overview

Nqaba's activities expose it to a variety of financial risks, including the effects of changes in the market borrowing rates, market prices and interest rates. Nqaba's overall risk management processes are managed by EFC and focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the cost of funding.
Nqaba has exposure to the following risks from its use of financial instruments:
- market risk
- credit risk
- liquidity risk
- compliance risk
- operational risk

Nqaba has adopted and followed EFC's risk management policies.
This note presents information about Nqaba's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, as well the management of its capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board of Directors of EFC (the Servicer and Originator) has established an Assurance & Risk Committee, which is responsible for developing and monitoring risk management policies. The committee has both executive and non-executive members and reports regularly to the EFC Board of Directors on its activities.

EFC's risk management policies are established to identify and analyse the risks faced by EFC and Nqaba, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and services offered.

The EFC Assurance & Risk Committee is responsible for monitoring compliance with risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by EFC and Nqaba. EFC's Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to EFC's Assurance & Risk Committee and Nqaba Board of Directors.

2.2 Market risk

Market risk is the potential impact on earnings of unfavourable changes in interest rates, prices, market volatilities and liquidity. Eskom Treasury monitors, analyses and reports market risk to EFC's Finance Committee. Market risk exposures for funding activities are measured using sensitivity analysis. The current sensitivity analysis measures the impact on net profit of specified movements in interest rates.

Interest rate risk

Interest rate risk arises in a volatile market where asset-liability mismatches can occur. During increasing and decreasing interest rate market conditions the interest rate risk management strategy followed was to re-price assets in conjunction with the repo rate increases and decreases.

Sensitivity of all interest-bearing instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below.

	31 March 2012	31 March 2011
+100 basis points parallel move in all yield curves	**3,157,459**	3,174,216
-100 basis points parallel move in all yield curves	**(3,157,459)**	(3,174,216)

Financial instrument liabilities - split between exposed to cash flow interest rate risk and fair value interest rate risk

The following financial instruments liabilities, which are not held at fair value, will be directly impacted by changes in market interest rates:
Accounts payable where settlement is expected within 90 days are not included in the analysis below, since the effect of interest rate risk on these balances is not considered material given the short-term duration of these underlying cash flows. The majority of financial instruments subject to interest rate risk are allocated to match liabilities.

Financial instrument liabilities	**Carrying value**	**Exposed to cash flow interest rate risk**	**Exposed to fair value interest rate risk**	**Effective interest rate %**
2012				
Other liabilities at amortised cost				
Residential mortgage backed securities	**1,672,267,985**	**1,672,267,985**	**-**	**6.92%**
First loss credit enhancement loan	**290,000,000**	**290,000,000**	**-**	**11.20%**
	1,962,267,985	**1,962,267,985**	**-**	
2011				
Other liabilities at amortised cost				
Residential mortgage backed securities	1,660,000,000	1,660,000,000	-	6.54%
First loss credit enhancement loan	290,000,000	290,000,000	-	30.00%
Interest rate swap	388,997	388,997	-	
	1,950,388,997	1,950,388,997	-	

Notes to the consolidated financial statements
for the year ended 31 March 2012

Financial instrument investments
The following financial instruments will be directly impacted by changes in market interest rates:
Accounts receivable where settlement is expected within 90 days are not included in the analysis below, since the effect of interest rate risk on these balances is not considered material given the short-term duration of their underlying cash flows.

	Carrying value	Variable Exposed to cash flow interest rate risk	Fixed Exposed to fair value interest rate risk	Effective interest rate %
2012				
Financial instrument investments				
Loans and advances	**1,923,060,374**	**1,923,060,374**	**-**	
Mortgages advances	**1,923,060,374**	**1,923,060,374**	**-**	**8.44%**
Cash and cash equivalents at amortised cost	**47,251,559**	**47,251,559**	**-**	
Interest rate swap	**7,331,894**	**7,331,894**	**-**	
Total	**1,970,311,933**	**1,970,311,933**	**-**	
2011				
Financial instrument investments				
Loans and advances	1,921,489,876	1,921,489,876	-	
Mortgages	1,921,489,876	1,921,489,876	-	8.41%
Cash and cash equivalents at amortised cost	51,145,167	51,145,167	-	
Total	1,972,635,043	1,972,635,043	-	

2.3 Credit risk

Credit risk is the risk that an asset, in the form of a monetary claim against a counterparty, may not result in a cash receipt (or equivalent) in accordance with the terms of the contract. Credit risk arises from various forms of lending. Financial assets, which potentially subject the company to concentrations of high credit risk, consist primarily of mortgage advances. Loans and advances are presented net of impairment provisions. Nqaba register mortgage bonds as security against advances. Advances exceeding 80% of the property market value are further guaranteed by Eskom Holdings SOC Limited and its respective subsidiaries ("Eskom Group"). The fair value of this guarantee approximates R81 million (2011: R63 million).

Nqaba lends money to staff employed by the Eskom Group to finance the purchase of immovable property. Policies that govern credit risk are in place. These policies require that various criteria around valuation, affordability and credit history are met prior to the approval of a loan.

The amounts advanced are secured by first mortgages on the property purchased and are repayable over an average period of 27 years. The risk of default by the employee is reduced as the monthly instalments are deducted from the employee's salary. Credit risk of Eskom group employees are re-assessed when they leave Eskom's service. These ex-employees may arrange for a monthly debit order or make over-the-counter deposits to settle the monthly instalment. Loans are extended to a maximum of 112% of the property market value to include bond and transfer costs.

