Nqaba Finance 1 (RF) Limited
(Registration Number 2005/040050/06)
Annual financial statements
for the reporting period ended 31 March 2024

Audited Financial Statements

in compliance with the Companies Act of South Africa

Prepared by: Brian Coombe
Professional designation: CA (SA)
Reviewed by: Ettienne Bester
Title: Acting Chief Executive Officer Eskom Finance Company SOC Limited (the Servicer)

Date published: 22 July 2024

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

The Companies Act of South Africa requires the directors to ensure that Nqaba Finance 1 (RF) Limited (Nqaba) keeps full and proper records of its financial affairs. The annual financial statements should fairly present the state of affairs of Nqaba, its financial results for the reporting period and its financial position at the end of the reporting period in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB®).

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 management. Both management and the Eskom's Assurance and Forensic department closely monitor the controls, and actions are taken to correct deficiencies as they are identified.

The preparation and fair presentation of the Nqaba 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 on 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 has continued to adopt the going concern basis in preparing the financial statements.

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.

Nothing 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 reporting period.

The financial statements have been prepared in accordance with IFRS and the Companies Act of South Africa, 71 of 2008, the SAICA reporting guides and the JSE Listing requirements paragraph 3.8. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

Based on the information and explanations given by management, Eskom's 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 committee evaluated Nqaba's annual financial statements and recommended their approval to the board. The audit committee's report is set out on pages 3 to 6.

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 2024 and the results of its operations and cash flow information for the reporting period then ended.

The annual financial statements of Nqaba set out on pages 15 to 46 were approved by the board of directors on 16 July 2024 and are signed on its behalf by:

BW Smith	Trevor Myburgh TL Myburgh
Director	Director
22 July 2024	22 July 2024

Report of the audit committee

Mandate and terms of reference

The audit committee (the committee) presents its report in terms of the requirements of the Companies Act of South Africa (Companies Act) (section 94(7)(f)) and in accordance with the King Code of Governance Principles for South Africa for the reporting period ended 31 March 2024.

The role of the committee is defined in its mandate. It covers, amongst others, its statutory duties and the assistance to the board with the oversight of financial and non-financial reporting and disclosure, internal control systems, risk management and internal and external audit functions.

The committee fulfilled all its statutory duties as required by section 94(7)(f) of the Companies Act. The committee reports that it has adopted appropriate formal terms of reference in the form of an audit committee charter, has regulated its affairs in compliance with this charter and has discharged all of its responsibilities contained therein.

Execution of functions

In the conduct of its duties the committee has, inter alia, reviewed the following areas:

Going concern assumption

The committee considered the following:

- the robustness of budgets and business results
- the cash flow projections
- the funding plan
- the going concern as the basis of preparation of the annual financial statements.

Oversight of financial and non-financial reporting and disclosure

The committee considered the following:

- the annual financial statements for fair presentation within the relevant requirements of the Companies Act, IFRS and the SAICA Financial Reporting Guides
- the adequacy, reliability and accuracy of financial and non-financial information provided by management
- the expertise, resources and experience of the committee.
- the Johannesburg Stock Exchange Debt Listing requirements.

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

The committee considered the following:

- the effectiveness of internal control systems and governance processes
- legal matters that could have a material impact on the company
- 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 Nqaba's compliance with legal and regulatory requirements.

Internal and external audit

The committee considered the following:

- the charter, annual audit plan, independence, effectiveness, coordination with external auditors and performance of the Eskom Assurance and Forensic department that provides the internal audit function
- the appointment of the external auditors in terms of the Companies Act and other applicable requirements
- the external audit plan, audit budget, actual fee and terms of engagement of the external auditors
- the independence and objectivity of the external auditors
- the accounting, sustainability and auditing concerns identified as a result of the internal and external audits, including reportable irregularities. There were no reportable irregularities.

Opinion

The committee is of the opinion, based on the information and explanations provided by management and feedback from Eskom's Assurance and Forensic department during the year and at year end as well as discussions with the independent external auditors, that:

- the expertise, resources and experience of the finance function are adequate
- the system and process of risk management and compliance processes are adequate
- the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements and accountability for assets and liabilities is maintained
- the audit charter approved by the committee was adhered to
- the expertise, resources and experience of the Eskom Assurance and Forensic department are adequate
- the Eskom Assurance and Forensic department operated effectively
- Nqaba has access to adequate resources and facilities to be able to continue its operations for the foreseeable future, supporting the going concern assumption that was examined and found to be effective
- the committee is satisfied with the independence and objectivity of the external auditors having considered the matters set out in section 94(8) of the Companies Act.

King IV compliance

The directors support the Code of Governance Principles set out in the King IV report and recognise the need to conduct the affairs of the company with integrity and accountability. The company is an insolvency-remote entity operating in accordance with the provisions of the Programme Memorandum (PM) with no employees and no administrative infrastructure of its own. Accordingly, the principles contained in the King IV Code are applied to the extent that they are relevant to the company.

In terms of the JSE Debt Listings Requirements, the company has complied with the King IV Report on Corporate Governance (hereafter referred to as King IV) to the extent applicable, and is required to provide an explanation of which principles are not applied along with reasons for non-application. The table below sets out the application of the 17 corporate governance principles by the company as recommended by King IV.

Principle	Application of Principle
1. Leadership: The governing body should lead ethically and effectively.	The company is a ring-fenced special purpose vehicle, and as such, its business affairs are strictly conducted and managed within the ambit of its restrictions as set out in its Memorandum of Incorporation (MOI) and in compliance with its PM. The board of Directors (the board) is committed to the good corporate governance principles as set forth in King IV. The board subscribes to those generally accepted norms of conduct to the extent applicable to the company as described above. The board meets at least twice a year to consider the company's strategy, financial performance, etc. Directors' interests are disclosed before every board meeting. The board ensures that it has sufficient working knowledge of the company and its industry as well as the key laws, rules, codes and standards applicable to the company. All directors may, as per the MOI, seek independent advice, at the company's expense, if required. The directors also have unrestricted access to the Chairman of the board, the Debt Sponsor and the appointed Servicer, and have the ability to consult with, and receive full co-operation from the Debt Sponsor where necessary to fulfil its responsibilities.
2. Organisational ethics: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The company is a ring-fenced special purpose vehicle. The company does not have any employees and all its functions have been outsourced to the Servicer. The Servicer is required to strictly perform its functions as set out in the PM.
3. Responsible Corporate Citizenship: The governing body should ensure that the organisation is and is seen to be a responsible citizen.	The company is a ring-fenced special purpose vehicle, with no employees and all functions are outsourced to the Servicer. The Servicer is required to strictly perform its function as set out in the PM. The board has an obligation to ensure that the company is governed as per the objectives of the mandate set out in the PM.
4. Strategy and Performance: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The company is a ring-fenced special purpose vehicle with the strategy, direction and functions driven by legal agreements. Any changes to the strategy or functions presented by the Debt Sponsor, would require prior discussion and approval of the directors as well as investors.
5. Reporting: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long term prospects.	The board has, through the Manager, ABSA CIB, regular interaction on the performance of the company. Annual Financial Statements, performance updates and announcements are published in accordance with the JSE Debt Listings Requirements and meet the reasonable information needs of material stakeholders. The board ensures that the Annual Financial Statements, which include the independent auditors' report, are available to stakeholders to make informed assessments of the company's performance. Investor reports are made available to stakeholders on a quarterly basis through SENS announcements on the JSE website. The Servicer confirmed to the board, via the audit committee meeting where annual financial statements are presented, that the company is a going concern.
6. Primary role and responsibilities of the governing body: The governing body should serve as the focal point and custodian of corporate governance in the organisation.	The role, responsibilities and procedural conduct of the board are documented in the MOI and the Companies Act. The board holds at least two meetings per year. The board is satisfied that it has fulfilled its responsibilities in accordance with the MOI and the Companies Act.

King IV compliance (continued)

Principle	Application of Principle
7. Composition of the governing body: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The board membership and composition is aligned to the King IV principles. All directors are non-executive and three are independent. The directors have extensive experience and serve on a number of boards. Strong engagement takes place at board meetings. Changes in legal, risk and compliance matters that could potentially have an impact on the entity are monitored and tabled at each board meeting. The company does not have any employees and all its functions, as contemplated in the PM, are outsourced accordingly.
8. Committees of the governing body: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assists with the balance of power and the effective discharge of its duties.	Whilst retaining accountability, certain responsibilities have been delegated by the board to the Audit Committee, as set out in its formal approved terms of reference (Audit Committee Charter), and third parties. The Audit Committee Charter is reviewed periodically by the Audit Committee and approved by the board. The Servicer and Arranger are invited to attend meetings by standing invitation to provide pertinent information and insights in their areas of responsibility. The Audit Committee comprises of three independent non-executive members of the board. The Audit Committee holds at least two meetings per year. Following an application during the year, the Companies Tribunal granted the company exemption from having a Social and Ethics committee for five years. Due to the nature of the business, the company does not have a committee responsible for the nomination of directors or a remuneration committee, as directors are appointed through a formal process in terms of its MOI.
9. Evaluations of the performance of the governing body: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	The board and audit committee both evaluated their performance in March 2024 as effective.
10. Appointment and delegation to management: The governing body should ensure that the appointment of, and delegation to management, contribute to role clarity and the effective exercise of authority and responsibilities.	The company does not have any employees, and due to the nature of its business, all its functions have been outsourced. Consequently the company is not required to appoint a CEO.
11. Risk Governance: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Responsibility for governance of risk is assigned to the board in terms of the MOI, with the Audit Committee assisting the board with this responsibility. In turn, the responsibility to implement and execute effective risk management has been assigned to the Servicer, with the board exercising ongoing oversight of risk management as contemplated in the PM. The Servicer reports at board and committee meetings.
12. Technology and information governance: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The company does not have any employees, and due to the nature of its business, all its functions have been outsourced. Outsourced functions are contractual and performance is monitored strictly. The Servicer reports at board and committee meetings, and currently no non-performance events have been noted.
13. Compliance Governance: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The company's MOI confirms that the board is responsible for ensuring that the company complies with all relevant laws, regulations and codes of business practice. The board has delegated the responsibility for ensuring that the relevant compliance processes are in place to the Audit Committee. The board is regularly informed and updated on the relevant laws, rules, codes and standards through reports presented to the Audit committee. The Company Secretary monitors regulatory compliance with the Companies Act and advises the board.

