NQABA FINANCE 1 (RF) LIMITED
(Registration Number 2005/040050/07)
(Previously "Main Street 399 Proprietary Limited")

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

Nqaba Finance 1 (RF) Limited
Index

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

The audited annual financial statements of Nqaba Finance 1 (RF) Limited have been prepared under the supervision of ET Bester. The annual financial statements have been audited in compliance with Section 30 of the Companies Act

Statement of responsibilities and approval

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 annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The annual financial statements should fairly present the state of affairs of Nqaba Finance 1 (RF) Limited ("Nqaba"), its financial results for the year and its financial position at the end of the year in terms of International Financial Reporting Standards.

To enable the directors to meet the above mentioned responsibilities, the board of directors sets standards and management implements systems of internal control. The controls are designed to provide cost-effective assurance that assets are safeguarded, and that liabilities and working capital are efficiently managed. Policies, procedures, structures and approval frameworks provide direction, accountability and division of responsibilities, and contain self-monitoring mechanisms. The controls throughout Nqaba focus on those critical risk areas identified by operational risk management and confirmed by executive management. Both management and the internal audit department closely monitor the controls, and actions are taken to correct deficiencies as they are identified.

The preparation and fair presentation of the annual financial statements are the responsibility of the directors. The external auditors are responsible for independently auditing the financial statements in accordance with International Standards of Auditing.

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

The annual financial statements of Nqaba has been prepared in terms of International Financial Reporting Standards and the Companies Act of South Africa, 71 of 2008, as amended. These financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates and are prepared on a going-concern basis.

Based on the information and explanations given by management, the internal audit function and discussions held with the independent external auditors, the directors are of the opinion that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the annual financial statements, and that accountability for assets and liabilities is maintained.

The audit and risk committee has reviewed the effectiveness of Nqaba's internal controls and considers the systems appropriate for the effective operation of the company. The committee has evaluated Nqaba's annual financial statements and has recommended their approval to the board. The audit and risk committee's approval is set out on pages 5 and 6.

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

In the opinion of the directors, based on the information available to date, the annual financial statements fairly present the financial position of Nqaba at 31 March 2013 and the results of its operations and cash flow information for the year then ended.

The directors are required in terms of the Companies Act of South Africa, 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

Nqaba Finance 1 (RF) Limited
Statement of responsibilities and approval

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by Nqaba and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2014 and, in the light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 10.

The annual financial statements set out on pages 11 to 40, which have been prepared on the going concern basis, were approved by the board of directors on 30 May 2013 and were signed on its behalf by:

EM Southey
Director
30 May 2013

Report in terms of the Companies Act of South Africa, 71 of 2008, section 94(7)(f)

Eskom Holdings SOC Limited has exercised the option in terms of section 94(2) of the Companies Act to enable its audit and risk committee to perform the functions required by the Act on behalf of Nqaba Finance 1 (RF) Limited.

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 integrity 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

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; and
- accounting and auditing concerns identified as a result of internal and external audits, including reportable irregularities.

In line with the principles of combined assurance model on corporate governance Eskom group has developed a combined assurance model and is in the process of implementing the model to ensure a coordinated 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 fro preparing the financial statements, and accountability for assets and liabilities is maintained
- the effectiveness of the assurance and forensic departments 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.

Nqaba Finance 1 (RF) Limited

Report of the audit and risk committee

The audit and risk committee has evaluated the financial statements of Nqaba Finance 1 for the year ended 31 March 2013 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 its meeting held on 29 May 2013 recommended the adoption of the financial statements by the board of directors.

Luthuli

B Luthuli
Chairperson
30 May 2013

Statement by company secretary

In terms of Section 88(2)(e) of the Companies Act of South Africa, 71 of 2008, as amended, I certify that the company has filed with the Companies and Intellectual Property Commission all such returns and notices in terms of this Act, and all such returns appear to be true, correct and up to date.

ET Bester
Company Secretary
30 May 2013

Nqaba Finance 1 (RF) Limited
Directors' report

The directors have pleasure in submitting their report on the activities of the company for the year ended 31 March 2013.

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.
Secretary	Eskom Finance Company SOC Limited performs the functions of the secretary.
Independent auditor	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.

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 2013 are set out in the financial statements and notes which accompany this report.

During the year a trigger was breached when Eskom Holdings SOC Limited was downgraded to AA+(zaf) by Fitch Ratings. This resulted in early amortisation.

The majority of note holders consented to changing the trigger event from AAA+(zaf) to AA-(zaf).

Fitch confirmed that this does not affect the rating of the notes and affirmed the rating.

The revolving period was re-instated.

Share capital

Details of authorised and issued share capital are disclosed in note 11 of the notes to the annual financial statements.

Directors

	Appointed	Resigned
KW van Staden	01-Mar-11	n/a
TL Myburgh	09-Feb-06	n/a
EM Southey	31-Jan-09	n/a

Directors interest

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

Attendance at board and board committee meetings

The members of the audit committee are all independent non-executive directors of the group and include:

Name	Board	Audit and risk
Total number of meetings	**9**	**8**
B Luthuli	7	7
C Mabude	9	7
Y Masithela	6	7
BL Fanaroff	6	6
L Zondo	7	7

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

Introduction of the amended Companies Act

Nqaba Finance 1 (RF) Limited has amended its Memorandum of Incorporation and has registered it on 26 February 2013. Nqaba Finance 1 Proprietary Limited has changed its name to Nqaba Finance 1 (RF) Limited on 26 February 2013.

External auditors

The auditors of Nqaba, for the year ending 31 March 2014, will be the same as that of Eskom Finance Company SOC Limited ("EFC"). The EFC auditors will be appointed at the Eskom Holdings SOC Limited ("Eskom") annual general meeting scheduled for 10 July 2013.

Nqaba's policy is to not use the external auditors for non-audit services. In exceptional cases where the external auditors are to be used for non-audit services, the prior approval of the audit and risk committee must be obtained.