The average loan amount in relation to the total home loan book value at 31 March 2012 was:

	31 March 2012	31 March 2011
Average loan amount	**212,342**	207,015
Loan amount as % of total loan book	**0.011%**	0.011%

In the event of default on the repayment, the debtor is notified of his commitment verbally and in writing. Should the position not be rectified for a period exceeding three months, a process to foreclose on the loan is initiated through EFC (the Servicer's) attorneys and the property is sold by public auction or repossessed. Should the property be sold by public auction, a reserve value is set taking into account the value of the property, arrear rates and taxes, legal costs and relevant commissions payable. Should this reserve value not be achieved, the property is bought by Nqaba for a nominal amount and is held for later resale. Such assets are disclosed as non-current assets under properties in possession.

Credit exposure
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is detailed below.

The maximum exposure to credit risk for trade receivables and loans and advances at the reporting date by type of customer was:

	31 March 2012	31 March 2011
Loans and advances:		
	1,928,496,863	1,926,276,613
Housing loans:		
Loans and receivables from employees of the Eskom group	**1,834,219,231**	1,838,358,393
Loans and receivables from third parties	**94,277,632**	87,918,220
Other receivables:	**26,361,713**	24,539,659
Total trade and other receivables	**26,361,713**	24,539,659
	1,954,858,576	1,950,816,272

Collateral obtained
During the period Nqaba took possession of property from debtors who defaulted on amounts due. The carrying amount of the mortgage bonds which were called up was R2 642 799 (2011: R1 271 677).

Notes to the consolidated financial statements
for the year ended 31 March 2012

Other receivables, loans and advances - ageing
Credit quality

31 March 2012

	Total	Not past due	Past due	
	R'000		30-90	>90
Collectively impaired				
Gross:	**1,954,858,576**	**1,905,018,441**	**27,813,280**	**22,026,856**
Housing loans	**1,928,496,863**	**1,878,656,728**	**27,813,280**	**22,026,856**
Other receivables	**26,361,713**	**26,361,713**	**-**	**-**
Impaired:	**(5,436,489)**	**(2,461,328)**	**(1,064,204)**	**(1,910,957)**
Housing loans	**(5,436,489)**	**(2,461,328)**	**(1,064,204)**	**(1,910,957)**
Other receivables	**-**	**-**	**-**	**-**
Total carrying amount	**1,949,422,087**	**1,902,557,113**	**26,749,076**	**20,115,899**

31 March 2011

	Total	Not past due	Past due	
	R'000		30-90	>90
Collectively impaired				
Gross:	1,950,816,272	1,905,290,204	24,823,760	20,702,308
Housing loans	1,926,276,613	1,880,750,545	24,823,760	20,702,308
Other receivables	24,539,659	24,539,659	-	-
Impaired:	(4,786,737)	(2,112,036)	(971,497)	(1,703,204)
Housing loans	(4,786,737)	(2,112,036)	(971,497)	(1,703,204)
Other receivables	-	-	-	-
Total carrying amount	1,946,029,535	1,903,178,168	23,852,263	18,999,104

Impaired receivables
Impaired receivables are receivables for which the Company determines that it is probable that it will be unable to collect all amounts due in accordance with the contractual payment terms.

Receivables past due but not impaired
These are receivables where contractual payment terms are past due but the Company believes that impairment is not appropriate on the basis of the level security or collateral available and the stage of collection of amounts owed to the Company.

Receivables with renegotiated terms
Receivables with renegotiated terms are receivables that have been restructured due to the deterioration in the customer's financial position and where the Company has made concessions that it would not otherwise consider.
The value of debtors that were renegotiated e.g.. their payment terms have been renegotiated is indicated below.

	31 March 2012	31 March 2011
Mortgage advances	**22,523,281**	23,357,295

Impairment losses
The movement in the allowance for impairment in respect of Mortgage advances and other receivables during the year was as follows:

Balance at beginning of period	**4,786,737**	2,305,956
Mortgage advances	**4,786,737**	2,305,956
Other receivables	**-**	-
Impairment loss recognised:	**649,752**	2,480,781
Housing loans	**649,752**	2,480,781
Other receivables	**-**	-
Balance at end of the period	**5,436,489**	4,786,737

Security and collateral relating to amounts receivable
The estimate of the fair value of collateral and other securities held against Other Receivables and Loans and Advances for the Company's was as follows:

Loans and advances:		
Mortgage loans	**1,928,496,863**	1,926,276,613
Total	**1,928,496,863**	1,926,276,613

Notes to the consolidated financial statements
for the year ended 31 March 2012

2.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. To mitigate this risk Nqaba entered into a liquidity facility agreement with Absa Bank Limited.

The objective of the Company's liquidity and funding management is to ensure that all foreseeable operational, capital expansion and loan commitment expenditure can be met under both normal and stressed conditions.

The management of consolidated liquidity and funding risk is centralised in EFC's finance department in accordance with practices and limits set by EFC's Board of directors. EFC's liquidity and funding management process includes:

- projecting cash flows and considering the cash required by the Company and optimising the short term liquidity requirements as well as the long term funding requirements

- monitoring balance sheet liquidity ratios
- actively managing the funding risk by evaluating optimal entry points into the various markets per the official funding plan
- maintaining liquidity and funding contingency plans

Contractual cash flows

The table below indicates the gross undiscounted cash flows on Nqaba's financial assets, financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity.

The contractual cash flows for financial assets are reflected on gross basis (i.e. excluding impairment).