King IV compliance (continued)

Principle	Application of Principle
14. Remuneration Governance: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	The company has no employees and does not remunerate its directors individually. Stonehage has been mandated by the company for the provision of all independent non-executive directors. The fees for the provision of directors are market-related and revised annually. These fees are disclosed in the company's Financial Statements, note 23.
15. Assurance: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The board is responsible for assurance by setting the direction concerning the arrangements for assurance services and functions. The Audit Committee assists the board with this responsibility.
16. Stakeholders: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	The company publishes quarterly investor reports through a SENS announcement on the JSE's website. The board has the ability to consult with the Debt Sponsor and the Servicer where necessary to fulfil its responsibilities. The Servicer is invited to attend meetings by standing invitation to provide a performance update on each transaction. Through these channels, the board is informed of material issues and disputes and provides input to enable resolution as effectively, efficiently and expeditiously as possible.
17. Responsibilities of institutional investors: The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.	The principle is not applicable as the company is not an Institutional Investor.

Recommendation of the annual financial statements

The committee evaluated the annual financial statements of the company for the reporting period ended 31 March 2024 and based on the information provided to it, considers that they comply, in all material respects, with the requirements of the Companies Act and International Financial Reporting Standards as issued by the International Accounting Standards Board. The committee concurs with the board and management that the adoption of the going concern premise in the preparation of the annual financial statements is appropriate.

The committee, therefore, at its meeting held on 16 July 2024, recommended the adoption of the annual financial statements to the board.

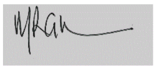
douglas Lorimer

DA Lorimer
Chairman
22 July 2024

Statement by the company secretary

Declaration by the company secretary in terms of Section 88(2)(e) of the Companies Act

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



Stonehage Fleming Corporate Services Proprietary Limited
represented by Marian Griffin Kloot
Company secretary
22 July 2024

The directors are pleased to present their report for the reporting period ended 31 March 2024.

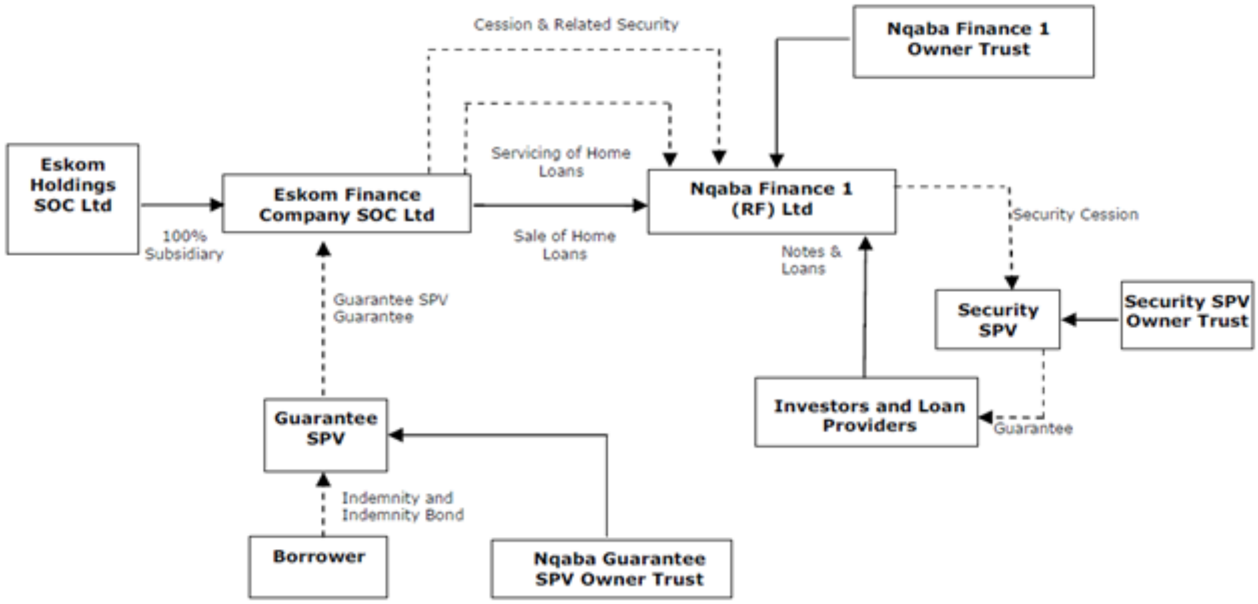
1. Principal activities, state of affairs and business review

Nqaba Finance 1 (RF) Limited, Nqaba or the Issuer, is an insolvency remote, ring-fenced special purpose vehicle incorporated and domiciled in South Africa. Nqaba manages a pool of mortgage-backed securities listed on the Interest Rate Market of the Johannesburg Stock Exchange (JSE), using a securitisation structure. The mortgage loans are originated by Eskom Finance Company SOC Ltd (EFC).

In May 2020, there was an unsuccessful attempt to refinance Notes that had become due for repayment. This was not an event of default and mandatory partial redemption of those matured notes began. On 1 July 2020, an early amortisation event occurred. The aggregate principal balance of home loans owned by the Issuer which were in arrears for more than 3 months, exceeded 2.5% of the aggregate principal balance of the home loans. This was not an event of default but the scheme had to change from a Revolving (i.e. evergreen) basis to an Amortisation basis. During the amortisation period, all tranches of notes are subject to mandatory redemption in part on each interest payment date, in reducing order of rank (and pari passu if of equal rank) as determined by the respective classes of the notes, to the extent permitted by and in accordance with the priority of payments.

As no new loans can be purchased during the amortisation period, the quality of the loan book continues to deteriorate.

The Programme Memorandum governing the Nqaba securitisation scheme sets out the following structure to minimise risk to the Issuer's Noteholders:



Nqaba Finance 1 Security SPV (RF) (Pty) Ltd (Security SPV)

The Security SPV, which is owned by Nqaba Finance 1 Security SPV Owner Trust (Security SPV Owner Trust), has issued a performance guarantee to secured creditors of Nqaba whereby the Security SPV guarantees their claims on the occurrence of any event of default. The Security SPV shall not be liable to secured creditors for any amount which exceeds the amount which the Security SPV recovers from the Issuer pursuant to the indemnity provided by the Issuer to the Security SPV. The Security SPV holds an indemnity from the Issuer indemnifying the Security SPV against any claims by secured creditors in connection with the above guarantee.

Nqaba Guarantee SPV (RF) (Pty) Ltd (Guarantee SPV)

The Guarantee SPV, which is owned by Nqaba Guarantee SPV Owner Trust, is a special purpose entity, which issues limited-recourse guarantees to the home loan lender (EFC or Nqaba) against the security of an Indemnity and an Indemnity Bond. The individual guarantee given by the Guarantee SPV in favour of the Seller (EFC), guarantees a borrower's obligations to the seller in terms of the home loan agreement concluded in relation to the home loan granted to such borrower. When the Seller, EFC, sells a mortgage loan to the Issuer, the guarantee is ceded to the Issuer upon purchase of such home loan. Whilst the Guarantee SPV Guarantee, Indemnity and Indemnity Bond structure retain the security of a real right in the properties, the Issuer does not have the real right directly: the real right is registered in the name of the Guarantee SPV and the Issuer’s claim against the Guarantee SPV is thus contractual.

1. *Principal activities, state of affairs and business review (continued)*

Comments on the above structure:

The Security SPV and Guarantee SPV do not have any assets that will expose Nqaba to variability of returns from its performance. Neither the Security SPV nor the Guarantee SPV trades and only have share capital on their statements of financial position.

Nqaba has issued a cession in favour of the Nqaba Finance 1 Security SPV Owner Trust and the Security SPV by way of cession in securitatem debiti of all Nqaba's rights, title and interest in and to the mortgage advances, the mortgage agreements, the Guarantee SPV guarantee, insurance contracts, insurance proceeds and other related security in respect of the portfolio of mortgages owned by the company from time to time, the business proceeds and the bank accounts, and the transaction documents.

Nqaba has issued an indemnity to the Security SPV Owner Trust and the Security SPV indemnifying the Security SPV Owner Trust and the Security SPV against any claims by secured creditors in terms of a guarantee by the Security SPV Owner Trust the Security SPV. The obligations of Nqaba in terms of this indemnity are secured by:

- A suretyship granted by the Security SPV Owner Trust in favour of the Security SPV in respect of obligations of the company, limited to the shares in the company;
- A cession and pledge of all of the Security SPV Owner Trust's shares in the Security SPV as security for the suretyship granted by the Security SPV Owner Trust and the Security SPV; and
- A security cession in favour of the Security SPV Owner Trust and the Security SPV mentioned in the first paragraph above.

The Security SPV has furnished a limited recourse Security SPV Guarantee to the Noteholders and other Secured Creditors. Nqaba has indemnified the Security SPV in respect of claims made under the Security SPV Guarantee. As security for such Issuer Indemnity, Nqaba has ceded and pledged the assets of Nqaba to the Security SPV. If the Security SPV were to take control of Nqaba’s assets in order to pay the secured creditors directly, Nqaba would neither gain nor lose from such an action as its liability is still limited to what it would be able to pay – the Security SPV provides comfort to the creditors that their interests are being managed independently of the Issuer.

2. Results of operations

The company generates its revenue from interest earned on loans and advances and recorded interest income for the reporting period of R147 million (2023: R128 million). The company recorded a net profit for the reporting period of R0.8 million (2023: loss of R7.1 million). Cash flows remain strong.

The detailed financial results of the company are set out on pages 15 to 46 of the accompanying annual financial statements.

3. Share capital and dividends

No shares were issued during the reporting period. Shares issued to date amount to 100 ordinary shares of R1 each and 100 preference shares of 1 cent each.

No dividends were paid during the current or prior reporting period.

4. Going concern

The financial statements are prepared on a going concern basis. The company is an insolvency remote Special Purpose Vehicle (SPV) structured to mitigate against any potential event that could cause doubt regarding the company's ability to continue as a going concern. As at 31 March 2024 nothing has come to the attention of the directors to indicate that the company will not remain a going concern for the foreseeable future. Having taken note of events after the reporting date, the directors are of the opinion that the company will have adequate financial resources to continue in operational existence for the foreseeable future. Full details of their assessment are disclosed in note 27 of the financial statements.

5. Directors

The directors in office during the reporting period and at the date of this report are as follows:

Directors	Designation
BW Smith	Independent Non-executive director
TL Myburgh	Non-executive director
DA Lorimer	Independent Non-executive director
RM Friedericksen (Appointed 28 February 2023)	Independent Non-executive director
H van Deventer (Resigned 28 February 2023)	Independent Non-executive director

Directors' interest in contracts

The directors have no interests in contracts with the company.

5. ***Directors (continued)***

Attendance at meetings

Board Meetings:	8-Mar-23	24-Jul-23	31-Jul-23	30-Oct-23	28-Mar-24
BW Smith	√	√	√	√	√
TL Myburgh	√	√	√	A	A
DA Lorimer	√	√	√	√	√
RM Friedericksen	√	√	√	√	√

Audit Committee meetings:	8-Mar-23	24-Jul-23	31-Jul-23	30-Oct-23	28-Mar-24
BW Smith	√	√	√	√	√
DA Lorimer	√	√	√	√	√
RM Friedericksen	√	√	√	√	√

Legend: √ = Present at the meeting
A = Absent from the meeting

The members of the audit committee are all independent, non-executive directors of the company.

