TORQUE SECURITISATION (RF) LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2012/030043/06)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015

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CORPORATE GOVERNANCE STATEMENT

Torque Securitisation (RF) Limited (Torque)(the company) was established by Iemas Financial Services (Co-operative) Limited (Iemas) in 2012 to serve as a special purpose vehicle to buy certain participating assets from Iemas, subject to the eligibility criteria and portfolio covenants of the Programme Memorandum with Iemas. Torque initially funded the purchase of the participating assets by issuing notes to investors.

INTEGRATED REPORT

Torque is a special purpose vehicle with no employees. Torque's integrated report is limited. It should be read in conjunction with Iemas' annual integrated report. Although Iemas is not a publicly-listed entity, it produces integrated annual reports covering the group's most material issues so as to inform the investors of Torque about the operations of the entity and group during the year.

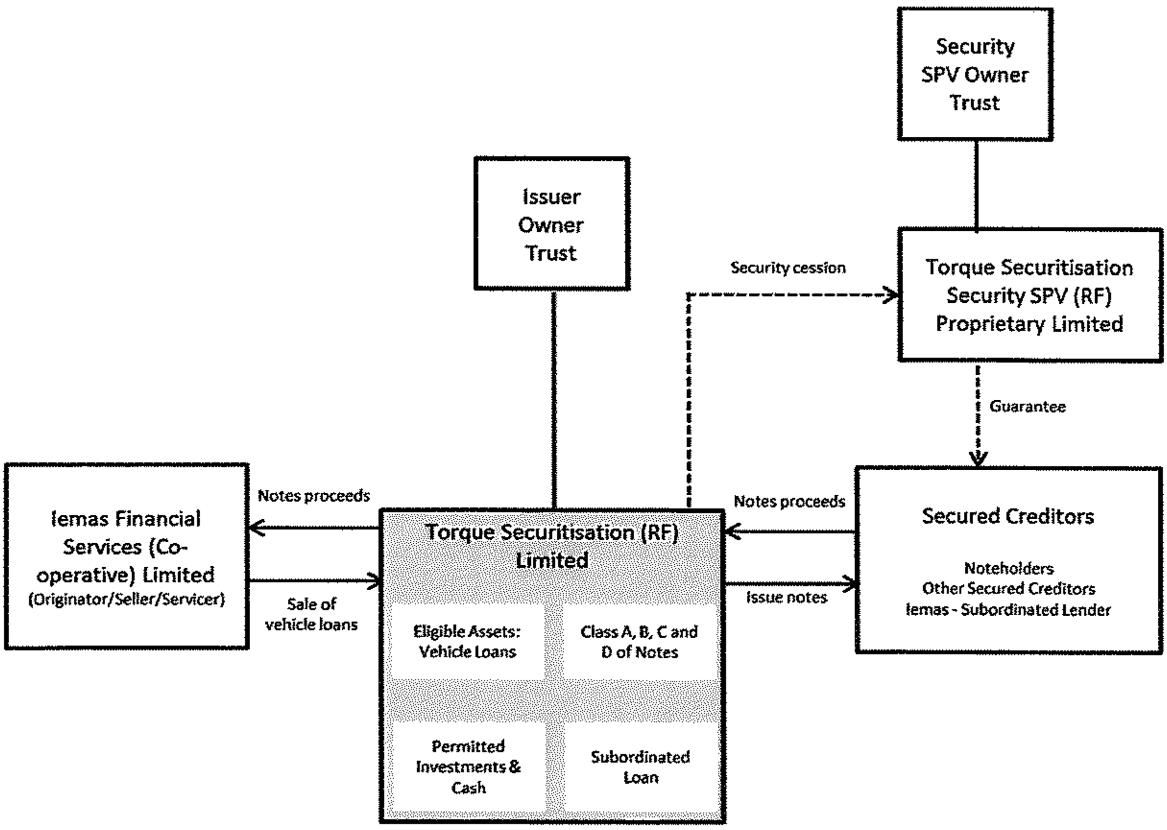
REPORTING PERIOD AND PRINCIPLES

This report covers the financial year ending on 31 August 2015. The annual financial statements have been produced in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (2008). The reporting is aligned with the principles of the King Report on Corporate Governance for South Africa.

COMPANY INFORMATION

Torque is a special purpose vehicle established to enable Iemas to obtain additional funding by selling certain participating assets to Torque Securitisation (RF) Limited. The company has issued JSE listed notes.

Company structure



TORQUE SECURITISATION (RF) LIMITED

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015

Overview

Iemas sells participating assets, subject to the eligibility criteria and the portfolio covenants of the Programme Memorandum, to Torque. Torque initially funded the purchase of these assets by issuing notes to investors.

Torque has issued unsubordinated, secured, compulsory redeemable, asset-backed notes. These notes were issued to various investors as class A1, class A2, class A3, class A4, class A5, class B, class B2, class C, class C2 and class D notes. The class A1 notes were redeemed in August 2014.

During August 2015 the following notes were issued:
- Class A5 notes - the issuance was used to redeem the class A2 notes in full on their scheduled maturity date.
- Class B2 notes - the issuance was used to redeem the Class B notes in full on their scheduled maturity date.
- Class C2 notes - the issuance was used to redeem the class C notes in full on their scheduled maturity date.

The overall capital balances of the asset-backed notes remained unchanged after the refinance.

The class B, class C and class D notes are subordinated in favour of the class A notes, the class C and class D notes are subordinated in favour of the class B notes and the class D notes are subordinated in favour of the class C notes.

Torque Securitisation Security SPV (RF) Proprietary Limited (the Security SPV) has been established for the purpose of guaranteeing the performance by Torque of its obligations to the secured creditors set out in the Priority of Payments as included in the Programme Memorandum. The Security SPV has accordingly issued the guarantee to the secured creditors on the basis that they will only proceed with a claim against the Security SPV under the guarantee in the event of Torque failing to meet its obligations to them.

Torque has provided the Security SPV with an indemnity in terms of which it indemnifies the Security SPV against all claims made under the guarantee. Torque's obligations to the Security SPV under this indemnity are secured by a cession and pledge of all Torque's assets to the Security SPV.