	Carrying Amount	**Gross Nominal Inflow/ (Outflow)**	**Less than 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
31 March 2012	**R**	**R**	**R**	**R**	**R**	**R**	**R**
Inflow							
Loans and advances	**1,923,060,374**	**3,980,230,270**	**115,969,747**	**115,717,005**	**230,301,802**	**676,535,547**	**2,841,706,169**
Other receivables	**26,361,713**	**26,361,713**	**26,361,713**	**-**	**-**	**-**	**-**
Interest rate swap	**7,331,894**	**7,388,323**	**1,670,302**	**1,670,302**	**1,223,245**	**3,669,737**	**(845,263)**
	1,949,422,087	**4,006,591,983**	**142,331,460**	**115,717,005**	**230,301,802**	**676,535,547**	**2,841,706,169**
Outflow							
Residential mortgage backed securities	**(1,672,267,985)**	**(1,672,267,985)**	**(318,109,633)**	**-**	**(601,199,347)**	**(615,446,631)**	**(137,512,374)**
Other liabilities	**(36,192,058)**	**(36,192,058)**	**(36,192,058)**	**-**	**-**	**-**	**-**
	(1,708,460,043)	**(1,708,460,043)**	**(354,301,691)**	**-**	**(601,199,347)**	**(615,446,631)**	**(137,512,374)**

	Carrying Amount	Gross Nominal Inflow/ (Outflow)	Less than 6 month	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
31 March 2011	R	R	R	R	R	R	R
Inflow							
Loans and advances:	1,921,489,876	3,871,682,853	110,354,115	110,955,356	217,665,548	644,366,160	2,788,341,674
Other receivables	24,539,659	24,539,659	24,539,659	-	-	-	-
	1,946,029,535	3,896,222,512	134,893,774	110,955,356	217,665,548	644,366,160	2,788,341,674
Outflow							
Residential mortgage backed securities	(1,671,010,598)	(1,660,000,000)	(897,000,000)	(398,000,000)	(30,000,000)	(199,000,000)	(136,000,000)
Other liabilities	(31,169,210)	(31,169,210)	(31,169,210)	-	-	-	-
Interest rate swap	(388,997)	(388,997)	(2,469,904)	(7,658,113)	(11,446,708)	(33,344,220)	54,529,948
	(1,702,179,808)	(1,691,169,210)	(928,169,210)	(398,000,000)	(30,000,000)	(199,000,000)	(136,000,000)

The securitisation vehicle is an evergreen structure where notes issued have a final legal maturity of 32 years and a scheduled maturity of between 1 and 10 years. Matured debt will be re-financed.
In the event that notes are not refinanced on the Scheduled Maturity Date, notes will start amortising from the principal collections on the pool of assets plus the excess margin in the Priority of Payments;
In this instance the note will be termed a "matured note" and will constitute an early amortisation event or an event of default:
On each payment date after the Scheduled Maturity Date, the Issuer will partially redeem each matured note in reducing order of rank in accordance with the Revolving Period Priority of Payments;
The transaction remains in the Revolving Period but no new loans will be purchased until the matured notes are redeemed in full.

The Issuer has the option to redeem all the matured notes on any Payment Date after the scheduled Maturity at the Outstanding Principle and Accrued Interest by giving not less than 20 days notice to the noteholders and Nqaba Finance 1 Security SPV Proprietary Limited ("Security SPV").

2.5 Compliance risk

Compliance risk is the risk of non-compliance with any statutory requirement of central and local government, including regulations of the South African Reserve Bank, the Financial Services Board and the National Credit Regulator.

Nqaba is subject to supervisory and regulatory legislation including the Public Finance Management Act, Companies Act, the National Credit Act, the Financial Intelligence Centre Act, and the requirements of the Financial Services Board, Financial Advisory and Intermediary Services Act.

Nqaba is also subject to adherence to various securitisation agreements.

The approach adopted to manage these risks includes a combination of the following key activities:

- training EFC staff on their responsibilities related to the various legislation
- implementing procedures to assist in achieving adherence to the legislative requirements
- implementing effective monitoring and reporting mechanisms to ensure compliance

Notes to the consolidated financial statements
for the year ended 31 March 2012

2.6 Operational risk

Operational risk management
Nqaba recognises operational risk, inclusive of information risk and business continuity, as a significant risk category and manages it within acceptable levels. It continues to develop and expand its guidelines, standards, methodologies and systems in order to enhance the management of operational risk.

Approach to managing operational risk

To support this, the Company's has established sound practices, including:

- policies and procedures to sustain effective risk management
- on-going assessment of the effects of changes in the regulatory environment and acquisition of skills and knowledge of best practices to ensure Nqaba's endeavours are most appropriate for the environment

2.7 Capital management

Nqaba's capital consists of accumulated profits. There were no changes in Nqaba's approach to capital management during the year.
Nqaba is not subject to externally imposed capital requirements.

2.8 Asset and liability management

Due to the nature of the loan book and funding activities, continuous cash-flow forecasts ensure that asset and liabilities are matched. Unapplied cash is invested with Absa Bank in terms of the Guaranteed Investment Contract.

3 Mortgage advances

	31 March 2012	31 March 2011
Gross amount outstanding	**1,928,496,863**	1,926,276,613
Less : Impairments for loans and advances	**(5,436,489)**	(4,786,737)
	1,923,060,374	1,921,489,876
Non-current portion		
Mortgage advances	**1,927,725,738**	1,925,378,895
Impairments for loans and advances	**(5,428,524)**	(4,780,526)
	1,922,297,214	1,920,598,369
Current portion		
Mortgage advances	**771,125**	897,718
Impairments for loans and advances	**(7,965)**	(6,211)
	763,160	891,507
Maturity analysis		
On demand	**135,360**	153,947
Six months to one year	**635,765**	743,772
One year to five years	**35,794,415**	26,990,451
Greater than five years	**1,891,931,323**	1,898,388,443
	1,928,496,863	1,926,276,613
Sector and category analysis		
Professionals and individuals	**1,928,496,863**	1,926,276,613
	1,928,496,863	1,926,276,613
Analysis of advance by deal size		
Under R2 million	**1,901,277,793**	1,891,819,636
Over R2 million	**27,219,070**	34,456,977
	1,928,496,863	1,926,276,613