The committee is satisfied that the members 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 Regulations, 2011.

6. Events subsequent to the reporting period

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

7. Auditors

Deloitte & Touche were reappointed as the independent auditors of Nqaba Finance 1 (RF) Limited.

8. Company secretary

The company's designated secretary is Stonehage Fleming Corporate Services Proprietary Limited.

Business address

Waterway House
3 Dock Road, V&A Waterfront
Cape Town

9. Holding entity

Nqaba is a structured entity owned by Nqaba Finance 1 Owner Trust, a trust incorporated in the Republic of South Africa.

10. Debt listing requirements

Nqaba has complied with all the provisions of the JSE Debt Listing Requirements.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Nqaba Finance 1 (RF) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nqaba Finance 1 (RF) Limited (the company) set out on pages 15 to 46 which comprise the statement of financial position at 31 March 2024; and the statement of profit or loss and other comprehensive income; the statement of changes in equity; and the statement of cash flows for the year then ended; and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nqaba Finance 1 (RF) Limited as at 31 March 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBSA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter	*How the matter was addressed in the Audit*
IFRS 9 – Expected Credit Losses Refer to Note 2 Critical accounting judgements and key sources of estimation uncertainty, Note 5 Loans receivable for selected disclosures applicable to this matter. Loans receivable, which represents 96% of total assets, and the associated expected credit losses are significant in the context of the financial statements. The determination of expected credit losses requires significant management judgement, due to the following: The level of subjective judgements applied in determining expected credit losses (“ECL”); The evaluation of significant increase in credit risk (“SICR”); and The calculations incorporate forward-looking information that change on an annual basis. ECL for loans receivable is significant in the context of the financial statements due to its magnitude and the significant level of judgement required in determining the value of ECL. Accordingly, we have identified ECL on loans receivable to be a key audit matter. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus and professional scepticism in the company’s application of IFRS 9 Financial Instruments are detailed below: Definitions, policy choices and judgements made in applying accounting policies; Forward-looking information; and Disclosures. The company is required to recognise ECL for either 12 months or lifetime in accordance with IFRS 9, depending on whether there has been a SICR since initial recognition. In determining whether credit risk has increased significantly since initial recognition, the company uses historical information, forward looking scenarios and risk classification of assets to determine the probability weighted estimate of credit losses over the expected life of the financial instrument. IFRS 9 requires that the determination of ECL should reflect all reasonable and supportable information, including best available information which is forward-looking. Such forward-looking information requires significant judgement and includes:	Our response to the key audit matter included performing the following audit procedures with the assistance of our credit specialists: Inspection of model development documentation (i.e. probability of default (PD), loss given default (LGD), exposure at default (EAD) and expected credit loss (ECL) documentation); Exploratory analytics and benchmarking; Discussions and workshops with the Servicer; Assessment of methodologies for compliance with IFRS 9 and testing of assumptions in response to the relevant risks of material misstatement identified; Reperformance of the Servicer’s calculation of model parameters (e.g. probability of becoming an Eskom ex-employee, probability of legal action, loss rate for accounts that are in the property-in-possession (PIP) risk category); Reperformance of the Servicer’s calculation of the stage allocation (i.e. allocation between Stage 1, Stage 2 and Stage 3); Reperformance of the Servicer’s calculation of the loss allowance for ECL; Assessment of the completeness and accuracy of data and inputs used; Inspecting the reconciliation to and allocation of the general ledger balances to which the impairment parameters are applied; Inspecting a sample of the documentation in support of the valuation and validity of collateral in determining the ECL; Evaluating the company’s disclosure of the significant judgements exercised and the key assumptions used to determine its adequacy in terms of IFRS; Assessing whether the disclosure adequately conveys the significant judgements and assumptions made by the Servicer. After performing these procedures, we concluded that the Expected Credit Loss as determined by management is appropriate.

events that will result in the client wilfully neglecting to make regular repayments e.g. termination of service; the future strategic direction of Eskom regarding manpower numbers; and any economic indicators that may have an effect on the collectability of loans receivable. The assessment of SICR and the calculation of ECL both incorporate forward-looking information and assumptions which are subjective and carry estimation risk requiring specific audit attention and the use of credit specialists. Financial reporting also requires inclusion of disclosures that provide an adequate level of transparency regarding uncertainties inherent in the judgements, assumptions and estimates applied in determining ECL.	

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Nqaba Finance 1 (RF) Limited Financial Statements for the year ended 31 March 2024", which includes the Directors' Report, the Report of the Audit Committee and the Statement by the Company Secretary as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's reports thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Nqaba Finance 1 (RF) Limited for 3 years.

DocuSigned by:
DELOITTE & TOUCHE
8053906C2EC4428...

Deloitte & Touche
Registered Auditor
Lito Nunes
Partner

22 July 2024

Johannesburg
5 Magwa Crescent
Waterfall City

Nqaba Finance 1 (RF) Limited
Statement of financial position as at 31 March 2024

	Note	2024 R `000	2023 R `000
Assets			
Non-Current assets			
Properties in possession	5	231	675
Loans receivable	6	1 149 977	1 269 917
Deferred tax assets	7	10 246	10 845
		1 160 454	**1 281 437**
Current Assets			
Loans receivable	6	48 264	60 003
Trade and other receivables	8	13 200	13 250
Current tax asset	9	691	2 577
Cash and cash equivalents	10	30 334	36 233
		92 489	**112 063**
Total Assets		**1 252 943**	**1 393 500**
Equity and Liabilities			
Equity			
Share capital	11	-	-
Retained earnings		18 885	18 058
		18 885	**18 058**
Liabilities			
Non-Current liabilities			
Debt securities issued	13	698 518	818 333
First loss credit enhancement loan	14	389 915	358 042
		1 088 433	**1 176 375**
Current Liabilities			
Debt securities issued	13	143 244	196 696
Trade and other payables	15	2 381	2 371
		145 625	**199 067**
Total Liabilities		**1 234 058**	**1 375 442**
Total Equity and Liabilities		**1 252 943**	**1 393 500**

Nqaba Finance 1 (RF) Limited

Statement of profit or loss for the reporting period ended 31 March 2024

	Note	2024 R `000	2023 R `000
Interest income	16	146 917	128 259
Finance expense	17	(130 244)	(110 652)
Net interest income		**16 673**	**17 607**
Other income	18	3 210	2 073
Total income		**19 883**	**19 680**
Net impairment charge	19	(9 361)	(22 114)
Operating expenses	20	(7 630)	(7 284)
Profit / (loss) before tax		**2 892**	**(9 718)**
Income tax (expense) / credit	21	(2 065)	2 627
Profit / (loss) for the year		**827**	**(7 091)**

Nqaba Finance 1 (RF) Limited
Statement of changes in equity for the reporting period ended 31 March 2024

	Share capital* R `000	Retained earnings R `000	Total equity R `000
Balance at 1 April 2022	-	25 149	25 149
Loss for the year	-	(7 091)	(7 091)
Balance at 31 March 2023	**-**	**18 058**	**18 058**
Profit for the year	-	827	827
Balance at 31 March 2024	**-**	**18 885**	**18 885**

* Owing to rounding to the nearest R1 000, the amounts reflect a nil balance.

Nqaba Finance 1 (RF) Limited
Statement of cash flows for the reporting period ended 31 March 2024

	Note	2024 R `000	2023 R `000
Cash flows from operating activities			
Cash generated from operations	22	139 847	118 457
Interest on cash	18	3 033	2 017
Interest paid	13	(98 952)	(83 202)
Loan loss recovered	18	104	43
Net income taxes refunded / (paid)	9	494	(2 224)
Net cash flows from operating activities		**44 526**	**35 091**
Cash flows from investing activities			
Capital repayments and prepayments	6	179 058	218 126
Further loan advances	6	(56 797)	(61 587)
Net cash flows from investing activities		**122 261**	**156 539**
Cash flows used in financing activities			
Debt securities redeemed	13	(172 686)	(193 338)
Cash flows used in financing activities		**(172 686)**	**(193 338)**
Net decrease in cash and cash equivalents		(5 899)	(1 708)
Cash and cash equivalents at beginning of the year		36 233	37 941
Cash and cash equivalents at end of the year	**10**	**30 334**	**36 233**

1. Summary of material accounting policies

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

1.1 Basis of preparation and measurement

Statement of compliance

The annual financial statements of Nqaba Finance 1 (RF) Limited have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the Companies Act of South Africa, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the JSE Debt Listings Requirements.

The financial statements have been prepared on the going concern basis. The company is an insolvency-remote Special Purpose Vehicle (SPV) structured to mitigate against any potential event that could cause doubt regarding the company's ability to continue as a going concern.

Basis of measurement

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets, except for properties in possession which are measured at lower of cost and net realisable value, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board requires the use of certain critical accounting 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. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in note 2.

Functional and presentation currency

The financial statements are presented in South African rand, which is the company's functional and presentation currency, rounded to the nearest thousand rand.

1.2 Fair value measurement

IFRS 13 Fair value measurements defines fair value as being a market-based measurement and sets out in a single IFRS a framework for the measurement of fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

Fair value measurements for financial assets and liabilities are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are identified as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Nqaba has no items in this level.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). These are tested for reasonableness by discounting expected future cash flows using a market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instruments and include adjustments for the credit risk of the counterparty when appropriate.
Nqaba has no items in this level.

Level 3: Inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).
Where Nqaba has items that are fair valued for disclosure purposes, they are in this level. The actual carrying values of assets and liabilities are noted below.

1.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset that is:

- cash;
- a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is:

- a contractual obligation to deliver cash or another financial asset to another entity to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

1. Summary of material accounting policies (continued)

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

1.3.1 Classification and recognition

Classification of a financial instrument, or its component parts takes place on initial recognition. Each instrument is classified as a financial liability or a financial asset in accordance with the substance of the contractual arrangement and the definitions of a financial liability or a financial asset.

Financial assets classification

The company classifies financial assets into the following categories:

- Financial assets subsequently measured at fair value through profit or loss (FVTPL).
- Financial assets subsequently measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recorded in profit or loss.

The company reclassifies financial assets when and only when its business model for managing those assets changes.

Financial liabilities classification

The company classifies financial liabilities into the following categories:

- Financial liabilities subsequently measured at amortised cost
- Financial liabilities subsequently measured at fair value through profit or loss

Financial liabilities are classified at initial recognition as loans and borrowings or payables, as appropriate.

Recognition

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

Acquisition and disposals of financial assets are recognised on trade-date, the date on which the company commits to purchase or contract out of the asset.

1.3.2 Initial measurement

Financial assets

When a financial asset is recognised initially, it is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

The company's financial assets include Loans receivable, Cash and Cash Equivalents and Trade and other receivables and excludes non-financial assets such as Prepayments.