Torque has appointed Iemas as the servicer in respect of the participating assets and Iemas will continue, inter alia, to collect payments and administer and manage the portfolio of participating assets on an ongoing basis as set out in the servicing agreement.

TMF Corporate Services (SA) Proprietary Limited acts as trustee of both the Torque Issuer Owner Trust and the Torque Security SPV Owner Trust. In addition they act as the company secretary for Torque. The main functions as trustee include:
- Holding the shares of Torque Securitisation (RF) Limited and Torque Securitisation Security SPV (RF) Proprietary Limited.
- Review of documentations and signatory thereof impacting on the Owner Trusts, as and when required.

FirstRand Bank Limited (acting through its Rand Merchant Bank division) (RMB) has undertaken to fulfil the role of the administrator of Torque and to render the services and carry out the responsibilities of Torque as set out in the administration agreement. Some of these general administration responsibilities include:

- Prepare and submit all applications, requests and filings that may be necessary in connection with the administration services;
- Determine the amount of taxes reasonably expected to be paid by Torque during the current financial year;
- Submit all correctly completed returns to the taxation authorities;
- Give reasonable assistance to TMF Corporate Services (SA) Proprietary Limited in respect of the company secretarial functions carried out by them;
- Keep records and documents for Torque in relation to the participating assets;
- Ensure that Torque is audited annually.

GOVERNANCE

Board composition

The board of directors comprise of three independent non-executive directors and a non-executive director. The board of directors is considered to be effective in size and composition in light of the purpose for which the company was established.

Independent non-executive directors

Willem Hermanus Swanepoel (64)
Chairperson of the Board

With over 35 years' experience in the banking sector, Willie Swanepoel holds various higher and advanced diploma's in banking, finance and law from various tertiary institutions. Having successfully headed up Nedbank Namibia as their COO, Willie decided to join the TMF Corporate Services (SA) team as a structured finance specialist.

Brendan Harmse (49)
CA(SA)

Mr Harmse is a director of TMF Corporate Services (SA) Proprietary Limited. He has been involved in the South African debt capital markets since 2001. He is also currently the vice chairman of the South African Securitisation Forum (SASF).

Rishendrie Thanthony (32)
CA(SA) and Chairperson of the Audit Committee

Miss Thanthony is a structured finance specialist for TMF Corporate Services (SA) Proprietary Limited. She is a Chartered Accountant (SA) who completed her graduate studies at the University of KwaZulu-Natal. She has a strong audit background and gained valuable accounting and internal control related experience in the public and telecommunications sectors, whilst completing her articles at Nkonki Inc.

Non-executive director

Tom O'Connell (45)
BCom(Hons), CTA, CA(SA), Management Development Programme (MDP), International Executive Programme (INSEAD). Member of the South African Institute of Chartered Accountants (SAICA)

Prior to starting his career at Iemas in October 1995, Mr O'Connell completed his articles at PriceWaterhouseCoopers Inc. He was appointed as head of Iemas' Finance division in October 1998 and as executive director in 2005. Mr O'Connell has 23 years' experience in finance, funding and audit and his responsibilities include the finance, funding and administration functions in Iemas.

Role and function of the board

The board of directors remains responsible for the company in its entirety. The board of directors is the highest decision-making body and is ultimately responsible for governance.

Board committees

Torque had one committee of the board of directors in place during the year under review, being the audit committee.

The audit committee comprises of the three independent members of the board of directors. Miss Thanthony chairs the audit committee. Other directors and assurance providers attend meetings by invitation.

The audit committee's primary objective is to assist the board of directors in discharging its responsibilities relating to the management of risk, safeguarding of assets, financial control and reporting, internal controls, investor reporting and corporate governance, particularly in respect of legislative requirements, compliance and accounting standards and regulatory compliance generally.

Governance Practices

Board meetings and attendance

The board of directors meets on a quarterly basis or more frequently if circumstances require. The attendance of meetings by the directors of the company during the year up to the date of this report is reflected below:

Director	Sep-14	Dec-14	Apr-15	Jul-15
Brendan Harmse	Yes	Yes	Yes	Yes
Willie Swanepoel (Chairman of the Board)	Yes	Yes	Yes	Yes
Rishendrie Thanthony	Yes	Yes	Yes	Yes
Tom O'Connell	Yes	Yes	Yes	Yes

Director appointments

All appointments follow a formal and transparent procedure and are subject to confirmation by the shareholders at the annual general meeting. TMF Corporate Services (SA) Proprietary Limited provides independent directors and trust services to the company and applies professional care, following due processes in doing so.

Authority

The level of power and authority on the board of directors is such that no one director has unfettered powers to make decisions.

Induction of new directors

New board members with no or limited board experience receive training to inform them of their duties, including fiduciary responsibilities, powers and potential liabilities.

Board skills and development

Directors are expected to keep themselves abreast of changes and trends in the business and in the company's environment and markets, as well as changes and trends in the economic, political, social and legal climate generally. The directors have access to training and advice from the company secretary and are entitled to seek independent professional advice concerning the affairs of the company at the company's expense. The board of directors is briefed on external changes relevant to the business as and when required.

Confidentiality

Directors of the company are required to comply with the prescriptions of the JSE Limited regarding inside information, transactions and disclosure of transactions.

Company secretary

The company secretary has a key role to play in ensuring that the board of directors' procedures are followed and reviewed regularly, while also having the responsibility in law to ensure that each board member is made aware of and provided with guidance as to their duties, responsibilities and powers. The company secretary is responsible for ensuring that the applicable rules and regulations for the conduct of the affairs of the board of directors are complied with. The company secretary must maintain statutory books in accordance with legal requirements and must provide the board of directors as a whole and the board members individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the company. The company secretary is in the process of establishing a social and ethics committee as required by the Companies act.

Conflicts of interest

The company secretary maintains the declarations of interest and related-party disclosures of the board of directors. The board of directors is required to declare and update their interest at each board of directors meeting. Directors who have a conflict of interest on any matter to be discussed at meetings are required to inform the chairperson and the secretary of the board of directors before the meeting. Both the chairperson and the secretary of the board of directors is of the opinion that no conflict of interest or interests in contracts exist that requires special attention from the board.