Notes to the consolidated financial statements
for the year ended 31 March 2012

	31 March 2012	31 March 2011
4 Properties in possession		
Properties in possession	**5,022,432**	4,145,268
Less: Impairments for Properties in possession	**(537,780)**	(273,663)
	4,484,652	3,871,605

5 Financial instruments

Accounting classifications and fair values
The classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest) are as follows:

31 March 2012	**Loans and Advances R**	**Other receivables R**	**Liabilities at amortised cost R**	**Other assets and liabilities R**	**Total carrying amount R**	**Fair value R**
Financial assets						
Non-current						
Loans and Advances:						
Housing loans	**1,922,297,214**				**1,922,297,214**	**1,922,297,214**
	1,922,297,214	**-**	**-**	**-**	**1,922,297,214**	**1,922,297,214**
Current						
Loans and Advances:						
Housing loans	**763,160**				**763,160**	**763,160**
Trade and other receivables		**26,361,713**			**26,361,713**	**26,361,713**
Cash and cash equivalents				**47,251,559**	**47,251,559**	**47,251,559**
Interest rate swap				**7,331,894**	**7,331,894**	**7,331,894**
	763,160	**26,361,713**	**-**	**47,251,559**	**74,376,432**	**74,376,432**
Financial liabilities						
Non-current						
Interest-bearing debt:						
Residential mortgage backed securities			**(1,354,158,352)**		**(1,354,158,352)**	**(1,354,158,352)**
	-	**-**	**(1,354,158,352)**	**-**	**(1,354,158,352)**	**(1,354,158,352)**
Current						
Residential mortgage backed securities			**(318,109,633)**		**(318,109,633)**	**(318,109,633)**
Trade and other payables				**(36,192,058)**	**(36,192,058)**	**(36,192,058)**
First loss credit enhancement loan				**(290,000,000)**	**(290,000,000)**	**(290,000,000)**
	-	**-**	**(318,109,633)**	**(326,192,058)**	**(644,301,691)**	**(644,301,691)**
31 March 2011						
Financial assets						
Non-current						
Housing loans	1,920,598,369				1,920,598,369	1,920,598,369
	1,920,598,369	-	-	-	1,920,598,369	1,920,598,369
Current						
Loans and Advances:						
Housing loans	891,507				891,507	891,507
Trade and other receivables		24,539,659			24,539,659	24,539,659
Cash and cash equivalents				51,145,167	51,145,167	51,145,167
	891,507	24,539,659	-	51,145,167	76,576,333	76,576,333
Financial liabilities						
Non-current						
Interest-bearing debt:						
Residential mortgage backed securities			(410,894,391)		(410,894,391)	(410,894,391)
	-	-	(410,894,391)	-	(410,894,391)	(410,894,391)
Current						
Residential mortgage backed securities			(897,322,885)		(897,322,885)	(897,322,885)
Trade and other payables				(31,169,210)	(31,169,210)	(31,169,210)
First loss credit enhancement loan				(290,000,000)	(290,000,000)	(290,000,000)
	-	-	(897,322,885)	(321,169,210)	(1,218,492,095)	(1,218,492,095)

The methods used to determine fair values of financial instruments for the purpose of measurement and disclosure are set out in the accounting policies. The majority of the company's financial instruments measured at fair value are valued using valuation techniques based on observable market data. Observable market prices are not, however, available for many of the group's financial assets and liabilities not measured at fair value. The determination of the fair values of the assets and liabilities in the table above are as follows:

Loans and advances
The carrying amount of loans and advances approximates their fair value.

Trade and other receivables
The directors consider that the carrying amount of trade and other receivables approximates their fair value. Nqaba's credit risk is attributable to its trade and other receivables. The amounts presented in the statement of financial position are net of allowances for credit impairments, estimated by management, based on their experience and their assessment of the current economic environment.

	31 March 2012	31 March 2011
6 Trade and other receivables		
Eskom Finance Company SOC Limited	**26,282,840**	24,539,659
Sundry debtors	**78,873**	-
	26,361,713	24,539,659
7 Cash and cash equivalents		
Current account - Absa Bank Limited	**47,251,559**	51,145,167
	47,251,559	51,145,167

Notes to the consolidated financial statements
for the year ended 31 March 2012

8 Share capital

	31 March 2012	31 March 2011
Authorised		
1 000 Ordinary shares of R1 each	**1,000**	1,000
100 Cumulative redeemable preference shares of R0.01 each	**1**	1
	1,001	1,001
Issued		
100 Ordinary shares of R1 each	**100**	100
100 Cumulative redeemable preference shares of R0.01 each	**1**	1
	101	101

9 Residential mortgaged backed securities

Loan interest rates and dates of repayment are as follows:

Type	Interest rate	Scheduled maturity	31 March 2012	31 March 2011
Maturity < 1 years			318,109,633	1,303,171,347
Class A2 Secured Floating Rate Notes	5.895%	22-May-11	**-**	378,162,608
Class A3 Secured Floating Rate Notes	5.905%	22-May-11	**-**	321,843,761
Class B2 Secured Floating Rate Notes	5.975%	22-May-11	**-**	32,186,647
Class C2 Secured Floating Rate Notes	6.315%	22-May-11	**-**	32,197,676
Class D2 Secured Floating Rate Notes	7.525%	22-May-11	**-**	24,177,695
Class A6 Secured Floating Rate Notes	6.700%	22-May-11	**-**	100,694,753
Class B6 Secured Floating Rate Notes	7.200%	22-May-11	**-**	8,059,745
Class C6 Secured Floating Rate Notes	7.450%	22-May-11	**-**	5,038,642
Class A7 Secured Floating Rate Notes	6.750%	22-Nov-11	**-**	377,624,846
Class B7 Secured Floating Rate Notes	7.350%	22-Nov-11	**-**	10,076,242
Class C7 Secured Floating Rate Notes	7.700%	22-Nov-11	**-**	13,108,732
Class A8 Secured Floating Rate Notes	6.910%	22-May-12	**30,221,445**	-
Class A13 Secured Floating Rate Notes	6.150%	22-May-12	**274,793,947**	
Class B12 Secured Floating Rate Notes	6.600%	22-May-12	**8,056,416**	
Class C12 Secured Floating Rate Notes	7.080%	22-May-12	**5,037,825**	
Maturity 1 to 2 years			**601,199,347**	30,214,985
Class A8 Secured Floating Rate Notes	6.890%	22-May-12	**-**	30,214,985
Class A9 Secured Floating Rate Notes	7.050%	22-May-13	**127,956,449**	-
Class B9 Secured Floating Rate Notes	7.450%	22-May-13	**30,238,755**	-
Class C9 Secured Floating Rate Notes	7.950%	22-May-13	**12,101,913**	-
Class D4 Secured Floating Rate Notes	8.600%	22-May-13	**30,275,618**	-
Class A14 Secured Floating Rate Notes	6.140%	22-May-13	**377,460,205**	-
Class B13 Secured Floating Rate Notes	6.500%	22-May-13	**10,069,452**	-
Class C13 Secured Floating Rate Notes	6.980%	22-May-13	**13,096,955**	-
Maturity 2 to 5 years			**615,446,631**	200,527,221
Class A12 Secured Floating Rate Notes	6.610%	22-May-14	**320,245,951**	-
Class A9 Secured Floating Rate Notes	7.025%	22-May-13	-	127,928,614
Class B9 Secured Floating Rate Notes	7.425%	22-May-13	-	30,231,851
Class C9 Secured Floating Rate Notes	7.925%	22-May-13	-	12,098,987
Class D4 Secured Floating Rate Notes	8.575%	22-May-13	-	30,267,769
Class B11 Secured Floating Rate Notes	6.950%	22-May-14	**32,237,633**	-
Class C11 Secured Floating Rate Notes	7.350%	22-May-14	**32,251,310**	-
Class A11 Secured Floating Rate Notes	6.850%	22-May-16	**206,500,432**	-
Class D6 Secured Floating Rate Notes	8.240%	22-May-16	**24,211,305**	-
Maturity 5 to 10 years			**137,512,374**	**137,097,045**
Class A10 Secured Fixed Rate Notes	10.435%	22-May-20	**116,282,218**	115,918,897
Class B10 Secured Fixed Rate Notes	10.635%	22-May-20	**11,124,998**	11,090,185
Class C10 Secured Fixed Rate Notes	10.835%	22-May-20	**5,057,886**	5,042,034
Class D5 Secured Floating Rate Notes	8.850%	22-May-20	**5,047,272**	5,045,929
			1,672,267,985	1,671,010,598
Weighted average cost of debt			**6.92%**	6.54%
Non-current portion				
Borrowings			**1,344,000,000**	365,000,000
Current portion				
Borrowings			**316,000,000**	1,295,000,000
Accrued interest			**15,551,973**	15,425,260
			331,551,973	1,310,425,260

Covenants

During the period there were no loans in arrears.

Class A8, A9, A11, A12, A13, A14, B9, B11, B12, B13, C9, C11, C12, C13, D4, D5 and D6 Secured floating rate notes
Interest on the notes is payable at an annual rate equal to the sum of the Johannesburg Interbank Acceptance Rate ("JIBAR") for 3 Months Rand deposits plus a margin of:

1.310% per annum in relation to Class A8 Notes;
1.450% per annum in relation to Class A9 Notes;
1.250% per annum in relation to Class A11 Notes;
1.010% per annum in relation to Class A12 Notes;
0.550% per annum in relation to Class A13 Notes;
0.540% per annum in relation to Class A14 Notes;
1.850% per annum in relation to Class B9 Notes;
1.350% per annum in relation to Class B11 Notes;
1.000% per annum in relation to Class B12 Notes;
0.900% per annum in relation to Class B13 Notes;
2.350% per annum in relation to Class C9 Notes;
1.750% per annum in relation to Class C11 Notes;
1.480% per annum in relation to Class C12 Notes;
1.380% per annum in relation to Class C13 Notes;
3.000% per annum in relation to Class D4 Notes;
3.250% per annum in relation to Class D5 Notes; and
2.640% per annum in relation to Class D6 Notes.

Notes to the consolidated financial statements
for the year ended 31 March 2012

The rates at year end was:

6.910% per annum in relation to Class A8 Notes;
7.050% per annum in relation to Class A9 Notes;
6.850% per annum in relation to Class A11 Notes;
6.610% per annum in relation to Class A12 Notes;
6.150% per annum in relation to Class A13 Notes;
6.140% per annum in relation to Class A14 Notes;
7.450% per annum in relation to Class B9 Notes;
6.950% per annum in relation to Class B11 Notes;
6.600% per annum in relation to Class B12 Notes;
6.500% per annum in relation to Class B13 Notes;
7.950% per annum in relation to Class C9 Notes;
7.350% per annum in relation to Class C11 Notes;
7.080% per annum in relation to Class C12 Notes;
6.980% per annum in relation to Class C13 Notes;
8.600% per annum in relation to Class D4 Notes;
8.850% per annum in relation to Class D5 Notes; and
8.240% per annum in relation to Class D6 Notes.

Class A10, B10 and C10 Secured fixed rate notes

2.100% per annum in relation to Class A10 Notes;
2.300% per annum in relation to Class B10 Notes; and
2.500% per annum in relation to Class C10 Notes.

The fixed interest rate of these notes were:

10.435% per annum in relation to Class A10 Notes;
10.635% per annum in relation to Class B10 Notes; and
10.835% per annum in relation to Class C10 Notes.
payable quarterly on the 22nd day of February, May, August and November or if the 22nd is not a business day, the next business day.