Financial liabilities

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include Debt securities issued, the First loss credit enhancement loan, and Trade and other payables.

1.3.3 Subsequent measurement

Financial assets

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and cash flow characteristics of the asset. Debt instruments are subsequently measured at:

- Amortised cost: assets held only for collection of principal and interest payments.
    - All income and expenses relating to financial assets at amortised cost are presented within finance expense, interest income or other income using the effective interest rate method.
    - Any gain or loss on derecognition is recognised in profit or loss and presented in other gains / (losses).
    - Impairment losses are presented as a separate line item in the statement of profit or loss.
    - The company's financial assets at amortised cost include loans receivable and trade receivables included under other current financial assets.
- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through Other Comprehensive Income.
    - The company has no assets in this category.

1. Summary of material accounting policies (continued)

Financial liabilities

- Fair value through profit or loss: financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
  - The company has no liabilities in this category.
- Amortised cost: loans and borrowings
  - After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.
  - Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.
  - Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.
  - The effective interest rate amortisation is included as finance costs in the statement of profit or loss.
  - This category generally applies to interest-bearing loans and borrowings. The company's financial liabilities include debt securities issued, the first loss credit enhancement loan, and trade and other payables.

1.3.4 Derecognition

- A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire.
- A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

On derecognition of a financial asset or liability, the difference between the consideration and the carrying amount on the settlement date is recognised as a derecognition gain or loss.

1.3.5 Impairment of financial assets

The company applies a forward-looking expected credit loss model (ECL) to assess impairment on its mortgage loan advances. This model takes into consideration historical loss experience, current economic conditions, and reasonable and supportable forward-looking information.

The impairment methodology applied depends on whether there has been a significant increase in credit risk:

- For credit exposures with no significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month expected credit loss). This is recognised for Stage 1 financial assets (see below).
- For credit exposures with significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). This is recognised for Stage 2 and 3 financial assets (see below).

ECLs are measured using a combination of the following:

- Probability of Default (PD): The probability that a borrower will default within a specified time horizon is estimated. PD is derived from historical data.
- Exposure at Default (EAD): The EAD represents the amount that would be lost in the event of default. It is calculated based on the outstanding balance of the financial asset.
- Loss Given Default (LGD): LGD reflects the percentage of the exposure that will not be recovered in the event of default. LGD is determined through historical data and recovery rate estimates.
- Expected Loss (EL): EL is calculated by multiplying PD, EAD, and LGD, and represents the credit loss estimate for each individual financial asset.

For subsequent measurement, the company applies a three-stage approach of measuring the ECL on debt instruments at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

This is for "Performing loans" which includes all new loans and loans that are not in arrears. For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL - not credit impaired

This is for "Under-performing loans" which includes loans that are in arrears but have made some form of repayment within 90 days prior to the reporting period. For these credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL - credit impaired

This is for "Non-performing loans" which are all loans that are 3 or more months in arrears. Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest income is calculated by applying the effective interest rate to the amortised cost (net of loss allowance) rather than the gross carrying amount.

1. Summary of material accounting policies (continued)

Evidence of credit-impairment includes observable data that typically indicate one or more of the following:

- A default event: A financial asset is considered to be in default under any of the following circumstances:
  - the borrower is past due with at least 3 months' instalments;
  - the account is under foreclosure;
  - the borrower's estate is under sequestration;
  - the borrower is subject to a default judgement; or
  - any other indicators that cast significant doubt over the borrower's ability to pay its credit obligations to the company in full.
- Significant financial difficulty of borrower and/or modification.
- Disappearance of an active market due to financial difficulties.

It may not always be possible to identify a single discrete event. Instead, the combined effect of several events may have caused loan advances to become credit-impaired. The company periodically assesses whether loan receivables are credit-impaired.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Financial assets in Stages 2 or 3 have their ECL measured based on expected credit losses that result from default events that may arise on a remaining lifetime basis.

ECLs are presented as a deduction from the gross carrying amount of the asset. Therefore assets subject to ECLs are disclosed on a net basis, in the statement of financial position. Financial assets are written off when there is no reasonable expectation of recovery on all accounts over 3 months in arrears. These are reported to the Credit Bureau and, where feasible, handed over to 3rd party collection agents for subsequent recovery.

At each reporting period, an assessment is conducted on all performing loans receivable to determine whether a significant increase in credit risk (SICR) since initial recognition has been experienced. Performing loans receivable that have experienced a SICR since initial recognition are classified as stage 2 and lifetime ECL is recognised. In subsequent reporting periods, if the credit risk of the loan receivable improves to the extent that there is no longer a SICR since initial recognition, the loan receivable returns to stage 1 and 12-month ECL is recognised. Alternatively, if the credit risk of the loan receivable deteriorates and the stage 3 criteria are met, lifetime ECL is recognised.

The amount of ECL is measured as the unbiased and probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate taking into account the time value of money and forward-looking information. The cash shortfall is the difference between all contractual cash flows that are due to the company and all the cash flows that the company expects to receive. The amount of the impairment loss is recognised using a loss allowance account.

The company considers its historical loss experience and adjusts this for current observable data. In addition, the company uses reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. IFRS 9 introduced the use of macro-economic factors and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macro-economic factors will affect ECL. The methodology, assumptions and macro-indices, including any forecasts of future economic conditions are reviewed regularly.

If, in a subsequent period, credit quality improves, then the ECL reverts from lifetime ECL to 12-months ECL.

The last table in Note 24.2.3 provides information about the exposure to credit risk and ECLs for loan receivables at the reporting date.

Suspended interest

IFRS 9 requires that interest for exposures classified as stage 3 (i.e. non performing loans) be calculated on the gross carrying amount less impairments. The company has applied this requirement by suspending all contractual interest on such exposures and recognising interest on the amortised cost balance utilising the exposure’s effective interest rate. IFRS 9 requires that the suspended contractual interest be recognised as part of the exposures’ gross carrying amount and be deducted as part of the reconciliation to the net carrying amount which is reported in the statement of financial position.

Given the IFRS 9 requirement that the gross exposure should include suspended interest on exposures classified as stage 3, the company reports its loans and advances net of the suspended interest exposure.

Renegotiated loans

Where possible, the company seeks to restructure loans rather than to take possession of the collateral. This may involve modifying the payment arrangements and the interest with the aim of ensuring that the original loan terms are not extended resulting in new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

Loans with renegotiated payments due to a deterioration in the borrower’s financial position are a temporary arrangement to alleviate the borrower's immediate cash flow challenges and does not constitute a change in the original terms and conditions of the loan. The company, therefore, does not consider this as a change in contractual cash flows and as such is not a modification of the financial asset.

1.3.6 First Loss Credit Enhancement Loan

EFC has advanced a R290 million subordinated First Loss Credit Enhancement Loan. The First Loss Credit Enhancement Loan or such balance as shall remain outstanding from time to time, bears interest at 3-month JIBAR plus 3.0%.

1. Summary of material accounting policies (continued)

Interest accrues on a daily basis, payable quarterly and it only becomes owing in respect of each interest period to the extent that the notional amount of net income accrues to Nqaba. During the amortising period, all interest remains accrued until all the noteholders are repaid.

The loan is classified as a financial liability at amortised cost, and was initially measured at fair value including transaction costs and is subsequently measured at amortised cost using the effective interest method.

1.3.7 Trade and other receivables

Trade and other receivables are classified as debt instruments.

1.3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. These are initially recorded at fair value and subsequently carried at amortised cost. Prepayments are excluded from "Cash and cash equivalents".

1.3.9 Share capital

Ordinary shares

Share capital consists of ordinary shares that are classified as equity net of incremental direct costs of issue.

Preference shares

The company's redeemable preference shares are classified as equity, as they bear dividends of a discretionary nature, and do not contain any obligations to deliver cash or other financial assets.

1.4 Properties in possession

Unsold properties in possession are recognised once ownership has been legally transferred to the company and the underlying debtor in Loans receivable is then derecognised. These properties are disclosed separately under non-current assets at the outstanding loan balance at initial recognition, and are subsequently valued at the lower of cost or net realisable value.

Disposal of properties in possession

It is the company’s policy to dispose of repossessed properties in an orderly fashion on a willing buyer and willing seller basis. The property to be sold is auctioned. Upon receipt of offers to purchase, offers are evaluated and an offer that makes the most economic sense is accepted.

1.5 Tax

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current tax liabilities and assets

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

Current tax liabilities and assets are offset only where:

- there is a legally enforceable right to set off the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax 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.

Deferred tax assets and liabilities are offset only where:

- there is a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

1. Summary of material accounting policies (continued)

1.6 Revenue

Revenue is income arising in the course of an entity's ordinary activities. Nqaba recovers insurance premiums and other charges such as valuation fees, from loan debtors, but as these are pass-through charges with no added profit, they are not regarded as revenue.

Interest income

Interest income comprises interest receivable on loans receivable and trade and other receivables. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Where interest has been suspended in terms of a Stage 3 impairment under IFRS 9, such interest is removed from interest income.

Other income

Other income comprises income from bank deposits and loan losses recovered.

1.7 Finance expense

Finance expense comprises of interest payable on both debt securities issued and the first loss credit enhancement loan. This expense is recognised as it accrues in profit or loss, using the effective interest method.

1.8 Related parties

A related party is a person or entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to a reporting entity if that person:
  - has control or joint control of the reporting entity;
  - has significant influence over the reporting entity; or
  - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

As investors are not regarded as related parties, any investments by related parties in the company's securities and the transactions related thereto are not disclosed.

2. Critical accounting judgements and key sources of estimation uncertainty

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

2.1 Critical accounting estimates and assumptions

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 addressed below.

2.1.1 Deferred tax

Deferred tax assets are assessed for the probability of recovery based on the applicable estimated future business performance and related projected taxable income.

2.1.2 Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. See note 4.2 for further detail.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

2.1.3 Components of the statement of cash flows

The company was set up to provide capital financing for home loans to Eskom staff. The proceeds from note issuances (initially recorded under Financing activities) were invested in mortgage loans purchased from EFC (Investing activities), which are used as collateral. The home loan pool is essential collateral to the note financing.

Revenue is derived from home loans in order to pay the finance costs and operating expenses. The incoming cash flows from borrowers are separated into interest revenue (Operating activities) and capital repayments (Investing activities) components. Partial repayments of matured notes are recorded under Financing activities cash flows and further advances to borrowers under Investing activities.

2.1.4 IFRS 12 considerations of other SPVs in the Nqaba securitisation structure

The Security SPV and Guarantee SPV do not have any assets that will expose Nqaba to variability of returns from its performance. Neither the Security SPV nor the Guarantee SPV trades and only have share capital on their statements of financial position.

2.2 Critical judgements in applying the entity's accounting policies

These are the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Measurement of Expected Credit Loss (ECL) allowance

The company recognises loss allowances for ECLs on financial assets measured at amortised cost as outlined in Note 1.3.5. Especially in view of the Issuer's constrained circumstances as explained in Note 24.4, particular attention is paid to ECL determination.