Finance, internal audit and company secretarial functions

The company has concluded a servicer agreement with Iemas and an administration agreement with FirstRand Bank Limited (acting through its Rand Merchant Bank division) whereby it ensures the fulfilment of certain duties, including internal audit and finance functions, where applicable. Company secretarial functions are carried out by TMF Corporate Services (SA) Proprietary Limited.

Relations and communication with stakeholders

The board of directors is committed to keeping the investor community informed of developments in the company's business. During the financial year road shows were held to the investors to provide them with a financial overview for both Torque and Iemas as well as to provide them with a performance update on their investments in Torque.

Risk management

The board of directors is responsible for the total process of risk management, as well as for forming its own opinion on the effectiveness of the process. The day-to-day administration and management of the entity is provided in terms of the servicer agreement with Iemas and an administration agreement with FirstRand Bank Limited (acting through its Rand Merchant Bank division). The management of these entities is accountable to the board of directors for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the company.

Internal control environment

The company continues to review its internal controls to ensure it maintains a strong and effective internal control environment. The audit committee considers significant control matters raised by the servicer, administrator, the Iemas internal audit team and the company's external auditors who reports their findings to the board of directors. Where weaknesses are identified the audit committee ensures that responsible parties take appropriate action. The chairperson of the audit committee has reviewed the finance function and is of the opinion that the function itself is adequate and that the internal financial controls are working optimally. There are no material deficiencies to be reported on in the past financial year.

External audit

The audit committee is responsible for assessing the independence of and nominating the company's external auditor, PricewaterhouseCoopers Inc. The external auditors are responsible for providing an independent, reasonable, but not absolute, assurance on the fair presentation of the financial disclosures.

Going concern

The board of directors believes that the company has adequate resources and facilities available to continue to operate in the foreseeable future. The board of directors, therefore, continues to apply the going concern basis in preparing the annual financial statements. The board of directors is satisfied that there is no reason to believe that the company will not continue as a going concern in the coming financial year.

TORQUE SECURITISATION (RF) LIMITED

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY

The board of directors is responsible for the preparation of the annual financial statements of Torque Securitisation (RF) Limited. In discharging this responsibility, the board of directors relies on the servicer in conjunction with the administrator to prepare the annual financial statements presented on page 12 to 45 in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act and for keeping adequate accounting records in accordance with the company's system of internal control.

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by the board of directors. The financial statements incorporate full and responsible disclosure in line with the company's philosophy on corporate governance.

The board of directors is responsible for the company's system of internal control. To enable the board of directors to meet these responsibilities, the board of directors sets the standards for internal control to reduce the risk of error or loss in a cost effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company.

Based on the information and explanations provided by the servicer, administrator and the Iemas internal auditors, nothing has come to the attention of the board of directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the annual financial statements in accordance with IFRS. Nothing has come to the attention of the board of directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the company, during the year and up to the date of this report. Based on the effective internal controls implemented by the servicer and administrator, the board of directors is satisfied that the annual financial statements fairly present the state of affairs of the company, at the end of the financial year, and the comprehensive income and cash flows for the year.

The going-concern basis has been adopted in preparing the annual financial statements. The board of directors has no reason to believe that the company will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the company.

No event, which is material to the financial affairs of the company, has occurred to the best of the knowledge and belief of the board of directors between the reporting date and the date of approval of the annual financial statements that would require either an adjustment or additional disclosure in the annual financial statements.

The company's external auditors, PricewaterhouseCoopers Incorporated, audited the financial statements. Their report on the fair presentation of the annual financial statements is presented on page 11.

The corporate governance statement and the annual financial statements for the year ended 31 August 2015, were approved by the board of directors on 2 December 2015 and are signed on its behalf by:

TD O'Connell
Director

B Harmse
Director

TORQUE SECURITISATION (RF) LIMITED

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015

CERTIFICATE BY THE COMPANY SECRETARY

TMF Corporate Services (SA) Proprietary Limited declare that, to the best of our knowledge and belief, the company has lodged with the Registrar of Companies all such returns as are required by the Companies Act, 71 of 2008, and that such returns are true, correct and up to date.

TMF Corporate Services (SA) Proprietary Limited
Company secretary
P O Box 652514, Benmore, 2010
6th Floor, World Trade Centre, Green Park, Cnr West Road South and Lower Road, Sandton, 2196
Tel: +27 11 666 0760
Fax: +27 86 603 3068
E-mail: rishendrie.thanthony@tmf-group.com

AUDIT COMMITTEE REPORT

Composition

The company has constituted an audit committee comprising of independent non-executive directors and is chaired by an independent non-executive director.

Audit committee meetings and attendance

At the date of this report, the audit committee consists of three independent directors. The audit committee meets at least two times per year, as per its terms of reference, or more frequently, should circumstances dictate. The attendance of meetings by the audit committee members during the year is reflected below:

Name of member	**Sep-14**	**Dec-14**	**Jul-15**
Rishendrie Thanthony (Chairperson)	Yes	Yes	Yes
Brendan Harmse	Yes	Yes	Yes
Willie Swanepoel	Yes	Yes	Yes

Role

The committee's principal duties are to oversee the integrity of the internal control environment, appoint the statutory external auditors, and ensure that the financial statements are appropriate and comply with IFRS.

The main duties and activities of the audit committee in the period under review can be summarised as follows:

Financial statements

The audit committee has reviewed the financial statements for the period, and has considered matters such as the decisions requiring a major element of judgement, compliance with accounting standards and the going concern assumption.

Internal controls

The audit committee has reviewed the effectiveness of the company's internal controls, which include financial, operational and compliance controls, and procedures for identification, assessment and reporting of risks, and has reported to the board of directors on the outcome of this review.

Internal Audit

The internal audit function is performed by the Iemas internal audit team. Internal audit is a key independent assurance provider to the servicer as it has the ability to engage and test in detail the company's control environment. The servicer has undertaken to advise the audit committee of any adverse findings.