Interest payable on each class of notes will occur in descending order of rank and with notes of equal rank being paid *parri passu,* until the interest due and payable in respect of each such class of notes has been paid in full.

The application for the listing of the Class A8, A9, A10, B9, B10, C9, C10, D4 and D5 Notes on JSE under stock code numbers NQF1A8, NQF1A9, NQF1A10, NQF1B9, NQF1B10, NQF1C9, NQF1C10, NQF1D4 and NQF1D5 was granted with effect from 24 May 2010 and the application for listing of the Class A11, A12, A13, B11 and B12 Notes on JSE under stock code numbers NQ1A11, NQ1A12, NQ1A13, NQ1B11, NQ1B12, NQ1C11, NQ1C12 and NQF1D6 was granted with effect from 23 May 2011 and the application for listing of the Class A14, B13 and C13 Notes on JSE under stock code numbers NQ1A14, NQ1B13 and NQ1C13 was granted with effect from 22 November 2011. The Notes may be traded by or through members of JSE and trading will take place in accordance with the rules and operating procedures of JSE.

The Notes are solely the obligations of Nqaba Finance 1 Proprietary Limited and are neither the obligations of, nor the responsibility of and nor are they guaranteed by Eskom Finance Company SOC Limited.

Covenants
Covenants are standardised wherever possible and are monitored on an on-going basis with formal testing reported to the Board. The Company's continues to comply with all borrowing obligations and financial covenants. All financial covenants have been tested and complied with as at 31 March 2012.

			31 March 2012	31 March 2011
10	**First loss credit enhancement loan**	**Interest rate**		
	Subordinated loan - Eskom Finance Company SOC Limited	Floating at 3 month JIBAR + 5%	**290,000,000**	290,000,000
			290,000,000	290,000,000

The aggregate principal amount of the subordinated loan is R290 million and shall be used by the Issuer solely to:
- fund a portion of the purchase price of home loans; and
- to repay, on any scheduled maturity date, the refinanced notes and any subordinated loan associated with the refinanced notes.

The First Loss Credit Enhancement Loan, or such balance as shall remain outstanding from time to time, bears interest at 3 month JIBAR plus 5.0%. Although interest accrues on a daily basis, it only becomes owing in respect of each Interest Period to the extent that the notional amount of net income accrued to Nqaba Finance 1 Proprietary Limited, after taking account of all other income and expenses, exceeds the interest to be accrued, Nqaba Finance 1 Proprietary Limited shall not incur any obligation, then or at any later date, to pay such excess. Any interest which is owing is payable by Nqaba Finance 1 Proprietary Limited in arrears on each Interest Payment Date, provided that the payment is made in accordance with the Priority of Payments.

11 Interest accrued

Class A2 Secured Floating Rate Notes	**-**	2,162,608
Class A3 Secured Floating Rate Notes	**-**	1,843,761
Class A6 Secured Floating Rate Notes	**-**	694,753
Class A7 Secured Floating Rate Notes	**-**	2,624,846
Class A8 Secured Floating Rate Notes	**221,445**	214,985
Class A9 Secured Floating Rate Notes	**956,449**	928,614
Class A10 Secured Fixed Rate Notes	**1,282,218**	918,897
Class A11 Secured Floating Rate Notes	**1,500,432**	-
Class A12 Secured Floating Rate Notes	**2,245,951**	-
Class A13 Secured Floating Rate Notes	**1,793,947**	-
Class A14 Secured Floating Rate Notes	**2,460,205**	-
Class B2 Secured Floating Rate Notes	**-**	186,647
Class B6 Secured Floating Rate Notes	**-**	59,745
Class B7 Secured Floating Rate Notes	**-**	76,242
Class B9 Secured Floating Rate Notes	**238,755**	231,851
Class B10 Secured Fixed Rate Notes	**124,998**	90,185
Class B11 Secured Floating Rate Notes	**237,633**	-
Class B12 Secured Floating Rate Notes	**56,416**	-
Class B13 Secured Floating Rate Notes	**69,452**	-
Class C2 Secured Floating Rate Notes	**-**	197,676
Class C6 Secured Floating Rate Notes	**-**	38,642
Class C7 Secured Floating Rate Notes	**-**	108,732
Class C9 Secured Floating Rate Notes	**101,913**	98,987
Class C10 Secured Fixed Rate Notes	**57,886**	42,034
Class C11 Secured Floating Rate Notes	**251,310**	-
Class C12 Secured Floating Rate Notes	**37,825**	-
Class C13 Secured Floating Rate Notes	**96,955**	-
Class D2 Secured Floating Rate Notes	**-**	177,695
Class D4 Secured Floating Rate Notes	**275,618**	267,769
Class D5 Secured Floating Rate Notes	**47,272**	45,929
Class D6 Secured Floating Rate Notes	**211,305**	-
Credit enhancement loan	**3,283,988**	4,414,662
	15,551,973	15,425,260

The directors consider that the carrying amount of Interest accrued to approximate their fair value.

Notes to the consolidated financial statements
for the year ended 31 March 2012

12 Trade and other payables

	31 March 2012	31 March 2011
Audit fees	**182,160**	210,123
Servicer fees - Eskom Finance Company SOC Limited	**331,476**	330,529
Back-up servicer fees - Absa Bank Limited	**357,843**	165,152
Management fee - Absa Bank Limited	**56,913**	66,912
Trustee fees	**8,774**	15,047
Liquidity facility fees - Absa Bank Limited	**5,426**	5,312
Redraw facility fees - Absa Bank Limited	**41,960**	45,376
Rating fees	**303,712**	86,519
Safe custody and settlement agent fees - Absa Bank Limited	**28,846**	27,307
JSE listing fees	**-**	48,450
NCR fees	**77,732**	78,243
STRATE fees	**4,343**	-
Redraws and further advances - Eskom Finance Company SOC Limited	**19,240,900**	14,664,980
	20,640,085	15,743,950

The directors consider that the carrying amount of trade and other payables approximates their fair value.