Valuation

The impairment is determined in terms of IFRS 9 by assessing risk categories per loan class and applying forward looking scenarios to the loan balance. The assumptions used are:

Forward looking scenarios

- An event that will result in the client wilfully neglecting to make regular repayments e.g. termination of service.
- The possibility of having to institute legal collection procedures to recover the debt.
- The future strategic direction of Eskom regarding manpower numbers.
- Relevant macroeconomic indicators, such as interest rates and housing market trends.

Risk categories

- Low risk loans

- Current mortgage loans.

- Medium risk loans

- Current ex-employee loans.

- High risk loans

- Loans under debt review in terms of the National Credit Act (No. 34 of 2005).
- Loans where legal proceedings have been initiated.
- Insolvent estates
- Loans under legal debt administration.
- Clients that terminated employment due to ill-health retirement, death or pension.
- Third party attachment orders.
- Loans that are more than 3 months in arrears.

See the tables included in note 24.2.3 for further details.

3. Changes in accounting policies and disclosures

3.1 Standards and Interpretations effective and adopted in the current year

In the current year, the company has adopted all new and revised IFRSs that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2023.

At the date of authorisation of these financial statements for the year ended 31 March 2024, the following IFRSs were adopted:

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. This amendment has limited application to the company as there are few liabilities with uncertain settlement dates.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

Application of the above standards did not impact these annual financial statements.

3.2 New standards and interpretations not yet adopted

The company has not applied the following new, revised or amended pronouncements that have been issued by the IASB as they are not yet effective for the annual financial year beginning 1 April 2023 (the list does not include information about new requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to the company). The board of directors anticipates that the new standards, amendments and interpretations will be adopted in the company's annual financial statements when they become effective. The company has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

IFRS 18 Presentation and Disclosures in Financial Statements

The International Accounting Standards Board (IASB) has published its new standard IFRS 18 'Presentation and Disclosures in Financial Statements' that will replace IAS 1 'Presentation of Financial Statements'. The new standard aims at improving how entities communicate in their financial statements and will be effective for annual periods beginning on or after 1 January 2027. The standard is applied retrospectively, with specific transition provisions, and early adoption is permitted. IFRS 18 applies to all financial statements that are prepared and presented in accordance with IFRS Accounting Standards.

Anticipated impact

The main changes in the new standard compared with the previous requirements in IAS 1 comprise:
- The introduction of categories and defined subtotals in the statement of profit or loss that aim at additional relevant information. Classification differs in some cases for entities that, as a main business activity, provide financing to customers or invest on assets.
- Specified subtotals which structure the statement of profit or loss into categories, with no requirement to present category headings.
- The introduction of requirements to improve aggregation and disaggregation that aim at additional relevant information and ensure that material information is not obscured. In particular, IFRS 18 provides guidance on whether information should be in the primary financial statements (whose role is to provide a useful structured summary) or in the notes. Entities are required to identify assets, liabilities, equity, income and expenses that arise from individual transactions or other events. Stricter guidance is introduced on whether the analysis of operating expenses is by nature or by function.
- The introduction of disclosures on Management-defined Performance Measures (MPMs) in the notes to the financial statements that aim at transparency and discipline in the use of such measures and disclosures in a single location.

There are also targeted improvements to IAS 7 'Statement of Cash Flows' which aim at improved comparability between entities.

The required changes will require careful consideration and, in the year first implemented, will require restatement of applicable portions of the previous year's financial statements. As the new statement was published only in April 2024, management has not yet been able to fully consider the impact.

4. Financial assets

4.1 Carrying amount of financial assets by category

	At amortised cost R `000	Total R `000	Fair value (where different from carrying value) R `000
Year ended 31 March 2024			
Loans receivable (Note 6)	1 198 241	**1 198 241**	1 093 732
Trade and other receivables (Note 8)	12 250	**12 250**	
Cash and cash equivalents (Note 10)	30 334	**30 334**	
	1 240 825	**1 240 825**	
Items of income, expense, gains or losses			
Net impairment charge on loans receivable through profit or loss (Note 19)	(9 417)	**(9 417)**	
Total interest income on assets not measured at fair value through profit or loss (Notes 16 and 18)	149 950	**149 950**	
	140 533	**140 533**	

	At amortised cost R `000	Total R `000	Fair value (where different from carrying value) R `000
Year ended 31 March 2023			
Loans receivable (Note 6)	1 329 920	**1 329 920**	1 282 780
Trade and other receivables (Note 8)	12 303	**12 303**	
Cash and cash equivalents (Note 10)	36 233	**36 233**	
	1 378 456	**1 378 456**	
Items of income, expense, gains or losses			
Net impairment charge on loans receivable through profit or loss (Note 19)	(21 841)	**(21 841)**	
Total interest income on assets not measured at fair value through profit or loss (Notes 16 and 18)	130 276	**130 276**	
	108 435	**108 435**	

4. Financial assets (continued)

4.2 Other financial assets not measured at fair value but for which fair value is disclosed:

	Level 1 R `000	Level 2 R `000	Level 3 R `000	Total R `000
Year ended 31 March 2024				
Loans receivable (Residential mortgage-backed securities)	-	-	1 093 732	**1 093 732**
Year ended 31 March 2023				
Loans receivable (Residential mortgage-backed securities)	-	-	1 282 780	**1 282 780**

Valuation techniques

Residential mortgage backed securities

Key assumptions and unobservable inputs

Future cash flows are based on reasonable and supportable assumptions, taking into account available market data, historical performance, and economic forecasts.

Nqaba applies the following assumptions to project the future cash flows:

- For accounts that are 0 to 2 months in arrears: the contractual monthly repayment until the final legal maturity date is used;
- For accounts that are 3 months and more in arrears: zero cash flows are expected for a period of 10 years, whereafter a 50% recovery of the outstanding balance is expected.

The following discount rates are used:

- Stage 1 accounts: a discount rate equal to the prime lending rate is used;
- Stage 2 accounts: a discount rate of prime plus 0.5% is used
- Stage 3 accounts: a discount rate of prime plus 1.0% is used.

Note 24.2.3 shows the aging of the loan book.

5. Properties in possession

	2024 R `000	2023 R `000
5.1 Movements in properties in possession are as follows:		
Opening balance	1 298	700
Additions	-	1 538
Disposals	(500)	(940)
Closing balance	798	1 298
Loss allowance	(567)	(623)
	231	**675**

The estimated net realisable value equates to the fair value determined using a market-based valuation performed by sworn assessors.

5.2 Movements in impairment of properties in possession are as follows:

	2024 R `000	2023 R `000
At the beginning of the year	623	350
Impairment (reduced) / raised	(56)	273
At the end of the year	**567**	**623**

	2024 R `000	2023 R `000

6. Loans receivable

	2024 R `000	2023 R `000
Secured by mortgage	1 257 964	1 382 591
Loss allowance	(59 723)	(52 670)
	1 198 241	**1 329 921**
Non-current	1 149 977	1 269 917
Current	48 264	60 003
	1 198 241	**1 329 920**

* The loans receivable are split into non-current and current based on the repayment terms of the loans.

Reconciliation of movement in balance	2024 R `000	2023 R `000
Balance at the beginning of the year	1 382 590	1 541 743
Further advances	56 797	61 587
Capital repayments and prepayments	(179 058)	(218 126)
Losses written off	(2 365)	(2 614)
Closing balance	1 257 964	1 382 590
Loss allowance	(59 723)	(52 670)
Net carrying amount	1 198 241	1 329 920

Reconciliation of loss allowance	2024 R `000	2023 R `000
Balance at the beginning of the year	52 670	33 443
Recognised in profit and loss	7 053	19 227
Closing balance	**59 723**	**52 670**

Nqaba has issued a cession in favour of the Nqaba Finance 1 SPV Owner Trust and Nqaba Finance 1 Security SPV (RF) (Pty) Ltd by way of cession in securitatem debiti of all company's rights, title and interest in and to these home loans, the home loan agreements and the related security in respect of the portfolio of home loans owned by the company from time to time.

7. Deferred tax asset

7.1 Deferred tax reconciliation

	Tax loss R `000	Doubtful debts allowances R `000	Impairment provisions R `000	Prepayments R `000	Total R `000
Opening balance at 1 April 2023	2 212	(5 756)	14 389	-	**10 845**
Current year movement	(449)	(755)	1 889	-	**685**
Prior period change	(1 284)	-	-	-	**(1 284)**
Closing balance at 31 March 2024	**479**	**(6 511)**	**16 278**	**-**	**10 246**
Opening balance at 1 April 2022	2 812	(3 650)	9 124	(218)	**8 068**
Current year movement	(600)	(2 106)	5 265	218	**2 777**
Closing balance at 31 March 2023	**2 212**	**(5 756)**	**14 389**	**-**	**10 845**

7.2 Deferred tax assets where utilisation is dependent on future taxable profits

	2024 R `000	2023 R `000
Tax loss carried forward	479	2 212

Utilisation of the tax loss is dependent on future taxable income which the company is expected to generate. The assessed loss will be fully utilised in the current period; the balance represents a further tax loss to be claimed.

	2024 R `000	2023 R `000
8. Trade and other receivables		
8.1 Trade and other receivables comprise:		
Eskom Finance Company	12 141	12 177
Prepaid expenses	950	947
Other receivables	109	126
	13 200	**13 250**
8.2 Items included in Trade and other receivables not classified as financial instruments		
Prepaid expenses	950	947
9. Current tax asset		
Balance at the beginning of the year	2 577	490
Current tax recognised in profit and loss	(1 465)	(150)
Interest on overpayment	73	13
Net income tax (received) / paid	(494)	2 224
Balance at the reporting date	**691**	**2 577**
10. Cash and cash equivalents		
Bank balances	30 334	36 233
11. Share capital		
Authorised and issued share capital		
Authorised		
1000 Ordinary shares of R1 each	1	1
100 Cumulative Preference shares of R0,01 each *	-	-
	1	**1**
Issued		
100 Ordinary shares of R1 each *	-	-
100 Cumulative Preference shares of R0,01 each *	-	-
	-	**-**

The unissued ordinary shares are under the control of the directors of the company until the next annual general meeting.

* Owing to rounding to the nearest R1 000, the amounts reflect a nil balance.