Internal control and risk management

An effective internal control framework is the responsibility of the board. The audit and risk committee reviews the effectiveness of the system and process of risk management including the following specific risks:

- financial reporting;
- internal financial controls;
- fraud risk relating to financial reporting; and
- information technology risks relating to financial reporting.

In line with the principles 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 coordinated approach to assurance activities. Nqaba subscribes to the Eskom combined assurance model.

For more information refer to the statement from the audit and risk committee on page 5 and 6.

Dividends

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

29 May 2012 R12 million (2012: R15.5 million)

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 (RF) 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.

Significant event

The Residential Mortgaged Backed Securities in note 12 of these annual financial statements, scheduled for maturity on 22 May 2013, have been successfully re-financed on 22 May 2013. None of the notes became a "matured note" as defined in note 2 of these financial statements.

The Eskom board of directors is currently in the process of developing a project plan and strategy for the disposal of EFC in terms of a directive from the Department of Public Enterprises. An estimation of the financial effect of this event cannot be determined at the date of these annual financial statements.

Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act of South Africa, 71 of 2008 and are satisfied with the liquidity and solvency of Nqaba.

Independent Auditors' Report

To the shareholder of Nqaba Finance 1 (RF) Limited

We have audited the annual financial statements of Nqaba Finance 1 (RF) Limited, set out on pages 11 to 39 which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the annual financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Nqaba Finance 1 (RF) Limited as at 31 March 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 31 March 2013, we have read the Report of the audit and risk committee, the Statement by company secretary and the Directors' report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Other matters

Without qualifying our opinion above, we draw attention to the fact that supplementary information set out on page 40 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.

SizweNtsalubaGobodo Inc.
Registered Auditor

Per Darshen Govender
Chartered Accountant (SA)
Registered Auditor
Director
30 May 2013

20A Morris Street East
Woodmead
2191

Nqaba Finance 1 (RF) Limited

Statement of financial position as at 31 March 2013

	Notes	2013 R'000	2012 R'000
Assets			
Non-current assets			
Mortgage advances	5	1,922,181	1,922,297
Derivative held for risk management	6	9,224	3,967
Properties in possession	7	4,096	4,484
Deferred tax	4	1,248	1,255
		1,936,749	**1,932,003**
Current assets			
Trade and other receivables	8	24,050	26,362
Tax receivable		6,446	-
Mortgage advances	5	513	763
Cash and cash equivalents	10	40,527	47,252
Derivative held for risk management	6	4,089	3,365
		75,625	**77,742**
Total assets		**2,012,374**	**2,009,745**
Equity			
Capital and reserves			
Share capital	11	-	-
Capital and reserves attributable to the owners of the company		26,011	22,372
		26,011	**22,372**
Non-current liabilities			
Residential mortgage backed securities	12	1,063,000	1,344,000
Current liabilities			
Residential mortgage backed securities	12	608,221	328,268
First loss credit enhancement loan	13	293,043	293,284
Trade and other payables	14	22,099	20,640
Current tax payable		-	1,181
		923,363	**643,373**
Total equity and liabilities		**2,012,374**	**2,009,745**

Nqaba Finance 1 (RF) Limited

Statement of comprehensive income for the year ended 31 March 2013

	Notes	2013 R'000	2012 R'000
Revenue	15	159,167	165,665
Net impairment loss	16	(873)	(2,049)
Other operating expenses		(5,887)	(5,593)
Operating profit before net fair value gain and net finance cost		152,407	158,023
Other income	17	3,933	3,239
Net fair value gain on financial instruments, excluding embedded derivatives	18	5,981	7,721
Operating profit before net finance cost		162,321	168,983
Net finance cost	19	(140,601)	(148,484)
Finance cost		(140,601)	(148,484)
Profit before tax		**21,720**	**20,499**
Income tax	20	(6,082)	(3,860)
Total comprehensive income for the year		**15,638**	**16,639**
Attributable to:			
Owner of the company		15,638	16,639
Non-controlling interest		-	-

Nqaba Finance 1 (RF) Limited

Statement of Changes in Equity

	Share capital R'000	Accumulated profit R'000	Total equity R'000
Balance at 31 March 2011	-	15,692	**15,692**
Total comprehensive income for the year		4,587	**4,587**
Balance at 31 March 2011	-	20,279	**20,279**
Total comprehensive income for the year		16,639	**16,639**
Preferential Share Dividends paid		(14,545)	**(14,545)**
Balance at 31 March 2012	-	22,373	**22,373**
Total comprehensive income for the year		15,638	**15,638**
Preferential Share Dividends paid		(12,000)	**(12,000)**
Balance at 31 March 2013	-	26,011	**26,011**

Nqaba Finance 1 (RF) Limited
Statement of cash flows for the year ended 31 March 2013

	Notes	2013 R'000	2012 R'000
Cash flows from operating activities			
Cash generated from operations	21	156,705	163,209
Income taxes paid	9	(13,702)	(2,951)
Net cash from operating activities		143,003	160,258
Cash flows from investing activities			
Increase in mortgage advances		(483)	(3,598)
Decrease/(increase) in properties in possession		365	(635)
Net cash used in investing activities		(118)	(4,233)
Cash flows from financing activities			
Dividends paid		(12,000)	(14,545)
Interest received		2,991	3,111
Interest paid		(140,601)	(148,484)
Net cash used in financing activities		(149,610)	(159,918)
Net decrease in cash and cash equivalents		(6,725)	(3,893)
Cash and cash equivalents at beginning of year		47,252	51,145
Cash and cash equivalents at the end of the year		**40,527**	**47,252**

Accounting policies to the financial statements

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

Statement of compliance

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.

Basis of measurement

The financial statements are prepared on the historical cost basis except for the financial instruments carried at fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in South African rand (rounded to the nearest rand thousand), 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 01 April 2012. The effects of adopting these standards are discussed in note 28.

1.2 Impairment of non-financial assets

The carrying amounts of the company's non-financial assets, other than inventories, deferred tax assets and tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. 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.