13 Derivative held for risk management

	Notional amount	Notional amount
Interest rate swap	**7,331,894**	(388,997)

Interest rate swaps are used to hedge the interest expense variability of the issued fixed rate notes issued on 22 May 2010. No hedge accounting is applied.

Interest rate swaps are linked to the main debt from secured note holders as set out below:

Instrument	Maturity date	Agreed fixed interest spread on swap	Fixed rate		
				131,000	131,000
Fixed rate	22-May-20	2.10%	10.435%	**115,000**	115,000
Fixed rate	22-May-20	2.30%	10.635%	**11,000**	11,000
Fixed rate	22-May-20	2.50%	10.835%	**5,000**	5,000

Quarterly payments/receipts are based on the difference between the Johannesburg Interbank Agreed Rate plus an agreed fixed interest spread and the fixed rate of the swap agreement.

The fair value of a derivative financial instrument represents the value of cash flows (either negative of positive), which would have occurred if the rights and obligation arising from that instruments were closed out in the market place at year end.
The interest differential earned during the year on this swap agreement was R3 239 181 (2011: R2 440 710).

14 Interest income

Mortgage advances	**162,553,644**	171,811,821
Call accounts - Absa Bank Limited	**3,111,009**	3,234,222
Other interest received	**-**	157,822
	165,664,653	175,203,865

15 Interest expense

Class A2 Secured Floating Rate Notes	**3,302,784**	24,897,020
Class A3 Secured Floating Rate Notes	**2,815,527**	21,220,953
Class A4 Secured Floating Rate Notes	**-**	3,469,396
Class A5 Secured Floating Rate Notes	**-**	8,701,354
Class A6 Secured Floating Rate Notes	**951,137**	6,201,671
Class A7 Secured Floating Rate Notes	**16,237,397**	23,416,541
Class A8 Secured Floating Rate Notes	**2,071,960**	1,914,353
Class A9 Secured Floating Rate Notes	**8,949,586**	8,256,079
Class A10 Secured Floating Rate Notes	**12,033,127**	10,257,748
Class A11 Secured Floating Rate Notes	**12,041,784.00**	
Class A12 Secured Floating Rate Notes	**18,022,890.00**	
Class A13 Secured Floating Rate Notes	**14,392,149.00**	
Class A14 Secured Floating Rate Notes	**8,240,137.00**	
Class B2 Secured Floating Rate Notes	**284,805**	2,144,495
Class B3 Secured Floating Rate Notes	**-**	163,296
Class B5 Secured Floating Rate Notes	**-**	427,942
Class B6 Secured Floating Rate Notes	**81,790**	561,495
Class B7 Secured Floating Rate Notes	**471,627**	675,729
Class B9 Secured Floating Rate Notes	**2,234,404**	2,084,881
Class B10 Secured Floating Rate Notes	**1,173,055**	967,931
Class B11 Secured Floating Rate Notes	**1,907,222**	
Class B12 Secured Floating Rate Notes	**452,718**	
Class B13 Secured Floating Rate Notes	**232,658**	
Class C2 Secured Floating Rate Notes	**300,604**	2,253,295
Class C3 Secured Floating Rate Notes	**-**	171,581
Class C5 Secured Floating Rate Notes	**-**	455,821
Class C6 Secured Floating Rate Notes	**52,899**	342,138
Class C7 Secured Floating Rate Notes	**632,669**	917,341
Class C9 Secured Floating Rate Notes	**953,926**	872,420
Class C10 Secured Floating Rate Notes	**543,234**	431,916
Class C11 Secured Floating Rate Notes	**2,017,337**	
Class C12 Secured Floating Rate Notes	**303,595**	
Class C13 Secured Floating Rate Notes	**324,850**	
Class D2 Secured Floating Rate Notes	**267,620**	1,980,372
Class D3 Secured Floating Rate Notes	**-**	151,087
Class D4 Secured Floating Rate Notes	**2,580,349**	2,347,734
Class D5 Secured Floating Rate Notes	**442,593**	401,974
Class D6 Secured Floating Rate Notes	**1,696,757**	-
First loss credit enhancement loan	**32,470,331**	40,545,290
	148,483,521	166,231,853

16 Auditor's remuneration

Audit fees	**262,545**	261,827
	262,545	261,827

Notes to the consolidated financial statements
for the year ended 31 March 2012

17 Servicing and management fees

Eskom Finance Company SOC Limited has been appointed under the servicing agreement as agent for Nqaba Finance 1 Proprietary Limited, to administer the pool of mortgage advances, including the collection of payments, arrears and foreclosure procedures.

Eskom Finance Company SOC Limited is entitled to charge fees for its services under the servicing agreement which are payable on each interest payment date. Such fees are limited to an amount equal to 0.15% per annum of the average principal balance of the home loan pool during the immediately preceding collection period.

ABSA Capital has been appointed under the terms of a Management Agreement as agent for Nqaba Finance 1 Proprietary Limited to advise Nqaba Finance 1 Proprietary Limited in relation to the management of the Programme. A management fee is charged and accordingly becomes due in respect of each interest period only to the extent that, on any interest payment date, cash is available for the payment of such fee in accordance with the Priority of Payments. In the event that insufficient cash is available for payment of all or part of any management fee, Eskom Finance Company SOC Limited incurs no obligation to pay that portion of the management fee in respect of which no cash is available.