12. Financial liabilities

Carrying amount of financial liabilities by category

	At amortised cost R `000	Total R `000
Year ended 31 March 2024		
Debt securities issued (Note 13)	841 762	**841 762**
First loss credit enhancement loan (Note 14)	389 915	**389 915**
Trade and other payables (Note 15)	2 382	**2 382**
	1 234 059	**1 234 059**
Items of income, expense, gains or losses		
Total interest expense on liabilities not measured at fair value through profit or loss	130 245	**130 245**
Year ended 31 March 2023		
Debt securities issued (Note 13)	1 015 028	**1 015 028**
First loss credit enhancement loan (Note 14)	358 042	**358 042**
Trade and other payables (Note 15)	2 371	**2 371**
	1 375 441	**1 375 441**
Items of income, expense, gains or losses		
Total interest expense on liabilities not measured at fair value through profit or loss	110 654	**110 654**

13. Debt securities issued

	2024 R `000	2023 R `000
13.1 Debt securities movements:		
Balance at the beginning of the year	1 015 029	1 206 172
Debt securities redeemed	(172 686)	(193 338)
Interest accrued	98 371	85 397
Interest paid	(98 952)	(83 202)
Balance at the end of the year	841 762	1 015 029
Non-current	698 518	818 333
Current	143 244	196 696
	841 762	**1 015 029**

The entity has used expected cash flows from loans receivable consisting of capital and interest due within the next 12 months to determine the current portion of debt securities payable.

During the amortisation period, all tranches of notes are subject to mandatory redemption in part on each interest payment date, in reducing order of rank (and pari passu if of equal rank) as determined by the respective classes of the notes, to the extent permitted by and in accordance with the priority of payments.

13. Debt securities issued (continued)

13.2 Listed Notes

	Interest margin above 3 month Jibar* %	Total interest rate at year end %	Scheduled or Final Maturity date	Balance at beginning of the year R `000	Partial redemption R `000	Balance at end of the year R `000
31 March 2024						
Class A10	2.00	10.37	May-52	58 058	12 719	45 339
Class A24	2.24	10.61	May-52	156 503	34 284	122 219
Class A25	2.58	10.94	May-54	84 537	18 519	66 018
Class A27	2.59	10.96	May-55	370 836	81 237	289 599
Class A28	2.10	10.47	May-53	118 352	25 927	92 425
Class B10	2.20	10.57	May-52	11 000	-	11 000
Class B17	2.55	10.92	May-52	8 000	-	8 000
Class B20	3.15	11.52	May-55	159 000	-	159 000
Class B21	2.80	11.17	May-54	24 000	-	24 000
Class C10	2.40	10.77	May-52	5 000	-	5 000
Class C17	3.15	11.52	May-52	5 000	-	5 000
Class D5	1.15	9.52	May-52	5 000	-	5 000
				1 005 286	**172 686**	**832 600**
Accrued interest						9 162
						841 762
31 March 2023						
Class A10	2.00	9.45	May-52	72 297	14 239	58 058
Class A24	2.24	9.69	May-52	194 888	38 385	156 503
Class A25	2.58	10.03	May-54	105 271	20 734	84 537
Class A27	1.85	9.30	Scheduled: May-23	461 789	90 953	370 836
Class A28	2.10	9.55	May-53	147 379	29 027	118 352
Class B10	2.20	9.65	May-52	11 000	-	11 000
Class B17	2.55	10.00	May-52	8 000	-	8 000
Class B20	2.25	9.70	Scheduled: May-23	159 000	-	159 000
Class B21	2.80	10.25	May-54	24 000	-	24 000
Class C10	2.40	9.85	May-52	5 000	-	5 000
Class C17	3.15	10.60	May-52	5 000	-	5 000
Class D5	1.15	8.60	May-52	5 000	-	5 000
				1 198 624	**193 338**	**1 005 286**
Accrued interest						9 743
						1 015 029

* Interest margins include the step-up rate on matured 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.

In the quarterly Priority of Payments, interest payable on each class of notes occurs in descending order of rank and with notes of equal rank being paid pari passu, until the interest due and payable in respect of each such class of notes has been paid in full.

Note ratings	**Class A**	**Class B**	**Class C**	**Class D**
Ratings issued by GCR Ratings:				
26 April 2024	BB+(sf) / AAA(ZA)(sf)	BB+(sf) / AAA(ZA)(sf)	BB+(sf) / AAA(ZA)(sf)	BB+(sf) / AAA(ZA)(sf)
25 April 2023	BB+(sf) / AAA(ZA)(sf)	BB+(sf) / AAA(ZA)(sf)	BB(sf) / AA+(ZA)(sf)	BB(sf) / AA+(ZA)(sf)

	2024 R `000	2023 R `000

13. Debt securities issued (continued)

13.3 Loan covenants and triggers

Loan covenants and triggers are standardised and are monitored on an on-going basis with formal testing reported to the board. The Issuer continues to comply with all borrowing obligations and financial covenants. The arrears reserve trigger remains in breach since it has not recovered to a level below 1.5%. All other covenants and triggers are within their limits. See Note 24.2.1 for further details.

Following the trigger breach in July 2020, the company continues to amortise the Notes in line with the provisions of the Programme Memorandum.

14. First loss credit enhancement loan

	2024 R `000	2023 R `000
Subordinated loan - Eskom Finance Company SOC Limited	290 000	290 000
Accrued interest brought forward	68 042	42 786
Interest accrued for the year	31 873	25 256
Accrued interest carried forward	99 915	68 042
	389 915	358 042

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 bears interest at 3 month JIBAR plus 3.0%. No interest will be paid on the subordinated debt until such time as the notes are fully repaid, but interest continues to be accrued and will be paid once cash becomes available in the priority of payments.

The loan is disclosed as a non-current liability since, during the revolving period, the loan shall not be repaid unless the rating agency confirms that the repayment of the loan will not adversely affect the respective current ratings of the notes in issue.

15. Trade and other payables

	2024 R `000	2023 R `000
Accruals	2 381	2 371

16. Interest income

	2024 R `000	2023 R `000
Loans receivable	146 917	128 259

17. Finance expense

	2024 R `000	2023 R `000
Debt securities issued	98 371	85 396
Subordinated loan	31 873	25 256
	130 244	**110 652**

18. Other income

	2024 R `000	2023 R `000
Interest on cash	3 033	2 017
Loan loss recovered	104	43
SARS interest	73	13
Total other income	**3 210**	**2 073**

	2024 R `000	2023 R `000
19. Net impairment charge		
Loan advances		
Net impairment charge	7 052	19 227
Loan advances written off	2 365	2 614
	9 417	**21 841**
Properties in possession		
Net impairment charge	(56)	273
	9 361	**22 114**
20. Operating expenses		
Auditors` fees - audit services	882	805
Auditors` fees - other services	386	-
Back up servicer fee	133	146
Bank charges	18	16
Credit Ombudsman fee	104	100
JSE fees	191	245
Legal fees	30	422
Liquidity facility fees	338	341
Management fees	459	419
National Credit Regulator fee	86	82
Owner trustee and related fees	1 044	564
Rating agent fee	160	186
Redraw facility fees	1 432	1 358
Servicer fee	2 286	2 517
Strate fees	81	83
	7 630	**7 284**
21. Income tax (expense) / credit		
21.1 Income tax recognised in profit or loss:		
Current tax		
Current year	1 465	150
Deferred tax		
Arising from prior period adjustments	1 284	-
Utilisation of tax loss	450	600
Doubtful debts allowances	755	2 106
Prepayments	-	(218)
Impairment provisions	(1 889)	(5 265)
Net deferred tax charge / (credit)	**600**	**(2 777)**
Total income tax expense / (credit)	**2 065**	**(2 627)**
21.2 The income tax for the year can be reconciled to the accounting profit / (loss) as follows:		
Profit / (loss) before tax from operations	2 892	(9 718)
Income tax calculated at 27.0%	781	(2 624)
Tax effect of		
- Adjustment of tax loss brought forward	1 284	-
- SARS interest adjustment	-	(3)
Tax charge / (credit)	**2 065**	**(2 627)**

		2024 R `000	2023 R `000

21. Income tax (expense) / credit (continued)

21.3 Reconciliation of effective tax rate

	2024	2023
Current tax rate	27.00%	27.00%
Tax effect of		
- Adjustment of tax loss brought forward	44.40%	-
- SARS interest adjustment	-	0.03%
Effective tax rate	**71.40%**	**27.03%**

21.4 Assessed tax loss utilisation

The company did not provide fully for income tax in the current year and at all in the prior years as there was an assessed loss recognised. In accordance with a change in the Tax Act effective from the prior year, utilisation of the tax loss is capped at 80% of the taxable income before deduction of the loss brought forward, where taxable income exceeds R1 million and the loss is not fully utilised. Accordingly, tax was provided on 20% of the taxable income before application of the tax loss to 2023 (see Note 21.1). In the current year, the assessed loss brought forward could be fully utilised and tax is calculated on the residual income.

	2024	2023
The estimated loss available for set-off against future assessed profits is as follows:	1 711	8 192

22. Cash generated from operations

	Notes	2024	2023
Profit / (loss) before tax		2 892	(9 718)
Adjustments for:			
Other income	18	(3 210)	(2 073)
Loan advances written off	19	2 365	2 614
Net impairment loss on loan advances	19	7 052	19 227
Net impairment (gain) / loss on properties in possession	19	(56)	273
Decrease / (increase) in properties in possession	5	500	(598)
Finance costs - Accrued interest on debt securities	17	98 371	85 396
Finance costs - Accrued interest on first loss loan	17	31 873	25 256
Changes in working capital:			
Adjustments for decrease / (increase) in other operating receivables	8	50	(1 659)
Adjustments for increase / (decrease) in trade and other payables	15	10	(261)
		139 847	**118 457**

Note: Loans receivable interest received is disclosed in note 16 (interest income) and represents the cash interest received. The non-cash portion is not material because of the collection procedure.

23. Related parties

23.1 Entities related to Nqaba

Entity name	**Nature of relationship**
Eskom Finance Company SOC Limited (EFC)	Nqaba is a structured entity, established to securitise residential mortgage backed advances originated by EFC. EFC is the appointed service provider to Nqaba and also is the supplier of the First loss credit enhancement loan. EFC is also the holder of the A28 Note.
Stonehage Fleming Corporate Services Proprietary Limited (Stonehage)	Trustee of the owner trusts for the Issuer, Nqaba Finance 1 Security SPV (RF) (Pty) Ltd (Security SPV) and Nqaba Guarantee SPV (RF) (Pty) Ltd (Guarantee SPV); supplier of independent non-executive directors to the Issuer, Security SPV and Guarantee SPV.
Eskom Holdings SOC Limited	Supplies a non-executive director.
Other arrangements:	
Absa Corporate and Investment Bank (Absa CIB)	Appointed under a Management Agreement as agent for Nqaba to advise Nqaba in relation to the management of the Programme. Absa CIB is also the Arranger, Dealer, Debt Sponsor and Redraw and Liquidity facility provider.
Nqaba Finance 1 Owner Trust	Holding entity

23.2 Compensation paid to directors

The directors do not receive individual remuneration from the company. Due to the nature of the securitisation structure, Stonehage acts as Trustees of the Nqaba Finance 1 Owner Trust and of Nqaba Finance 1 Security SPV Owner Trust and provides three independent non-executive directors to the Issuer. These directors are contracted to Stonehage and are remunerated by Stonehage for services rendered as Directors of the company. The fourth non-executive director is an employee of Eskom Holdings SOC Limited and is not remunerated by Nqaba.