1.3 Financial instruments

Non-derivative financial instruments

Recognition, measurement and derecognition of financial assets

Non-derivative financial assets comprise, financial trading assets, loans receivable, trade and other receivables and cash and cash equivalents.

Cash and cash equivalents comprise balances with local and international banks, monies in call accounts, short-term assets and money market assets with an original maturity of less than 90 days. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

All 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 or losses on derecognition are determined using the weighted average method.

Non-derivative financial assets plus any directly attributable transaction costs are recognised initially at fair value. 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.

Loans and receivables

Trade and other receivables 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, other than:
- those that management intends to sell immediately or in the short term, which are classified as held-for-trading;
- those that upon initial recognition are designated as available-for-sale; and
- those for which the company may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

1.3 Financial instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

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

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The fair values of trading assets, available-for-sale assets and assets carried at amortised cost are based on quoted bid prices. For assets 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 asset with similar terms and conditions at the reporting date.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Impairment (held-to-maturity investments, loans and receivables)

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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 or adverse changes in the technological, market, economic environment in which the entity operates are considered to be indicators 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 groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss within net impairment (loss)/reversal.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

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 an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

1.3 Financial instruments (continued)

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where an asset has been impaired, the carrying amount of the asset is reduced through an allowance account.

Recognition, measurement and derecognition of financial liabilities

Non-derivative financial liabilities comprise debt securities issued, borrowings, financial instruments with group companies, financial trading liabilities 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).

All non-derivative financial liabilities are recognised on the date of commitment (trade date) and are derecognised when the obligation expires, is discharged or cancelled, or there is a substantial modification to the terms of the liability. Realised gains and losses are determined using the weighted average method.

Financial liabilities at fair value through profit or loss (held-for-trading)

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.

1.3 Financial instruments (continued)

Derivative financial instruments and hedging activities

Recognition

A derivative is a financial instrument whose value changes in response to an underlying variable, requires little or no initial investment and is settled at a future date. All derivatives are classified as held-for-trading instruments, unless they meet the criteria for hedge accounting and have been designated for purposes of applying hedge accounting. Derivatives are initially recognised at fair value and re-measured subsequently at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models which consider current market and contractual prices for the underlying instruments as well as the time value of money.

All derivative instruments of the company is included in the statement of financial position as derivatives held for risk management. Realised and unrealised gains or losses for derivatives used for economic hedging are recognised in profit or loss within net fair value gain/(loss) on financial instruments, excluding embedded derivatives. Realised and unrealised gains or losses for derivatives used for cash flow hedging are recognised in other comprehensive income within cash flow hedges.

Hedge accounting

The method of recognising the resulting gain or loss on the derivative depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivatives can be designated as:
- hedges of the fair value of recognised liabilities and assets (fair value hedge);
- hedges of a particular risk associated with a recognised liability, asset or a highly probable forecast transaction (cash flow hedge); and
- hedges of a net investment in a foreign operation (net investment hedge).

The company applies only cash flow hedge accounting.

The company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve are shown in other comprehensive income within cash flow hedges. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining period of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining period of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

Economic hedging

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) on financial instruments, excluding embedded derivatives.

1.4 Share capital

Ordinary shares are classified as equity.

1.5 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 (and laws) enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax asset is recognised for the carry forward of unused tax losses and unused Secondary Tax on Companies credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused Secondary Tax on Companies credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.6 Deferred tax

Deferred tax is recognised, using the statement of financial position method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. 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. Deferred tax is determined using tax rates (and laws) enacted or substantively enacted at the reporting date and that 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.

1.7 Employee benefits

The company does not have any employees.

1.8 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 reflects 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 the 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

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

1.9 Revenue recognition

Revenue comprises interest income. Interest income comprises interest receivable on loans and advances. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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 revenue 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.

Other income

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

Other income comprises commission income, rentals on repossessed property, and income from financial market investments. Interest income earned on swap differential is recognised as it accrues in profit or loss, using the effective interest method.

1.10 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.

1.11 Related party transactions

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 company applies the exemption in respect of its relationship with government related entities at national and local levels of government (refer to notes 24 and 25).

2 Financial risk management

The company has an integrated risk management framework. The company's approach to risk management is based on risk governance structures, risk management policies, risk identification, measurement and reporting. Three types of risks are reported as part of the risk profile, namely operational, strategic and business continuity risks. Operational risks are events, hazards, variances or opportunities which could influence the achievement of Nqaba's compliance and operational objectives. For Nqaba, a strategic risk is a significant unexpected or unpredictable change or outcome beyond what was factored into the organisation's strategy and business model which could have an impact on the company's performance. Business continuity risks are those events, hazards, variances and opportunities which could influence the continuity of Nqaba. The financial risks, as defined by IFRS 7 Financial instruments: disclosures, and the management thereof, form part of this key risk area.

The Board of Directors (the board) has delegated the management of enterprise-wide risk to the audit and risk management committee which operates through various sub-committees. One of the committee's objectives is to ensure that the company is not unduly exposed to financial risks. Most of the financial risks arising from financial instruments are managed in the finance function of Eskom Finance Company SOC Limited ("EFC").

The company's exposure to risk, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless otherwise stated.

The exposure of the centralised treasury function to the major financial risks is unique to its activities and therefore different to those of the divisions and subsidiaries within the Eskom group. A distinction is therefore made between the treasury department and other divisions and subsidiaries in the group in respect of financial risk management where relevant.

The company has exposure to the following risks as a result of its financial instruments:

Credit risk

Credit risk is the risk of financial loss to the company if a customer or other counterparty (including financial institutions) to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from mortgage loan advances and related services in the ordinary course of business and financial instruments managed in the finance activities. Credit risk includes counterparty risk and delivery or settlement risk.

Counterparty risk is the risk that a counterparty is unable to meet its financial and/or contractual obligations during the period of a transaction. Delivery or settlement risk is the risk that a counterparty does not deliver on its contractual commitment on maturity date (including the settlement of money and delivery of securities).