During the year internal audit performed a review of the adequacy and effectiveness of the Iemas internal control environment, including its internal financial controls and risk management processes. Based on the results of these reviews, the internal audit function confirmed to the audit committee that nothing has emerged to indicate material weakness in the risk management and internal control process of the servicer which would adversely impact the company.

pwc

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF TORQUE SECURITISATION (RF) LIMITED

We have audited the financial statements of Torque Securitisation (RF) Limited set out on pages 14 to 45, which comprise the statement of financial position as at 31 August 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Torque Securitisation (RF) Limited as at 31 August 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 August 2015, we have read the Directors' Report , the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: M Meyer
Registered Auditor
Sunninghill
2 December 2015

TORQUE SECURITISATION (RF) LIMITED

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BOARD OF DIRECTORS' REPORT

Nature of business

Torque Securitisation (RF) Limited is a securitisation special purpose vehicle created solely to acquire vehicle loans from Iemas Financial Services (Co-operative) Limited (Iemas). These vehicle loans do not qualify for derecognition in terms of IAS 39 'Financial instruments: Recognition and measurement' in Iemas and are therefore represented by a loan receivable from Iemas.

Legal status of company

The nature and conduct of the company's business is ring-fenced and defined in the company's Memorandum of Incorporation.

Share capital

The authorised share capital is 1000 ordinary shares of no par value of which 1 share was issued to Torque Issuer Owner Trust.

100 Redeemable, non-cumulative no par value preference shares were authorised and issued at R1 each. These shares are redeemable in terms of the Programme Memorandum.

Financial results

The results of the company are detailed in the annual financial statements for the year ended 31 August 2015 as set out on pages 14 to 45.

Controlling entity

The company is wholly owned by Torque Issuer Owner Trust, a trust set up solely for the purpose of holding the equity of the company. The trustee of the trust is TMF Corporate Services (SA) Proprietary Limited. Iemas is considered to be the ultimate controlling entity of the company from an IFRS perspective (refer to note 2 of the annual financial statements).

Management of the business

The company is administered by FirstRand Bank Limited (acting through its Rand Merchant Bank division). Iemas, in its capacity as servicer, is responsible for the collection of payments, administration and management of the portfolio of participating assets.

Dividends

The company did not declare any dividends during the year.

Directors and secretariat

The names of the company's board of directors are:
B Harmse (appointed 22 February 2012)
R Thanthony (appointed 15 February 2013)
TD O'Connell (appointed 29 August 2013)
WH Swanepoel (appointed 25 March 2014)
TMF Corporate Services (SA) (Pty) Ltd (appointed 24 May 2012) (Company secretariat)

TORQUE SECURITISATION (RF) LIMITED

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015

BOARD OF DIRECTORS' REPORT

Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Material events after year-end

No event, which is material to the financial affairs of the company, has occurred between the reporting date and the date of approval of the financial statements.

Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act of 2008.

TORQUE SECURITISATION (RF) LIMITED

STATEMENT OF FINANCIAL POSITION
at 31 August

	Note	2015 R	2014 R
ASSETS			
Non-current assets			
Non-current portion of loans receivable	2	574,319,658	564,336,034
Deferred income tax	3	2,162,214	1,612,474
		576,481,872	565,948,508
Current assets			
Current portion of loans receivable	2	308,260,677	287,898,851
Cash and cash equivalents	4	46,260,869	56,851,076
Trade and other assets	5	36,375,277	35,949,343
		390,896,823	380,699,270
TOTAL ASSETS		967,378,695	946,647,778
EQUITY AND LIABILITIES			
Equity			
Share capital	6	100	100
Retained reserves		56,783,865	38,724,170
		56,783,965	38,724,270
Non-current liabilities			
Non-current portion of notes issued	7	891,000,000	891,000,000
Non-current portion of borrowings	8	11,007,699	11,007,699
		902,007,699	902,007,699
Current liabilities			
Current portion of notes issued	7	2,916,833	3,183,108
Current portion of borrowings	8	65,594	73,058
Derivative financial liabilities	10	222,194	508,836
Trade and other liabilities	9	2,278,027	1,420,508
Income tax payable	11	3,104,383	730,299
		8,587,031	5,915,809
TOTAL EQUITY AND LIABILITIES		967,378,695	946,647,778

TORQUE SECURITISATION (RF) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 August

	Note	2015 R	2014* R
Interest income		107,841,715	100,877,410
Interest expenditure	12	(74,469,767)	(68,243,321)
Net interest income before impairment provision		33,371,948	32,634,089
Impairment provision	13	(6,252,509)	(3,321,021)
Net interest income after impairment provision		27,119,439	29,313,068
Other operating income	14	6,075,594	5,665,999
Income from operations		33,195,033	34,979,067
Operating expenditure	14	(8,018,757)	(7,478,743)
Profit before income tax		25,176,276	27,500,324
Income tax	15	(7,116,581)	(7,875,159)
Profit after income tax		18,059,695	19,625,165
Other comprehensive income		-	-
Total comprehensive income for the year		18,059,695	19,625,165
Total comprehensive income attributable to:			
- Owners of the Company		18,059,695	19,625,165

* Comparatives have been reclassified, refer to note 13.

TORQUE SECURITISATION (RF) LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 August

	Share capital	Retained reserves	Capital and reserves
	R	R	R
Balance at 1 September 2013	100	19,099,005	19,099,105
Total comprehensive income for the year	-	19,625,165	19,625,165
Balance at 31 August 2014	100	38,724,170	38,724,270
Balance at 1 September 2014	100	38,724,170	38,724,270
Total comprehensive income for the year	-	18,059,695	18,059,695
Balance at 31 August 2015	100	56,783,865	56,783,965

TORQUE SECURITISATION (RF) LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 August

	Note	2015 R	2014 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	16	(39,623,163)	(15,937,790)
Interest received (excluding interest receivable)	16	107,355,135	92,299,584
Interest paid (excluding accrued interest)	16	(71,487,340)	(64,987,155)
Income tax paid	11	(5,292,237)	(7,562,617)
Net derivative receipts		1,713,564	299,361
Net cash flow (utilised in)/generated by operating activities		(7,334,041)	4,111,383
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in non-current portion of notes issued		(371,000,000)	(250,000,000)
Increase in non-current portion of notes issued		371,000,000	250,000,000
Decrease in current portion of notes issued		(3,183,108)	(2,782,721)
Decrease in current portion of borrowings		(73,058)	(69,213)
Net cash flow utilised by financing activities		(3,256,166)	(2,851,934)
Net (decrease)/increase in cash and cash equivalents		(10,590,207)	1,259,449
Cash and cash equivalents at beginning of the period		56,851,076	55,591,627
Cash and cash equivalents at end of the period	4	46,260,869	56,851,076