Year ended 31 March 2024 **Name**	**Fees paid to Stonehage including VAT** **R `000**	**Total** **R `000**
BW Smith	161	161
DA Lorimer	161	161
RM Friedericksen	161	161
	483	**483**
Year ended 31 March 2023		
BW Smith	154	154
DA Lorimer	154	154
RM Friedericksen	13	13
H van Deventer	141	141
	462	**462**

23. Related parties (continued)

23.3 Related party transactions and balances

	EFC R `000	Stonehage R `000	Total R `000
Year ended 31 March 2024			
Related party transactions			
Services received (Note 20)	2 286	-	**2 286**
Services excluding directorships (Note 20)	-	561	**561**
Finance cost - debt securities issued (Note 17)	10 938	-	**10 938**
Finance cost - first loss loan (Note 14)	31 873	-	**31 873**
Outstanding balances for related party transactions			
Amounts payable (included in Note 15)	(359)	(378)	**(737)**
Amounts receivable (Note 8)	12 141	-	**12 141**
Outstanding payables			
First loss credit enhancement loan (Note 14)	(389 915)	-	**(389 915)**
Debt securities (Note 13)	(92 425)	-	**(92 425)**
Year ended 31 March 2023			
Related party transactions			
Services received (Note 20)	2 517	-	**2 517**
Services excluding directorships (Note 20)	-	103	**103**
Finance cost - debt securities issued (Note 17)	10 288	-	**10 288**
Finance cost - first loss loan (Note 14)	25 256	-	**25 256**
Outstanding balances for related party transactions			
Amounts payable (included in Note 15)	(390)	(88)	**(478)**
Amounts receivable (Note 8)	12 177	-	**12 177**
Outstanding payables			
First loss credit enhancement loan (Note 14)	(358 042)	-	**(358 042)**
Debt securities (Note 13)	(118 352)	-	**(118 352)**

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. Interest on the First loss credit enhancement loan is as stipulated by the Subordinated Loans Agreement and on the Debt Security in terms of the Applicable Pricing Supplement.

Stonehage is paid as the trustee of the three owner trusts in the scheme.

24. Financial risk management

This note explains the company's exposure to financial risks and how these risks could affect the company's future financial performance. Current year profit and loss information has been included where relevant to add further context.

24.1 Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long-term borrowings, loans and cash deposits at variable rates	Sensitivity analysis	Re-price assets in conjunction with reference rate movements
Credit risk	Loan advances or other counterparty fails to meet obligations	Age analysis and credit ratings	First mortgage security, special measures after an employee leaves Eskom group
Liquidity risk	Commitments to meet obligations	Rolling cash flow forecasts	Availability of redraw and liquidity facilities

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

- credit risk (refer to note 24.2)
- market risk (refer to note 24.3)
- liquidity risk (refer to note 24.4)

24.2 Credit risk

Credit risk arises from cash and cash equivalents, trade receivables as well as credit exposures to home loan borrowers included in outstanding receivables.

24.2.1 Risk management

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).

Loan receivables derive from a widespread customer base within the Eskom group. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Programme Memorandum (PM).

24. Financial risk management (continued)

When allowed by the PM, Nqaba purchases eligible home loans originated by EFC to staff employed by Eskom Holdings SOC Ltd and Eskom Pension and Provident Fund. 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 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 loss allowances.

In addition to the above policies, the PM sets out a number of Portfolio Covenants that need to be met before the purchase of additional home loans or before a Redraw, Advance or Further advance. (As the Issuer is in early amortisation, new home loans cannot be purchased.)

	2024		2023	
	Required	**Actual**	**Required**	**Actual**
Weighted average Original Loan to Value (%)	=< 93.0	90.9	=< 93.0	90.6
Weighted average Current Loan to Value (%)	=< 73.0	66.6	=< 73.0	65.9
Weighted average Payment to Income (%)	=< 18.0	13.0	=< 18.0	12.2
Minimum payroll deduction (%) *	=> 87.0	88.4	=> 87.0	89.1
Maximum second property loans (%)	=< 8.5	3.9	=< 8.5	3.5
Minimum direct Eskom employees (%) *	=> 84.0	87.0	=> 84.0	87.4
Average outstanding balance (R'000)	=< 400	293	=< 400	287

Other trigger margins are:				
Required interest margin				
The weighted average home loan rate less Jibar measured as:				
• 12 month rolling average rates (%)	=> 2.15	2.77	=> 2.15	2.69
• on latest interest payment date (%)	=> 2.15	2.82	=> 2.15	3.32
The above tests have to be met simultaneously on each interest payment date.				
Arrears reserve trigger event				
Balances in arrears for more than three months plus balances under litigation compared to total principal balances (%)	=< 2.0	5.0	=< 2.0	4.5

As the Issuer is in Early Amortisation, the arrears reserve was utilised to partially redeem Notes. The above statistic continues to be monitored as an indication of deterioration of the total loan book largely because no new loans can be purchased. While it is expected that loss write-offs will continue to increase in coming years, projections indicate that the overall cash flows from the loan book will not affect the ability to fully redeem the secured debts of the Issuer well before the legal maturity date of the Notes.

24.2.2 Security

The company registers mortgage bonds as security against advances. 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 Holdings SOC Ltd employees is 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.

24. Financial risk management (continued)

24.2.3 Credit exposure

The company's maximum exposure to credit risk in respect of mortgage loans is the balance of the outstanding advances, before taking into account the value of collateral held as security against such exposures. The collateral held as security for the mortgage assets exposures is in the form of first indemnity bonds over the fixed residential property, trade and other receivables and cash (refer to notes 6, 8 and 10).

The following table represents an analysis per credit rating level of the credit risk of financial assets, as indicated.

	Cash and cash equivalents R `000	Loans receivable R `000	Trade and other receivables R `000
31 March 2024			
Absa Bank Limited (Moody's long-term scale rating as a deposit-taking institution: Aa1.za)	30 334	-	-
Unrated	-	1 198 241	13 200
	30 334	**1 198 241**	**13 200**
31 March 2023			
Absa Bank Limited (Moody's long-term scale rating as a deposit-taking institution: Aa1.za)	36 233	-	-
Unrated	-	1 329 920	13 250
	36 233	**1 329 920**	**13 250**

The above figures represent the maximum exposure to credit risk for mortgage advances and trade and other receivables.

The following table shows the collective impairment assessment by age analysis of the loans receivable:

	Not past due R `000	31 - 60 days R `000	61 - 90 days R `000	Over 90 days R `000	Carrying amount R `000
31 March 2024					
Home loans	1 121 764	14 431	4 768	117 001	1 257 964
Impairment	(1 828)	(1 599)	(756)	(55 540)	(59 723)
	1 119 936	**12 832**	**4 012**	**61 461**	**1 198 241**
31 March 2023					
Home loans	1 246 153	21 638	6 398	108 401	1 382 590
Impairment	(3 240)	(6 214)	(2 204)	(41 012)	(52 670)
	1 242 913	**15 424**	**4 194**	**67 389**	**1 329 920**

The table above has been enhanced from that previously disclosed to provide more meaningful information to the users of the financial statements.

24. Financial risk management (continued)

The following table provides information about the exposure to credit risk and Expected credit losses for loan receivables. The company closely monitors collateral held for mortgage advances considered to be credit-impaired (those assets that are assessed under Stage 3 of the Expected Credit Loss calculations), as soon as it becomes likely that the company will foreclose on non-performing mortgage advances to mitigate potential credit losses. Mortgage advances that are credit impaired and the fair value of the related collateral (in the form of residential properties) held to mitigate potential losses are shown below:

	Stage 1 R `000	Stage 2 R `000	Stage 3 R `000	Total R `000
31 March 2024				
Gross loans and advances	1 106 014	80 514	71 436	1 257 964
Expected credit loss	(1 428)	(7 575)	(50 720)	(59 723)
	1 104 586	72 939	20 716	1 198 241
Fair value of collateral held on credit-impaired assets			**99 033**	
31 March 2023				
Gross loans and advances	1 235 622	76 070	70 898	1 382 590
Expected credit loss	(2 724)	(19 339)	(30 607)	(52 670)
	1 232 898	56 731	40 291	1 329 920
Fair value of collateral held on credit-impaired assets			**104 789**	

Mortgage advances include an amount of R47 million (2023: R33 million) relating to receivables that were renegotiated and which have repayments within the last month. These mortgage advances would have been past due had their terms not been renegotiated.

During 2024 no material changes were made to the quantitative or qualitative triggers applied. The Servicer assesses whether there has been a significant increase in credit risk (SICR) for loans receivable since initial recognition in one or more of the following ways:

- Considering instruments that are more than 30 days past due as having experienced a SICR.
- Employee no longer employed by the company forming part of the Eskom Group.

There was a reduction in stage 2 expected credit losses which was mainly driven by:

- Effective Risk Management: There was a significant decrease in Stage 2 expected credit losses due to a reduction in the probability of default. This was driven by effective credit risk management where enhanced monitoring of borrower behaviour ensured that fewer loans transitioned from Stage 1 to Stage 2.
  However, during the financial year there was a notable increase in the expected credit losses for Stage 3 accounts due to an observable increase in default rates within the loan portfolio.
- Enhanced Data and Analytics: Additional data analytics and modelling techniques enabled a more accurate risk assessment of the portfolio.
- Economic Recovery: Improvements in economic conditions post-pandemic lead to reduced Stage 2 accounts and decrease the likelihood of loans moving to Stage 2.

Reconciliation of Expected credit loss allowances

	Stage 1 R `000	Stage 2 R `000	Stage 3 R `000	Total R `000
31 March 2024				
Balance at beginning of the year	(2 724)	(19 339)	(30 607)	(52 670)
Decrease / (increase) recognised in profit or loss	1 296	11 764	(19 668)	(6 608)
Suspended less cured interest	-	-	(445)	(445)
Closing balance	(1 428)	(7 575)	(50 720)	(59 723)
31 March 2023				
Balance at beginning of the year	(568)	(833)	(32 042)	(33 443)
(Increase) / decrease recognised in profit or loss	(2 156)	(18 506)	1 435	(19 227)
Suspended interest	-	-	-	-
Closing balance	(2 724)	(19 339)	(30 607)	(52 670)

24. Financial risk management (continued)

24.3 Market risk

24.3.1 Cash flow and fair value interest rate risk

Exposure

Market risk for Nqaba is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in interest rates.

Market risk exposures for funding activities are measured using sensitivity analysis. The current sensitivity analysis measures the impact on net profit for specified movements in interest rates.