Nqaba purchases eligible home loans originated by EFC, to staff employed by the Eskom group. Policies that govern credit risk are in place. These policies require that various criteria around valuation, affordability and credit history are met, in compliance with the National Credit Act, prior to the approval of a loan. 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 in the company and the group 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. The company register mortgage bonds as security against advances.

Advances exceeding 80% of the property market value are guaranteed by Eskom and its subsidiaries. The fair value of this guarantee approximates R81 million (2012: R81 million).

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.

The weighted average current loan-to-value ratio of the home loan book at 31 March 2013 was:

	2013 R'000	2012 R'000
Weighted average current loan-to-value ratio	**62.8%**	**62.0%**
The average loan amount in relation to the total home loan book value at 31 March was:	**231**	**212**
Loan amount as a percentage of the loan book	**0.012%**	**0.011%**

2 Financial risk management (continued)

Management of credit risk

Financial instruments managed by the finance function

Credit risk arises from cash and cash equivalents, investment in securities, derivatives held for risk management, financial trading assets and deposits made with counterparties. Processes are in place to identify, measure, monitor, control and report credit risk. The objective of the credit risk management framework is firstly to protect cash and investments and, secondly to project and maximise the rate of return of financial market investments.

Credit exposure

The carrying amount of financial assets represents the maximum credit exposure at the reporting date (refer to note 10). The following table represents an analysis per credit rating level (as determined by rating agencies) of the credit risk of financial assets, as indicated.

	Cash and cash equivalents R'000	Derivatives held for risk management R'000
2013		
AAA	40,527	-
Unrated	-	13,313
	40,527	13,313
2012		
A1+	47,252	-
Unrated	-	7,332
	47,252	**7,332**

No credit limits were exceeded during the reporting period, nor does management expect any losses from non-performance by these counterparties.

The maximum exposure to credit risk for mortgage advances and trade and other receivables per class was:

	2013 R'000	2012 R'000
Mortgage advances		
Mortgage loans	1,922,694	1,923,060
	1,922,694	1,923,060
Other trade receivables		
Local	24,050	26,362
	24,050	**26,362**
Total trade and other receivables	**1,946,744**	**1,949,422**
The analysis per credit rating level of the credit risk of mortgage advances and trade and other receivables was:		
Unrated	**1,946,744**	**1,949,422**

2 Financial risk management (continued)

Mortgage advances

	Carrying amount	Not past due	Days past due		
			0-30	31-61	>60
	R'000	R'000	R'000	R'000	R'000
2013					
Collectively assessed for impairment					
Gross					
Home loans	1,928,077	1,874,564	14,840	10,220	28,453
Impairment					
Home loans	(5,383)	(2,304)	(503)	(285)	(2,291)
Total carrying amount	**1,922,694**	**1,872,260**	**14,337**	**9,935**	**26,162**
2012					
Collectively assessed for impairment					
Gross					
Home loans	1,928,496	1,878,656	12,005	9,855	27,980
Impairment					
Home loans	(5,436)	(2,461)	(272)	(496)	(2,207)
Total carrying amount	**1,923,060**	**1,876,195**	**11,733**	**9,359**	**25,773**

Mortgage advances include an amount of R35 million (2012: R23 million) relating to receivables that were renegotiated. These mortgage advances would have been past due had their terms not been renegotiated.

Allowance for impairment

The movement in the allowance for impairment in respect of trade and other receivables during the year was:

	2013 R'000	2012 R'000
Balance at beginning of the year	5,974	5,060
Impairment loss (reversal) recognised (net of reversals)	(31)	914
Balance at the end of the year	**5,943**	**5,974**
Comprising:		
Housing loans	5,383	5,436
Properties in possession	560	538
	5,943	**5,974**

Nqaba establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance consists of a specific loss component that relates to individual exposures, and a collective loss component established for groups of similar customers in respect of losses that have been incurred but not yet identified.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates, commodity prices, interest rates and equity prices.

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. The board implemented a funding strategy that aims to protect the company from major interest rate changes and liquidity challenges.

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.

2 Financial risk management (continued)

Mortgage advances

Market risks in respect of loans receivable arise from changes in interest rates and market prices. Market risk is monitored and analysed through the treasury department and reported to the EFC Finance committee. A strategy aimed at protecting the company from changes in market risk that may have a negative impact on earnings has been implemented. The cost of funding is based on prevailing conditions in the South African money market. Rates charged on outstanding loan receivables are based on movements in the South African Reserve Bank repurchase rate.

Interest rate risk

Interest rate risk is the risk that the company's financial position may be adversely affected as a result of changes in interest rate levels, yield curves and spreads.

The company's interest rate risk arises mainly from debt securities issued. Debt securities issued at variable rates expose the company to cash flow interest rate risk. Debt securities issued at fixed rates expose the company to fair value interest rate risk. 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 and decreases.

Refer to note 10 for the company's quantitative exposure to interest rate risk.

Sensitivity analysis

The company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined interest rate shifts. For each simulation, the same interest rate shift is used for all currencies.

The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The calculation excludes borrowing costs capitalised in terms of the company's accounting policy. The analysis relates to variable-rate instruments and has been performed on the same basis as the prior year.

The simulation is performed on a monthly basis to verify that the maximum loss potential is within the limit set by management. The results of the simulation are included in the table below.

	2013 +100 basis points R'000	2013 -100 basis points R'000	2012 +100 basis points R'000	2012 -100 basis points R'000
Profit/(loss)				
Rand interest rates	4,386	(4,386)	3,157	(3,157)

The company has elected not to hedge interest rate risk and therefore there would be no impact on equity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Borrowings are of a revolving nature and are expected to be refinanced with new loans raised in the market upon repayment date.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the company's financial liabilities and into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2013	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Debt securities issued	608,221	382,000	545,000	136,000
First loss credit enhancement loan	293,043	-	-	-
Other liabilities	22,099	-	-	-
2012				
Debt securities issued	328,268	597,000	611,000	136,000
First loss credit enhancement loan	293,284	-	-	-
Other liabilities	36,192	-	-	-

2 Financial risk management (continued)

Liquidity risk is the risk that the company will not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue and capital and operational outflows. Nqaba is an evergreen structure where notes issued have a final legal maturity of 30 years and a scheduled maturity of up to 7 years.