1. ACCOUNTING POLICIES

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

Basis of preparation

The annual financial statements of Torque Securitisation (RF) Limited for the year ended 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations of International Reporting Standards (IFRIC's) as applicable in South Africa. In addition, it has also been prepared in terms of the requirements of the Companies Act of South Africa, and in accordance with the requirements of the JSE Limited Listings Requirements. These financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Torque is a securitisation special purpose vehicle created solely to purchase vehicle loans from Iemas. These vehicle loans do not qualify for derecognition in terms of IAS 39 'Financial instruments: Recognition and measurement' in Iemas, therefore a loan receivable from Iemas is accounted for in Torque. Torque earns interest income on the loan receivable from Iemas which results in only this one reporting segment. The directors of the company are the chief operating decision makers. The directors monitor the assets purchased from Iemas in terms of specific eligibility criteria and measure the performance of the participating assets in accordance with the processes disclosed in the financial statements and more specific in the loans receivable, impairment provision and the financial risk management notes.

The financial statements are prepared on the going concern basis.

Change in accounting policy

The amount of the impairment provision was previously treated as a loss through interest income in accordance with AG 8 in terms of IAS 39 'Financial instruments: Recognition and measurement'. The change was made to appropriately reflect the nature of the transaction and to conform to best practice. The change had no impact on the overall 2014 retained reserves, however the statement of comprehensive income has been reclassified accordingly. For more detail refer to note 13.

Critical accounting estimates and assumptions

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.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

- *Impairment provision*

  A specific impairment is raised based on the performance over the last year of the vehicle loans in arrears as at the end of the previous financial year. The behaviour is determined according to the different ageing categories (0 to 30 days, 31 to 60 days, 61 to 90 days, 90 to 120 days, 121 to 150 days and over 150 days) of the vehicle loans.

1. ACCOUNTING POLICIES (continued)

A portfolio impairment is raised based on the business done before the start of the financial year as well as business done during the current financial year. The percentage of this impairment is also adjusted with the growth in the vehicle loans written off during the previous year.

Post write-off recoveries are adhoc amounts received after vehicle loans have been written off as uncollectable and are disclosed as part of the impairment provision in the statement of comprehensive income.

Standards, amendments and interpretations which became effective in the 2015 financial year
The following standards, amendments and interpretations which became effective in the 2015 financial year have been adopted for the first time for the financial period beginning on or after 1 September 2014 and impacted on the company's operations.

- *IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2014).* These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.
- There are a number of minor amendments and improvements which are part of the IASB's annual improvements process issued in December 2013 (effective from 1 July 2014).
  - *IFRS 13 (Amendment), 'Fair value measurement' (effective from 1 July 2014).* The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.
  - *IFRS 13 (Amendment), 'Fair value measurement' (effective from 1 July 2014).* When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.
  - *IAS 24, 'Related party disclosures' (effective from 1 July 2014).* The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

The following standards, amendments and interpretations which became effective in the 2015 financial year are mandatory for the company's accounting periods beginning on or after 1 September 2014. Although these standards, amendments and interpretations are mandatory, they are not relevant for the current and prior financial year.

- *IFRS 10 (Amendment), 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities (effective from 1 January 2014).*
- *IAS 19 (Amendment), 'Employee benefits' regarding defined benefit plan (effective from 1 July 2014).*
- *IAS 32 (Amendment), 'Financial Instruments: Presentation' (effective from 1 January 2014).*
- *IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' on novation of derivatives and hedge accounting (effective from 1 January 2014).*
- *IFRIC 21, 'Accounting for levies' (effective from 1 January 2014).*
- There are a number of minor amendments and improvements which are part of the IASB's annual improvements project published in December 2013 (effective from 1 July 2014) (not addressed above). These amendments are listed below and do not have an impact on the company's accounts:
  - *IFRS 1 (Amendment), 'First time adoption of IFRS' (effective from 1 July 2014).*

1. ACCOUNTING POLICIES (continued)

- *IFRS 2 (Amendment), 'Share based payment' (effective from 1 July 2014).*
- *IFRS 3 (Amendment), 'Business combinations' (effective from 1 July 2014).*
- *IFRS 8 (Amendment), 'Operating segments' (effective from 1 July 2014).*
- *IAS 16 (Amendment), 'Property plant and equipment' (effective from 1 July 2014).*
- *IAS 38 (Amendment), 'Intangible assets' (effective from 1 July 2014).*
- *IAS 40 (Amendment), 'Investment property' (effective from 1 July 2014).*

Standards, interpretations and amendments to published standards that are not yet effective and possibly relevant for the company's operations

New standards, amendments and interpretations to existing standards have been published that are mandatory for the company's accounting periods beginning on or after 1 September 2015 or later periods. Of those identified as possibly being relevant to the company's operations, the following have not been early adopted by the company:

- *IFRS 9, 'Financial Instruments' (2009) (effective from 1 January 2018).* This standard is part of the IASB's project to replace IAS 39. The standard addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories, amortised cost and fair value.
- *IFRS 9 (Amendment), 'Financial Instruments' (2010) (effective from 1 January 2018).* The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.
- *IFRS 9 (Amendment), 'Financial Instruments' (effective from 1 January 2018).* The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:
  - The own credit risk requirements for financial liabilities.
  - Classification and measurement (C&M) requirements for financial assets.
  - C&M requirements for financial assets and financial liabilities.
  - The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).