		31 March 2012	31 March 2011
18	**Taxation**		
18.1	**South African Income tax**		
	Normal tax	**2,597,713**	963,948
	Prior year normal tax	**-**	(3,301,398)
	Secondary tax on companies	**1,454,545**	-
	Deferred tax	**(191,912)**	(525,489)
		3,860,346	(2,862,939)
18.2	**Tax rate reconciliation :**		
	SA normal tax	**28.00%**	28.00%
	Prior year normal tax	**0.00%**	-210.83%
	Secondary tax on companies	**7.10%**	0.00%
	Effective rate	**35.10%**	-182.83%
18.3	**Analysis of temporary differences**		
	Credit impairment charges	**1,254,597**	1,062,684
	Other provision	**-**	-
	Total deferred tax asset	**1,254,597**	1,062,684
18.4	**Reconciliation of deferred tax**		
	Asset at the beginning of the year	**1,062,684**	537,195
	Credited/(Debited) to income statement relating to current year	**191,913**	525,489
	Debited to income statement relating to prior years	**-**	-
	Asset at the end of the year	**1,254,597**	1,062,684

19 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The company in the ordinary course of business enters into various transactions with related parties. These transactions occur under terms and conditions that no more favourable than those entered into with third parties in an arms length transaction.

19.1 Related party transactions with Eskom Finance Company SOC Limited

Eskom Finance Company SOC Limited is a related party as Nqaba Finance 1 Proprietary Limited is a Special Purpose Entity, established to securitise residential mortgage backed advances originated by Eskom Finance Company SOC Limited and is the appointed service provider to Nqaba Finance 1 Proprietary Limited. The following transactions took place between Eskom Finance Company SOC Limited and Nqaba Finance 1 Proprietary Limited.

Financing

A Credit Enhancement loan has been provided by Eskom Finance Company SOC Limited, details of which are set out in note 10 above. Total interest on this loan during the period amounted to R32 470 331 (2011: R40 545 290) - see note 15 above.

Servicing fees

Eskom Finance Company SOC Limited is the appointed servicing agent to Nqaba Finance 1 Proprietary Limited, details of which are set out in note 17 above.

19.2 Other related party transactions

These transactions comprise those entered into with Maitland Trustees Proprietary Limited, the Nqaba Finance 1 Owner Trust and of Nqaba Finance 1 Security SPV Owner Trust and relates to Trustee fees paid during the period and owed to the Trustees at the end of the period.

Trading transactions

During the year, Nqaba entered into the following trading transactions with related parties.

	Expenses		Balances owed by related parties		Balances owed to related parties	
	2012	2011	**2012**	2011	**2012**	2011
Transactions with EFC	**35,765,641**	**44,483,294**	**26,282,840**	24,539,659	**312,856,364**	309,410,171
Transactions with Trustees	**148,834**	**148,429**	**-**	-	**8,774**	15,047

Income and expenses were mostly incurred due to management agreements. These agreements were exercised at the company's normal management fee rates.

The amounts outstanding are unsecured and will be settled in cash. No expenses have been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

20 Director's remuneration

20.1 Emoluments earned from the company [1]

	Fees	Basic salary	Bonus	Pension contribution	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2012						
Director 1	-	-	-	-	-	-
Director 2	-	-	-	-	-	-
Director 3	-	-	-	-	-	-
	-	-	-	-	-	-
2011						
Director 1	-	-	-	-	-	-
Director 2	-	-	-	-	-	-
Director 3	-	-	-	-	-	-
Director 4	-	-	-	-	-	-
	-	-	-	-	-	-

1 No fees paid by the subsidiary.

2 No amounts disclosed as director of the subsidiary is not a member of the Eskom Holdings SOC Limited Board and Exco.

20.2 Emoluments earned from group companies

Eskom Holdings SOC Limited

	Fees	Basic salary	Bonus	Pension contribution	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2012						
Director 1	-	-	-	-	-	-
Director 2 [2]	-	-	-	-	-	-
Director 3	-	-	-	-	-	-
	-	-	-	-	-	-
2011						
Director 1	-	-	-	-	-	-
Director 2 [2]	-	-	-	-	-	-
Director 3	-	-	-	-	-	-
Director 4	-	-	-	-	-	-
	-	-	-	-	-	-

1 No fees paid by the subsidiary.

2 No amounts disclosed as director of the subsidiary is not a member of the Eskom Holdings SOC Limited Board and Exco.

21 Commitments

	31 March 2012	31 March 2011
	R'000	R'000
EFC approved loans not disbursed	**358,614**	596,304

The company has issued a cession in favour of the Nqaba Finance 1 Security SPV Proprietary Limited by way of cession of all company's rights, title and interest in and to the mortgage advances, the mortgage agreements and the related security in respect of the portfolio of mortgages owned by the company from time to time, the business proceeds and the bank accounts.

The company has issued an indemnity to Nqaba Finance 1 Security SPV Proprietary Limited indemnifying Nqaba Finance 1 Security SPV Proprietary Limited against any claims by secured creditors in terms of a guarantee by Nqaba Finance 1 Security SPV Proprietary Limited. The obligations of the company in terms of this indemnity are secured by:

A suretyship granted by the Nqaba Finance 1 Security SPV Owner Trust in favour of Nqaba Finance 1 Security SPV Owner Trust and Nqaba Finance Security SPV Proprietary Limited in respect of obligations of the company, limited to the shares in the company.

A cession and pledge of all of Nqaba Finance 1 Security SPV Owner Trust's shares in the company as security for the suretyship granted by the Nqaba Finance 1 Security SPV Owner Trust and Nqaba Finance 1 Security SPV Proprietary Limited.

A security cession in favour of Nqaba Finance 1 Security SPV Owner Trust and Nqaba Finance Security SPV Proprietary Limited mentioned in the first paragraph above.