In the event that notes are not refinanced on the Scheduled Maturity Date, notes will start amortising from 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 not 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 note holders and Nqaba Finance 1 Security SPV (RF) Proprietary Limited.

The objective of the company's liquidity and funding management is to ensure that all foreseeable operational and loan commitment expenditure can be met under both normal and stressed conditions. The company has adopted an overall statement of financial position approach, which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity, profitability and interest rate considerations.

The management of consolidated liquidity and funding risk is centralised in the finance department in accordance with practices and limits set by the board. The company's liquidity and funding management process includes:
- projecting cash flows and considering the cash required by the group and optimising the short-term liquidity as well as the long-term funding;
- monitoring financial position liquidity ratios;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- managing the concentration and profile of debt maturities;
- actively managing the funding risk by evaluating optimal entry points into the various markets per the official funding plan; and
- maintaining liquidity and funding contingency plans

Primary sources of funding and unused facilities

The primary sources to meet liquidity requirements are cash generated from operations, cash inflows from maturing financial assets purchased.

Contractual cash flows

The table below indicates the contractual undiscounted cash flows of the company's financial assets and liabilities on the basis of their earliest possible contractual maturity. The undiscounted cash flows in respect of the company's financial assets are presented net of impairment losses and include estimates where there are no contractual repayment terms or the receivable is past due. The cash flows of the company's financial liabilities are indicated on a gross undiscounted basis.

The cash flows for derivatives are presented as gross inflows and outflows even though physically they are settled simultaneously. Contractual cash flows are a function of forward exchange rates and forward interest rates and is a point in time calculation that is impacted by market conditions at that time.

The table contains only cash flows relating to financial instruments. It does not include future cash flows expected from the normal course of business.

2 Financial risk management (continued)

	Carrying amount Non-current	Current	Total	Nominal inflow or outflow	0 to 3 months	4 to 12 months	1 to 5 years	More than 5 years
2013	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Financial assets								
Mortgage advances	1,922,181	513	1,922,694	1,922,694	93	420	41,985	1,880,196
Derivatives held for risk management	9,224	4,089	13,313	13,313	1,031	3,058	8,806	418
Trade and other receivables	-	24,050	24,050	24,050	24,050	-	-	-
Cash and cash equivalents	-	40,527	40,527	40,527	40,527	-	-	-
	1,931,405	69,179	2,000,584	2,000,584	65,701	3,478	50,791	1,880,614
Financial liabilities								
Debt securities issued	1,063,000	608,221	1,671,221	1,671,221	608,221	-	927,000	136,000
First loss credit enhancement loan	-	293,043	293,043	293,043	293,043	-	-	-
Trade and other payables	-	22,099	22,099	22,099	22,099	-	-	-
	1,063,000	923,363	1,986,363	1,986,363	923,363	-	927,000	136,000
2012								
Financial assets								
Mortgage advances	1,922,297	763	1,923,060	1,923,060	85	678	35,569	1,886,728
Derivatives held for risk management	3,967	3,365	7,332	7,332	876	2,489	4,808	(841)
Trade and other receivables	-	26,362	26,362	26,362	26,362	-	-	-
Cash and cash equivalents	-	47,252	47,252	47,252	47,252	-	-	-
	1,926,264	77,742	2,004,006	2,004,006	74,575	3,167	40,377	1,885,887
Financial liabilities								
Debt securities issued	1,344,000	328,268	1,672,268	1,672,268	328,268	-	1,208,000	136,000
First loss credit enhancement loan	-	293,284	293,284	293,284	293,284	-	-	-
Trade and other payables	-	20,640	20,640	20,640	20,640	-	-	-
	1,344,000	642,192	1,986,192	1,986,192	642,192	-	1,208,000	136,000

2 Financial risk management (continued)

Accounting classification and fair values

The classification of each class of financial assets and liabilities, and their fair values are:

2013	Held for trading R'000	Loans and receivables R'000	Liabilities at amortised cost R'000	Total carrying amount R'000	Fair value R'000
Financial assets					
Non-current					
Mortgage advances	-	1,922,181	-	1,922,181	1,922,181
Derivatives held for risk management	9,224	-	-	9,224	9,224
	9,224	1,922,181	-	1,931,405	1,931,405
Current					
Mortgage advances	-	513	-	513	513
Derivative held for risk management	4,089	-	-	4,089	4,089
Trade and other receivables		24,050	-	24,050	24,050
Cash and cash equivalents	-	40,527	-	40,527	40,527
	4,089	65,090	-	69,179	69,179
Total financial assets	**13,313**	**1,987,271**	**-**	**2,000,584**	**2,000,584**
Financial liabilities					
Non-current					
Debt securities issues	-	-	1,063,000	1,063,000	1,063,000
Trade and other payables	-		22,099	22,099	22,099
	-	-	1,085,099	1,085,099	1,085,099
Current					
Debt securities issued	-	-	608,221	608,221	608,221
First loss credit enhancement loan	-	-	293,043	293,043	293,043
Trade and other payables	-	-	22,099	22,099	22,099
	-	-	923,363	923,363	923,363
Total financial assets	**-**	**-**	**2,008,462**	**2,008,462**	**2,008,462**
2012					
Financial assets					
Non-current					
Mortgage advances	-	1,922,297	-	1,922,297	1,922,297
Derivatives held for risk management	3,967		-	3,967	3,967
	3,967	1,922,297	-	1,926,264	1,926,264
Current					
Mortgage advances		763		763	763
Derivative held for risk management	3,365			3,365	3,365
Trade and other receivables		26,362		26,362	26,362
Cash and cash equivalents		47,252		47,252	47,252
	3,365	74,377	-	77,742	77,742
Total financial assets	**7,332**	**1,996,674**	**-**	**2,004,006**	**2,004,006**
Financial liabilities					
Non-current					
Debt securities issues	-	-	1,344,000	1,344,000	1,344,000
	-	-	1,344,000	1,344,000	1,344,000
Current					
Debt securities issued	-	-	328,268	328,268	328,268
First loss credit enhancement loan	-	-	293,284	293,284	293,284
Trade and other payables	-	-	20,640	20,640	20,640
	-	-	642,192	642,192	642,192
Total financial assets	**-**	**-**	**1,986,192**	**1,986,192**	**1,986,192**

Nqaba Finance 1 (RF) Limited took possession of properties from debtors who have defaulted on their accounts. The carrying amount of the mortgage bonds which were called upon is R1.0 million (2012: R2.6 million).