  The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.
- *IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018).* The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.
- *IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2016).* In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

1. ACCOUNTING POLICIES (continued)

Standards, interpretations and amendments to published standards that are not yet effective and not relevant for the company's operations:

The following new standards, amendments and interpretations to standards are mandatory for accounting periods beginning on or after 1 September 2015 or later periods, but are not relevant to the company's operations:

- *IFRS 10 (Amendment), 'Consolidated financial statements' and IAS 28 (Amendment), 'Investments in associates and joint ventures' on sale or contribution of assets (effective from 1 January 2016).*
- *IFRS 10 (Amendment), 'Consolidated financial statements' and IAS 28 (Amendment), 'Investments in associates and joint ventures' on applying the consolidation exemption (effective from 1 January 2016).*
- *IFRS 11 (Amendment), 'Joint arrangements' on acquisition of an interest in a joint operation (effective from 1 January 2016).*
- *IFRS 14, 'Regulatory deferral accounts' (effective from 1 January 2016).*
- *IAS 16 (Amendment), 'Property, plant and equipment' and IAS 38 (Amendment), 'Intangible assets', on depreciation and amortisation (effective from 1 January 2016).*
- *IAS 16 (Amendment), 'Property, plant and equipment' and IAS 41 (Amendment), 'Agriculture' on bearer plants (effective from 1 January 2016).*
- *IAS 27 (Amendment), 'Separate financial statements' on equity accounting (effective from 1 January 2016).*
- There are a number of minor amendments and improvements which are part of the IASB's annual improvements process issued in September 2014 (effective from 1 January 2016) (not addressed above). These amendments are listed below and are unlikely to have an impact on the company's accounts and have therefore not been analysed in detail:
  - *IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations' (effective from 1 January 2016).*
  - *IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective from 1 January 2016).*
  - *IAS 19 (Amendment), 'Employee Benefits' (effective from 1 January 2016).*
  - *IAS 34 (Amendment), 'Interim Financial Reporting' (effective from 1 January 2016).*

Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

1. ACCOUNTING POLICIES (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Financial instruments

Financial instruments carried on the statement of financial position include all assets and liabilities, including derivative instruments, but exclude tax payable and deferred tax. the company recognises a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

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

Financial assets

The company classifies its financial assets in the 'Loans and receivables' category and they consist of loans receivable, trade and other assets and cash and cash equivalents (note 2, 4 and 5).

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The classification, recognition and measurement and impairment of financial assets are discussed below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise of 'loans receivable', 'trade and other assets' and 'cash and cash equivalents' in the statement of financial position.

- *Loans receivable and impairment provision*

  Loans receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of the underlying participating assets is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of these participating assets. This is firstly considered to be when the underlying vehicle loan is in arrears for longer than two months. Secondly, the recoverability of vehicle loans in arrears for more than thirty days, but less than sixty days is also considered. The amount of the impairment provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

1. ACCOUNTING POLICIES (continued)

For participating assets where no objective evidence in the form of default has been identified, the impairment provision also covers an estimation of losses incurred in the loan portfolio but not yet reported at year end. These have been estimated based upon historical patterns of losses in each component and reflect the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the respective provision. Subsequent recoveries are credited to the statement of comprehensive income.

Loans receivable are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

- *Trade and other assets*

Trade and other assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. An impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment is recognised in the statement of comprehensive income.

- *Cash and cash equivalents*

In the statement of cash flows, cash constitute deposits held at call with original maturities of three months or less. Bank overdrafts are included under current liabilities in the statement of financial position, where applicable.

- *Restricted cash*

Cash which is subject to restrictions for its utilisation is stated separately at carrying value.

Financial liabilities

Financial liabilities consist of 'borrowings', 'notes issued' and 'trade and other liabilities'.

Borrowings, notes issued and trade and other liabilities are recognised initially at fair value, net of transaction costs incurred, when they become party to the contractual provisions. These financial liabilities are subsequently stated at amortised cost using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings as interest.

Financial liabilities are classified as current liabilities, unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

The company derecognises a financial liability (or part of the liability) from its statement of financial position, when and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

1. ACCOUNTING POLICIES (continued)

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the contract date and are subsequently re-measured to fair value at each reporting date with changes in fair value recognised as profit or loss in the statement of comprehensive income for the period. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The company's policy is to use derivative instruments (primarily interest rate swaps) to convert its JIBAR-linked debt to prime-linked debt in order to economically hedge the interest rate risk.

Share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Income recognition

Income earned is recognised on the following basis, unless collectability is in doubt:

(1) Interest income is recognised in the statement of comprehensive income on the time proportion basis using the effective interest rate method.

(2) Administration fees are recognised on an accrual basis when the services are rendered.

2. LOANS RECEIVABLE

	2015 R	2014 R
Loan to Iemas Financial Services (Co-operative) Limited	892,580,335	859,234,885
Impairment provision (note 13)	(10,000,000)	(7,000,000)
	882,580,335	852,234,885
Non-current portion of loans receivable	574,319,658	564,336,034
Current portion of loans receivable	308,260,677	287,898,851
	882,580,335	852,234,885

The company purchased participating assets from Iemas Financial Services (Co-operative) Limited (Iemas) that are subject to the eligibility criteria and portfolio covenants. A security special purpose vehicle was established for the purpose of guaranteeing the performance by the issuer of its obligation to secured creditors (which include note holders, Iemas as the subordinated lender, Iemas as the first loss loan provider and other creditors of the Issuer) set out in the Priority of Payments as contained in the Programme Memorandum. Iemas retained substantially all the risks and rewards of ownership of the assets due to the nature of the credit enhancements provided by Iemas. In addition the originator has over-collateralized the borrowings. As a result the subordinated retained interest absorbs all the variability in the cash flows and should be recognized in their entirety, because even though the transfer of cash flows has been met, Iemas still retains substantial risks and rewards of ownership. Based on the above facts the assets are still being recognised on Iemas's statement of financial position. Therefore the capital amount outstanding on all contracts are shown as a loan to Iemas. The underlying vehicles pertaining to the contracts also serve as security for the loan. The interest payable on the loan is equal to the interest payable on each individual contract, net of impairment on such underlying contracts.

An impairment provision was raised against the loan to Iemas due to the contractual exposure to the underlying assets in Iemas, which did not qualify for accounting derecognition in terms of IAS 39 'Financial instruments: Recognition and measurement' as explained above. This is to reflect that the sub-ordinated loan payable to Iemas will, from Iemas' perspective, ultimately absorb the impairment losses given that the borrowings payable to the note holders first have to be redeemed in full.