Market risks in respect of loans receivable arise from changes in interest rates. Market risk is monitored and analysed through the treasury department and reported to the EFC Finance Committee. Rates charged on outstanding loan receivables are based on movements in the South African Reserve Bank repurchase rate. The board implemented a funding strategy that aims to protect the company from major interest rate changes.

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 from debt securities issued, loans and receivables, cash and cash equivalents, credit enhancement loan and debt securities issued at variable rates which expose the company to cash flow interest rate risk. The reference rate for both debt securities and loans and advances are the same, 3 month Jibar. During increasing and decreasing interest rate market conditions the interest rate risk management strategy followed is to re-price assets in conjunction with the reference rate movements when such movement is considered significant.

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 for defined interest rate shifts on debt securities and other borrowings. For each simulation, the same interest rate shift is used. The sensitivity analysis for interest rate risk assumes that all other variables remain constant. 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.

	+50 basis point 2024 R `000	-50 basis point 2024 R `000	+50 basis point 2023 R `000	-50 basis point 2023 R `000
Effect on profit or loss				
Interest expense increase / (reduction)	5 859	(5 859)	6 476	(6 476)

Taking into account the current economic environment, the sensitivity analysis is based on a 0.5% movement in interest rates. The effect on profit or loss has been calculated over a 12 month period. The entity has not applied hedge accounting.

24. Financial risk management (continued)

24.4 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.

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 interest income and capital and operational out flows. The company manages liquidity risk through an ongoing review of commitments and credit facilities.

The objective of the company's liquidity and funding management is to ensure that all foreseeable operational and loan commitments 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. Nqaba, as a residential mortgage backed securitisation structure, issued notes with a scheduled maturity date between 1 and 5 years with the view to refinance maturing notes on their respective scheduled maturity dates. These notes have a final legal maturity date of 32 years from their scheduled maturity date in the event that notes are not refinanced or on the occurrence of an early amortisation event.

On 1 July 2020 an early amortisation event occurred. The aggregate principal balance of home loans owned by the Issuer which were in arrears for more than 3 months, exceeded 2.5% of the aggregate principal balance of the home loans. During the amortisation period, all tranches of notes are subject to mandatory redemption in part on each interest payment date during the amortisation period, in reducing order of rank (and pari passu if of equal rank) as determined by the respective classes of the notes, to the extent permitted by and in accordance with the priority of payments. Borrowings are not expected to be refinanced with new loans raised in the market upon repayment date.

There is no effect on the recognition and measurement of debt securities which continue to be carried at amortised cost.

24. Financial risk management (continued)

24.4.1 Facilities

The Programme Memorandum defines and makes provision for a Redraw Facility and a Liquidity Facility.

- The Redraw Facility, which is renewed annually, can be used to fund the advance of redraws, re-advances and further advances in the event that Nqaba is temporarily unable to do so. It is coupled with a revolving loan facility.

  The facility limit of R150 million from February 2024 (2023: R131 million) is an amount equal to or greater than half of the aggregate Potential Redraw Amount in respect of the portfolio of Home Loans owned by the Issuer from time to time. The facility has never been used.

- The Liquidity Facility, which is renewed annually, can be used to cover specific liquidity shortfalls including specified expenses of the Issuer up to and including interest on the Notes, provided that immediately following a draw down under such facilities, the Asset Quality Test as defined in the Programme Memorandum is satisfied. It is coupled with a revolving loan facility.

  The obligations of the Liquidity Facility Provider do not significantly extend beyond the salient features of the Liquidity Facility as disclosed in the Programme Memorandum and the Liquidity Facility Provider will not support the Securitisation Scheme beyond such obligations.

  The Liquidity Facility may not be used as a permanent revolving facility in order to provide credit enhancement or cover losses sustained in respect of the Securitisation Scheme.

  The facility limit of R31,36 million (2023: R31,36 million) is currently equal to 2% of the Principal Amount of the Initial Notes issued on the Initial Issue Date. In the event that the Principal Balances of the Home Loans that are not Deteriorated Assets or Defaulted Assets fall to an amount lower than the Commitment of the Liquidity Facility Provider, then the Liquidity Facility Limit (and thus the Commitment) shall be reduced. The facility has never been used.

- These facilities are provided by Absa CIB, or such entity with the Required Credit Rating, which will be appointed in terms of the Redraw and Liquidity Facility Agreements.

The management of liquidity and funding risk is centralised in the EFC 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 company and optimising short-term liquidity as well as long-term funding;
- monitoring financial position liquidity ratios;
- maintaining a diverse range of funding sources through notes issued, credit enhancement loans, redraw and liquidity facilities with adequate back-up facilities; and
- maintaining liquidity and funding contingency plans.

Owing to the inability to refinance the Notes, the following processes are no longer available to EFC (or severely constrained):

- managing the concentration and profile of debt maturities; and
- actively managing funding risk by evaluating optimal entry points into the various markets per the official funding plan.

Primary sources of funding and unused facilities

The primary sources to meet liquidity requirements are cash generated from operations and cash inflows from loans receivable. 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.

Please note:

- Market conditions have not improved and all attempts to refinance the matured notes have been unsuccessful. All notes have reached matured note status and their respective scheduled maturity dates have been extended to 32 years after their scheduled maturity date.
- The current carrying amount and cash flows of Loans Receivable shown are per the terms of the individual contracts. In practice, the cash flows will be higher than shown because of prepayments of principal, which supports the expected higher outflows to debt securities. This discrepancy may lead to an apparent negative liquidity gap in some periods. All cash available, after senior expenses and interest to all classes of notes have been paid, is allocated towards capital repayment of notes in descending order of rank. Only once the debt securities have been paid is cash available for repayment of the First loss credit enhancement loan. Surpluses shown at year end are usually because of cash accumulated which will be paid at the interest payment date in May in the next financial year.

24. Financial risk management (continued)

24.4.2 Contractual cash flows

The table contains cash flows relating only to financial instruments.

	Cash flows inclusive of interest						Carrying amount		
	0 - 3 months R `000	4 - 12 months R `000	1 - 3 years R `000	4 - 5 years R `000	More than 5 years R `000	Nominal inflow or outflow R `000	Non-current R `000	Current R `000	Total R `000
Year ended 31 March 2024									
Financial assets (inflows)									
Loans receivable (Note 6)	48 155	140 127	362 096	338 939	1 709 066	**2 598 383**	1 149 977	48 264	**1 198 241**
Trade and other receivables (Note 8)	12 250	-	-		-	**12 250**	**-**	12 250	**12 250**
Cash and cash equivalents (Note 10)	30 334	-	-		-	**30 334**	**-**	30 334	**30 334**
	90 739	**140 127**	**362 096**	**338 939**	**1 709 066**	**2 640 967**	**1 149 977**	**90 848**	**1 240 825**
Financial liabilities (outflows)									
Trade and other payables (Note 15)	2 386	-	-		-	**2 386**	-	2 386	**2 386**
Debt securities issued (Note 13)	53 301	163 044	415 944	387 100	73 086	**1 092 475**	698 518	143 244	**841 762**
First loss credit enhancement loan (Note 14)	-	-	-		625 384	**625 384**	389 915	-	**389 915**
	55 687	**163 044**	**415 944**	**387 100**	**698 470**	**1 720 245**	**1 088 433**	**145 630**	**1 234 063**
Liquidity gap	**35 052**	**(22 917)**	**(53 848)**	**(48 161)**	**1 010 596**	**920 722**	**61 544**	**(54 782)**	**6 762**
Year ended 31 March 2023									
Financial assets (inflows)									
Loans receivable (Note 6)	50 374	149 051	383 707	359 810	1 813 507	**2 756 449**	1 269 917	60 003	1 329 920
Trade and other receivables (Note 8)	12 303	-	-		-	**12 303**	**-**	12 303	12 303
Cash and cash equivalents (Note 10)	36 233	-	-		-	**36 233**	**-**	36 233	36 233
	98 910	**149 051**	**383 707**	**359 810**	**1 813 507**	**2 804 985**	**1 269 917**	**108 539**	**1 378 456**
Financial liabilities (outflows)									
Trade and other payables (Note 15)	2 371	-	-		-	**2 371**	-	2 371	2 371
Debt securities issued (Note 13)	46 985	139 968	357 900	331 383	701 443	**1 577 679**	818 333	196 696	1 015 029
First loss credit enhancement loan (Note 14)	-	-	-		813 139	**813 139**	358 042	-	358 042
	49 356	**139 968**	**357 900**	**331 383**	**1 514 582**	**2 393 189**	**1 176 375**	**199 067**	**1 375 442**
Liquidity gap	**49 554**	**9 083**	**25 807**	**28 427**	**298 925**	**411 796**	**93 542**	**(90 528)**	**3 014**

25. Commitments

Further loans approved but not yet disbursed

Although borrowers have a right to a further advance or redraw of prepayments, the loan agreement provides a right to the lender to refuse such further advance or redraw of prepayments under various scenarios, including in respect of clients in arrears (particularly where the loan is impaired) or with revised adverse credit profiles. At the year end, there were no such loans outstanding (2023: nil).

26. Guarantees and contingent liabilities

Legal claims

There were no legal claims nor guarantees against the company for the reporting period under review (2023: nil).

27. Going concern

The board made an assessment of the company's ability to continue as a going concern in the foreseeable future. The board has paid special attention to the company's going concern status amid the EFC disposal.

EFC disposal

Eskom, National Treasury and Department of Public Enterprises are in discussions regarding a new disposal process. The timing of this is not known at the time of preparing these financial statements. Eskom guarantees the payroll deduction to Nqaba post disposal and the disposal of EFC will not have a negative effect on its ongoing operations and amortising status.

The board noted that Nqaba is a ring-fenced entity protecting secured creditors, including noteholders and the disposal contemplated will not have any impact on the entity.

Operating results

Negative sentiments from the market on Nqaba notes together with the general adverse economic conditions continue to hinder plans to refinance the matured notes. The notes due to mature in May 2023 were not refinanced and have moved to matured notes status. Management's conservative cash-flow forecast indicates sufficient cash from contractual cash flows derived from the mortgage loan assets to honour the mandatory repayment obligations and predicts settlement of all notes prior to their final legal maturity date.

Having considered the risks relating to the company’s going concern status, the board is satisfied that the risks will be satisfactorily addressed with the mitigation strategies in place and is satisfied with the results of the cash flow forecast presented by management. The forecast showed that all secured debt would be repaid well before the legal maturity dates and that the first loss loan would be repaid with all accrued interest.

The board therefore concluded that it is satisfied that the company has access to adequate resources and facilities to be able to continue its operations for the foreseeable future as a going concern.

28. Event after reporting period

EFC disposal

As noted above, Eskom, National Treasury and Department of Public Enterprises continue in discussions regarding a disposal process. The timing of this is not known at the time of preparing these financial statements. Eskom guarantees the payroll deduction to Nqaba post disposal and the disposal of EFC will not have a negative effect on its ongoing operations and amortising status.