2 Financial risk management (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been identified as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either

Level 3: inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2013				
Derivatives held for risk management (assets)	-	13,313	-	13,313
Derivatives held for risk management (liabilities)	-	-	-	-
2012				
Derivatives held for risk management (assets)	-	7,332	-	7,332
Derivatives held for risk management (liabilities)	-	-	-	-

3 Critical accounting estimates and judgements

Estimates and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are recognised in the period in which they are revised and future periods they affect.

4 Deferred tax

Deferred tax asset

	2013 R'000	2012 R'000
Balance at beginning of year	1,255	1,063
Recognised in other comprehensive income	(7)	192
	1,248	**1,255**

Reconciliation of deferred tax asset/(liability)

	2013 R'000	2012 R'000
At beginning of year	1,255	1,063
Doubtful debt allowance (S11J)	(7)	192
	1,248	**1,255**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:
- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

5 Mortgage advances

	2013 Carrying value R'000	2013 Fair value R'000	2012 Carrying value R'000	2012 Fair value R'000
Mortgage loans	**1,922,694**	**1,922,694**	**1,923,060**	**1,923,060**
Maturity analysis				
Non-current	1,922,181	1,922,181	1,922,297	1,922,297
Current	513	513	763	763
	1,922,694	**1,922,694**	**1,923,060**	**1,923,060**

6 Derivatives held for risk management

	2013 Assets R'000	2013 Liabilities R'000	2013 Notional amount R'000	2012 Assets R'000	2012 Liabilities R'000	2012 Notional amount R'000
Interest rate derivatives						
Interest rate swaps	13,313	-	13,313	7,332	-	7,332
Total derivatives held for risk management	**13,313**	**-**	**13,313**	**7,332**	**-**	**7,332**

	2013 Assets R'000	2013 Liabilities R'000	2012 Assets R'000	2012 Liabilities R'000
Maturity analysis				
Total derivatives held for risk management				
Non-current	9,224	-	3,967	-
Current	4,089	-	3,365	-
	13,313	**-**	**7,332**	**-**
Reconciliation				
Derivatives held for risk management				
Opening balance	7,332	-	-389	-
Charged to profit or loss	5,981	-	7,721	-
Closing balance	**13,313**	**-**	**7,332**	**-**

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. The interest rate swaps are linked to the main debt from the secured note holders. 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 represents the value of cash flows(either positive or negative) which would have occurred if the rights and obligation arising from those instruments were closed out in the market place at year end.

The interest differential earned during the year on this swap agreement was R3.9 million (2012: R3.2 million).

	2013 R'000	2012 R'000
7 Properties in possession		
Properties in possession	4,656	5,022
Less: Impairments for Properties in possession	(560)	(538)
	4,096	4,484
8 Trade and other receivables		
Trade receivables	24,050	26,362
	24,050	26,362
Maturity analysis		
Non-current	-	-
Current	24,050	26,362
	24,050	26,362

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The company does not hold any collateral as security.

	2013 R'000	2012 R'000
9 Tax paid		
Balance at beginning of the year	(1,181)	(272)
Current tax for the year recognised in profit or loss	(6,075)	(3,860)
Balance at the end of the year	(6,446)	1,181
	(13,702)	(2,951)

10 Cash and cash equivalents

	2013 Carrying value R'000	2013 Fair value R'000	2012 Carrying value R'000	2012 Fair value R'000
Bank balances	40,527	40,527	47,252	47,252

11 Share capital

	2013 R'000	2012 R'000
Authorised		
1 000 Ordinary shares of R1 each	1	1
100 Cumulative redeemable preference shares of R0.01 each	-	-
	1	1
Issued		
100 Ordinary shares of R1 each	-	-
100 Cumulative redeemable preference shares of R0.01 each	-	-
	-	-

12 Residential mortgage backed securities

	Currency	Interest rate 2013 %	Interest rate 2012 %	Nominal 2013 R'000	Nominal 2012 R'000	Maturity date	Carrying value 2013 R'000	Carrying value 2012 R'000
Commercial paper								
Class A8	ZAR	-	6.91	-	30,000	22-May-12	-	30,221
Class A13	ZAR	-	6.15	-	273,000	22-May-12	-	274,794
Class B12	ZAR	-	6.60	-	8,000	22-May-12	-	8,056
Class C12	ZAR	-	7.08	-	5,000	22-May-12	-	5,038
Class A9	ZAR	6.53	7.05	127,000	127,000	22-May-13	127,864	127,956
Class B9	ZAR	6.93	7.45	30,000	30,000	22-May-13	30,216	30,239
Class C9	ZAR	7.43	7.95	12,000	12,000	22-May-13	12,093	12,102
Class D4	ZAR	8.08	8.60	30,000	30,000	22-May-13	30,252	30,276
Class A14	ZAR	5.62	6.14	375,000	375,000	22-May-13	377,195	377,460
Class B13	ZAR	5.98	6.50	10,000	10,000	22-May-13	10,062	10,069
Class C13	ZAR	6.46	6.98	13,000	13,000	22-May-13	13,087	13,097
Class A12	ZAR	6.09	6.61	318,000	318,000	22-May-14	320,018	320,246
Class B11	ZAR	6.43	6.95	32,000	32,000	22-May-14	32,215	32,238
Class C11	ZAR	6.83	7.35	32,000	32,000	22-May-14	32,228	32,251
Class A15	ZAR	5.99	-	303,000	-	22-May-15	304,890	-
Class B14	ZAR	6.18	-	8,000	-	22-May-15	8,052	-
Class C14	ZAR	6.53	-	5,000	-	22-May-15	5,034	-
Class D6	ZAR	7.72	8.24	24,000	24,000	22-May-16	24,193	24,212
Class A11	ZAR	6.33	6.85	205,000	205,000	23-May-16	206,352	206,501
Class A10	ZAR	10.44	10.44	115,000	115,000	22-May-20	116,249	116,282
Class B10	ZAR	10.64	10.64	11,000	11,000	22-May-20	11,122	11,125
Class C10	ZAR	10.84	10.84	5,000	5,000	22-May-20	5,056	5,058
Class D5	ZAR	8.33	8.85	5,000	5,000	22-May-20	5,043	5,047
				1,660,000	1,660,000		1,671,221	1,672,268