3. DEFERRED INCOME TAX

Deferred income tax assets

	2015	2014
- To be recovered within 12 months	2,162,214	1,612,474
Deferred income tax assets	2,162,214	1,612,474

The gross movement on the deferred income tax account is as follows:

	2015	2014
At 1 September	1,612,474	2,155,315
Charge per statement of comprehensive income (note 15)	549,740	(542,841)
At 31 August	2,162,214	1,612,474

3. DEFERRED INCOME TAX (continued)

The movements in the deferred income tax assets per category are as follows:

Deferred tax assets	Fair value movement on interest rate swap R'000	Impairment provision R'000	Total R'000
At 31 August 2013	685,315	1,470,000	2,155,315
Debit to the statement of comprehensive income	(542,841)	-	(542,841)
At 31 August 2014	142,474	1,470,000	1,612,474
(Debit)/credit to the statement of comprehensive income	(80,260)	630,000	549,740
At 31 August 2015	62,214	2,100,000	2,162,214

4. CASH AND CASH EQUIVALENTS

	2015 R	2014 R
Cash at bank	34,388,492	13,227,356
Restricted cash	11,872,377	43,623,720
Cash and cash equivalents	46,260,869	56,851,076

In terms of the securitisation programme the company is required to maintain a reserve fund, which is required to be a minimum amount being the lesser of the principal amount outstanding of the notes, or 1% of the principal amount outstanding of the notes as at the most recent issue date. In addition an arrears fund equal to 50% of the aggregate outstanding delinquent participating assets is required.

The long-term national scale credit ratings for the bank balances held:	Fitch ratings 2015	Fitch ratings 2014
FirstRand Bank Limited	AA (zaf) (June 2015)	AA (zaf) (July 2014)

5. TRADE AND OTHER ASSETS

	2015 R	2014 R
Cash-in-transit suspense - Iemas Financial Services (Co-operative) Limited	34,601,609	31,516,146
Cash-in-transit suspense - Rand Merchant Bank	1,174,200	3,867,538
Admin fees - Iemas Financial Services (Co-operative) Limited	599,468	565,659
	36,375,277	35,949,343

The carrying value of trade and other assets approximates their fair value due to the short-term maturities of these assets. Cash-in-transit suspense represents a portion of the cash flows received on the underlying participating assets which have not been transferred from Iemas Financial Services (Co-operative) Limited and amounts which have not been swept from the FirstRand Bank Limited suspense account into the company's bank accounts. Both of these accounts are cleared on a monthly basis.

6. SHARE CAPITAL

Ordinary shares

	2015	2014
Authorised		
1000 no par value ordinary shares	-	-
Issued		
1 no par value ordinary share	-	-
Preference share capital		
Authorised and issued		
100 no par value, redeemable, non-cumulative preference shares issued at R1 each. These shares are redeemable in terms of the Programme Memorandum.	100	100

	2015 R	2014 R
7. NOTES ISSUED		
Class A2 notes - Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bear interest at 3 month JIBAR plus 1.40%. Scheduled maturity date was 17 August 2015. The legal maturity date was 15 April 2022.	-	238,000,000
Class A3 notes - Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bear interest at 3 month JIBAR plus 1.59%. Scheduled maturity date is 15 August 2017. The legal maturity date is 15 April 2022.	200,000,000	200,000,000
Class A4 notes - Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bear interest at 3 month JIBAR plus 1.60%. Scheduled maturity date is 15 August 2019. The legal maturity date is 15 August 2025.	250,000,000	250,000,000
Class A5 notes - Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bear interest at 3 month JIBAR plus 1.80%. Scheduled maturity date is 15 August 2018. The legal maturity date is 15 August 2026.	238,000,000	-
Class B notes - Subordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bear interest at 3 month JIBAR plus 1.61%. Scheduled maturity date was 17 August 2015. The legal maturity date was 15 April 2022.	-	84,000,000
Class B2 notes - Subordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bear interest at 3 month JIBAR plus 2.10%. Scheduled maturity date is 15 August 2018. The legal maturity date is 15 August 2026.	84,000,000	-
Class C notes - Subordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bear interest at 3 month JIBAR plus 2.55%. Scheduled maturity date was 17 August 2015. The legal maturity date was 15 April 2022.	-	49,000,000
Class C2 notes - Subordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bear interest at 3 month JIBAR plus 3.00%. Scheduled maturity date is 15 August 2018. The legal maturity date is 15 April 2026.	49,000,000	-

	2015 R	2014 R

7. NOTES ISSUED (continued)

	2015 R	2014 R
Class D notes - Subordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bear interest at prime rate plus 4.50%. Scheduled maturity date is 15 August 2017. The legal maturity date is 15 April 2022.	70,000,000	70,000,000
	891,000,000	891,000,000
Interest accrued	2,916,833	3,183,108
At 31 August	893,916,833	894,183,108

The notes are backed by a revolving pool of South African vehicle loan receivables originated by Iemas Financial Services (Co-operative) Limited. The class B, class C and class D notes are subordinated in favour of the class A notes, the class C and class D notes are subordinated in favour of the class B notes and the class D notes are subordinated in favour of the class C notes.

During August 2015 the following notes were issued:
- Class A5 notes - the issuance was used to redeem the class A2 notes in full on their scheduled maturity date.
- Class B2 notes - the issuance was used to redeem the class B notes in full on their scheduled maturity date.
- Class C2 notes - the issuance was used to redeem the class C notes in full on their scheduled maturity date.

The maturity analysis of the notes are as follows:

	2015 R	2014 R
No later than 1 year	2,916,833	3,183,108
Later than 1 year and less than 5	891,000,000	891,000,000
	893,916,833	894,183,108

The fair value of the notes issued amounts to R 894,4 million (2014: R 894,6 million).

8. BORROWINGS

	2015 R	2014 R
Non-current		
Iemas Financial Services (Co-operative) Limited	11,007,699	11,007,699
Current		
Iemas Financial Services (Co-operative) Limited	65,594	73,058
Total borrowings	11,073,293	11,080,757

The loan is a credit enhancement in terms of a subordinated loan of R 11 million provided by Iemas Financial Services (Co-operative) Limited to fund the purchase of the participating assets (refer note 2). Interest of prime plus 5% is payable on this loan. The loan is repayable only after all notes in issue have been fully redeemed.