Maturity analysis

	2013 R'000	2012 R'000
Non current	1,063,000	1,344,000
	1,063,000	1,344,000
Current		
Residential mortgage backed securities	597,000	316,000
Accrued interest	11,221	12,268
	608,221	328,268

During the period there were no loans overdue.

12 Residential mortgage backed securities (continued)

Class A8, A9, A11, A12, A13, A14, A15, B9, B11, B12, B13, B14, C9, C11, C12, C13, C14, D4, D5 and D6 are 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:

- 1.31% per annum in relation to Class A8 Notes;
- 1.45% per annum in relation to Class A9 Notes;
- 1.25% per annum in relation to Class A11 Notes;
- 1.01% per annum in relation to Class A12 Notes;
- 0.55% per annum in relation to Class A13 Notes;
- 0.54% per annum in relation to Class A14 Notes;
- 0.91% per annum in relation to Class A15 Notes;
- 1.85% per annum in relation to Class B9 Notes;
- 1.35% per annum in relation to Class B11 Notes;
- 1.00% per annum in relation to Class B12 Notes;
- 0.90% per annum in relation to Class B13 Notes;
- 1.10% per annum in relation to Class B14 Notes;
- 2.35% per annum in relation to Class C9 Notes;
- 1.75% per annum in relation to Class C11 Notes;
- 1.48% per annum in relation to Class C12 Notes;
- 1.38% per annum in relation to Class C13 Notes;
- 1.45% per annum in relation to Class C14 Notes;
- 3.00% per annum in relation to Class D4 Notes;
- 3.25% per annum in relation to Class D5 Notes; and
- 2.64% per annum in relation to Class D6 Notes.

Class A10, B10 and C10 are Secured fixed rate 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.

The interest rate swap agreement rates applicable to these notes are:

- 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.

Interest is 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 Notes are solely the obligations of Nqaba and are neither the obligations of, nor the responsibility of and nor are they guaranteed by EFC.

Covenants

Covenants are standardised wherever possible and are monitored on an on-going basis with formal testing reported to the board. The company continues to comply with all borrowing obligations and financial covenants. All financial covenants have been tested and complied with as at 31 March 2013.

13 First loss credit enhancement loan

	2013 R'000	2012 R'000
Subordinated loan - Eskom Finance Company SOC Limited	290,000	290,000
Accrued interest	3,043	3,284
	293,043	**293,284**

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, after taking account of all other income and expenses, exceeds the interest to be accrued, Nqaba shall not incur any obligation, then or at any later date, to pay such excess. Any interest which is owing is payable by Nqaba in arrears on each Interest Payment Date, provided that the payment is made in accordance with the Priority of Payments.

		2013 R'000	2012 R'000
14	**Trade and other payables**		
	Accruals	1,988	1,068
	Eskom Finance Company SOC Limited	20,111	19,572
		22,099	**20,640**
15	**Revenue**		
	Mortgage advances	156,176	162,554
	Call account - ABSA Bank Limited	2,991	3,111
		159,167	**165,665**
16	**Net impairment loss**		
	Mortgage loans	850	1,785
	Properties in possession	23	264
		873	**2,049**
17	**Other income**		
	Interest differential earned on swap agreements	3,933	3,239
		3,933	**3,239**
18	**Net fair value gain on financial instruments, excluding embedded derivatives**		
	Net gain on derivatives held for risk management	5,981	7,721
		5,981	**7,721**
19	**Finance cost**		
	Debt securities issued	140,601	148,484
		140,601	**148,484**
20	**Income tax**		
	Current		
	Current tax	6,075	4,052
	Deferred		
	Deferred tax	7	(192)
	Total income tax in profit or loss	**6,082**	**3,860**
	Reconciliation of the tax expense		
		%	%
	Taxation as a percentage of profit before tax	28.00	18.83
	Taxation effect of:		
	Expenses not deductible for tax purposes	-	9.17
	Standard tax rate	28.00	28.00
21	**Cash generated from operations**		
	Profit before tax	21,720	20,499
	Adjustments for:		
	Net impairment loss	873	2,049
	Net fair value gain on financial instruments	(5,981)	(389)
	Finance income	(2,991)	(3,111)
	Finance cost	140,601	148,484
		154,222	167,532
	Changes in working capital		
	(Decrease)/Increase in trade and other receivables	2,312	(2,014)
	Increase in other financial assets	-	(7,332)
	Increase in trade and other payables	1,459	4,896
	(Increase)/Decrease in interest payable	(1,288)	127
		2,483	(4,323)
		156,705	**163,209**

22 Guarantees and contingent liabilities

Legal claims
There were no legal claims against the company for the period under review.

23 Commitments

	2013 R'000	2012 R'000
EFC loans granted but not yet advanced	570,848	358,614

These commitments will be financed by operations and funding from Eskom. Available funding from Eskom at year end is R1.29bn.

24 Related parties

Related party transactions with Eskom Finance Company SOC Limited

EFC is a related party as Nqaba is a Special Purpose Entity, established to securitise residential mortgage backed advances originated by EFC and is the appointed service provider to Nqaba. The following transactions took place between EFC and Nqaba.

Financing
A Credit Enhancement loan has been provided by EFC, details of which are set out in note 14 above. Total interest on this loan during the period amounted to R29.8 million (2012: R32.5 million).

Servicing fees
EFC is the appointed servicing agent to Nqaba.

EFC has been appointed under the servicing agreement as agent for Nqaba, to administer the pool of mortgage advances, including the collection of payments, arrears and foreclosure procedures.

EFC 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 to advise Nqaba 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, EFC incurs no obligation to pay that portion of the management fee in respect of which no cash is available.

Transactions

	2013 R'000	2012 R'000
Purchases of goods and services		
Servicing fees	3,278	3,295
Preferential share dividend	12,000	15,454
	15,278	18,749
Finance cost		
Eskom Finance Company SOC Limited	29,830	32,470
Outstanding balances (due to related parties)		
Payables and amounts owed to related parties		
First loss credit enhancement loan	290,000	290,000
Interest payable on first loss credit enhancement loan	3,044	3,284
Servicing fees	309	331
	293,353	293,615

25 Other related party transactions

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

Transactions

	2013 R'000	2012 R'000
Purchases of goods and services		
Owner trustee fees	167	149
	167	149
Outstanding balances (due to related parties)		
Payables and amounts owed to related parties		
Owner trustee fees	9	9
	9	9

26 Significant events

The Residential Mortgaged Backed Securities in note 9 of these financial statements, scheduled for maturity on 22 May 2013, have been successfully re-financed on 22 May 2013. None of the notes became a "matured note" as defined in note 2 of these financial statements.

The Eskom board of directors is currently in the process of developing a project plan and strategy for the disposal of EFC in terms of a directive from the Department of Public Enterprises. An estimation of the financial effect of this event cannot be determined at the date of these annual financial statements.

27 Directors' remuneration

The directors do not receive individual remuneration from the company. Due to the nature of the securitisation structure Maitland Trustees Proprietary Limited (Maitland) acts as Trustees of the Issuer and of Nqaba Finance 1 Security SPV (RF) Proprietary Limited. Employees of Maitland serve as directors of the company. The fees paid to Maitland for their services to the securitisation structure is disclosed in note 25.

28 New standards and interpretations

28.1 Standards, interpretations and amendments to published standards that are effective and applicable to the company

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 2012. 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 now requires items of other comprehensive income to be presented as:
- Those which will be reclassified to profit or loss
- Those which will not be reclassified to profit or loss.

The related tax disclosures are also required to follow the presentation allocation.

In addition, the amendment changed the name of the statement of comprehensive income to the statement of profit or loss and other comprehensive income.

The effective date of the amendment is for years beginning on or after 01 July 2012.

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 company's financial statements.

28.2 Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, amendments and interpretations to existing standards have been published that are applicable for future accounting periods but have not been adopted early by the group:

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

- Require recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements
- Introduce enhanced disclosures about defined benefit plans
- Modify accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits
- Clarification of miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features

The effective date of the amendment is for years beginning on or after 01 January 2013.

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 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 company's financial statements.

28 New standards and interpretations (continued)

IFRS 10 Consolidated Financial Statements (effective 1 January 2013)

IFRS 10 Consolidated Financial Statements (effective 1 January 2013) IFRS 10 is a new standard that replaces the consolidation requirements in SIC-12 Consolidation-Special Purpose entities and IAS 27 Consolidated and Separate Financial Statements. The standard builds on existing principles 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.

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

The amendments 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.

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

Consequential amendment as a result of IFRS 10. The amended Standard now only deals with separate financial statements.

IFRS 13 Fair Value Measurement (effective 1 January 2013)

New standard setting out guidance on the measurement and disclosure of items measured at fair value or required to be disclosed at fair value in terms of other IFRS's.

The effective date of the standard is for years beginning on or after 01 January 2013.

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Amendment requires additional disclosures for financial assets and liabilities which are offset and for financial instruments subject to master netting arrangements.

The effective date of the amendment is for years beginning on or after 01 January 2013.

The company does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Clarification of certain aspects concerning the requirements for offsetting financial assets and financial liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2014.

The company does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.
It is unlikely that the amendment will have a material impact on the company's annual 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 company's financial statements.

It is unlikely that the will have a material impact on the company's annual financial statements.

28 New standards and interpretations (continued)

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 company 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).

The effective date of the is for years beginning on or after 01 January 2015.

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

The amendments 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 company's financial statements.

Nqaba Finance 1 (RF) Limited

Detailed statement of comprehensive income for the year ended 31 March 2013

	Notes	2013 R'000	2012 R'000
Interest income	15	159,167	165,665
Interest expense	19	(140,601)	(148,484)
Net interest income		18,566	17,181
Other income	17	3,933	3,239
Total income		22,499	20,420
Expenses		(6,760)	(7,642)
Auditor's remuneration		(311)	(263)
Back-up servicer fees - Absa Bank Limited		(192)	(193)
Impairment charge		(873)	(2,049)
JSE listing fees		(68)	(199)
Liquidity facility fees - Absa Bank Limited		(41)	(42)
Management fees - Absa Bank Limited		(570)	(570)
NCR fees		(87)	(87)
Credit Ombudsman		(50)	(50)
Rating fees		(604)	(217)
Redraw facility fees - Absa Bank Limited		(465)	(447)
Safe custody and settlement agent fees - Absa Bank Limited		-	(4)
Servicer fees - Eskom Finance Company SOC Limited		(3,277)	(3,295)
STRATE fees		(55)	(77)
Trustee fees		(167)	(149)
Profit before fair value gains		15,739	12,778
Fair value gains		5,981	7,721
Profit before taxation		21,720	20,499
Taxation	20	(6,082)	(3,860)
Total comprehensive income for the year		15,638	16,639