9. TRADE AND OTHER LIABILITIES

	2015 R	2014 R
Trade creditors	2,223,282	1,363,962
Vat payable	54,745	56,546
	2,278,027	1,420,508

The carrying amount approximates fair value due to the short term settlement periods of these obligations.

10. DERIVATIVE FINANCIAL LIABILITIES

	Fair values	
	2015 R	2014 R
Derivatives		
Interest rate swaps	222,194	508,836
Total derivatives held for hedging	222,194	508,836

The company economically hedges part of its existing interest rate risk using interest rate swaps to convert its JIBAR-linked debt to prime-linked debt. The net fair value of these swaps at 31 August 2015 was R 0,2 million (2014: R 0,5 million) and relates to financial instruments with a notional value of R 768 million (2014: R 819 million).

Derivative financial liabilities received

Payable at the beginning of the year	(508,836)	(2,447,552)
Gain on interest rate swap	2,000,206	2,238,077
Payable at the end of the year	222,194	508,836
Net derivative received	1,713,564	299,361

	2015 R	2014 R

11. INCOME TAX PAID

Payable at the beginning of the year	(730,299)	(960,598)
Normal tax (note 15)	(7,666,321)	(7,332,318)
Payable at the end of the year	3,104,383	730,299
	(5,292,237)	(7,562,617)

12. INTEREST EXPENDITURE

Interest expenditure	74,469,767	68,243,321
	74,469,767	68,243,321
Interest expenditure consist of:		
- Notes issued	72,936,264	66,618,519
- Subordinated loan	1,571,538	1,521,701
- Taxation	(38,035)	103,101
	74,469,767	68,243,321

13. IMPAIRMENT PROVISION

The gross movement on the impairment is as follows:

At 1 September	7,000,000	7,000,000
Participating assets written off during the year as uncollectible	(3,604,823)	(3,607,466)
Impairment charge	6,604,823	3,607,466
	10,000,000	7,000,000

Impairment provision in the statement of comprehensive income is as follows:

New impairment raised (note 2)	10,000,000	7,000,000
Unused amounts reversed	(3,395,177)	(3,392,534)
Impairment charge	6,604,823	3,607,466
Post write-off recoveries	(352,314)	(286,445)
At 31 August	6,252,509	3,321,021

This note was restated for the prior year amounts to disclose the impairment provision raised as a separate line item in the statement of comprehensive income. This is to appropriately reflect the nature of the transaction and best practice. This disclosure was previously presented against the 'Interest income' line item as a loss on re-measurement of the loans receivable (2014: R 3,3 million) which is now presented in a seperate line item namely 'Impairment provision' (2014: R 3,3 million) in the statement of comprehensive income.

14. OTHER OPERATING INCOME AND EXPENDITURE

Income

Administration fees	6,075,594	5,665,999
	6,075,594	5,665,999

	2015 R	2014 R

14. OTHER OPERATING INCOME AND EXPENDITURE (continued)

Expenditure

The following items have been charged against other operating expenditure:

	2015 R	2014 R
Administration fees	282,789	282,806
Arranging fee	597,125	735,364
Auditor's remuneration	224,764	210,060
Audit fees	224,764	210,060
Back-up servicer fees	329,104	323,825
Bank charges	14,961	14,992
Commitment fee	157,798	157,807
Board of directors' emoluments	214,484	202,445
Independent non-executive directors	214,484	202,445
Gain on interest rate swap	(2,000,206)	(2,238,077)
Legal fees	240,553	104,522
Fitch fees	558,291	694,400
Other professional fees	346,866	51,484
Servicer fees	7,052,228	6,939,115
	8,018,757	7,478,743

15. INCOME TAX

	2015 R	2014 R
Current		
South African current tax	7,666,321	7,289,131
South African current tax - underprovision prior years	-	43,187
South African normal tax	7,666,321	7,332,318
Deferred		
Deferred income tax (note 3)	(549,740)	542,841
Income tax expense	7,116,581	7,875,159

Tax rate reconciliation	%	%
Effective rate of tax	28.3	28.6
Total tax has been affected by:		
Underprovision - current tax	-	0.6
Disallowed expenditure	(0.3)	(1.2)
Standard rate of South African tax	28.0	28.0

Disallowed expenditure mainly consists of professional fees that are not allowed as a tax deduction.

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August

16. CASH UTILISED IN OPERATIONS

	2015 R	2014 R
Profit before income tax	25,176,276	27,500,324
Adjusted for:		
Interest income	(107,355,135)	(92,299,584)
Interest expenditure	71,487,340	64,987,155
Interest receivable	(486,580)	(8,577,826)
Accrued interest	2,982,427	3,256,166
Fair value changes on derivatives (unrealised)	(286,642)	(1,938,716)
Admin fee receivable	(599,468)	(565,659)
Impairment provision	6,252,509	3,321,021
Changes in working capital:		
Loans receivable	(36,111,379)	(3,118,271)
Increase in trade and other assets	173,534	(8,831,548)
Increase in trade and other liabilities	(856,045)	329,148
	(39,623,163)	(15,937,790)

17. COMMITMENTS

The company has issued an indemnity to the Torque Securitisation Security SPV (RF) Proprietary Limited indemnifying Torque Securitisation Security SPV (RF) Proprietary Limited against all claims by secured creditors in terms of a guarantee by Torque Securitisation Security SPV (RF) Proprietary Limited in favour of the company's secured creditors. The obligations of the company in terms of this indemnity are secured by a cession and pledge of all the company's assets to Torque Securitisation Security SPV (RF) Proprietary Limited.

18. RELATED PARTIES

Torque Issuer Owner Trust
One ordinary share of no par value, was issued to Torque Issuer Owner Trust.

Key management compensation
Key management includes the board of directors (Independent non-executive).

	2015 R	2014 R
Income and expenses		
Board of directors fees	214,484	202,445

Directors fees for Rishendrie Thanthony, Brendan Harmse and Willie Swanepoel are paid to an independent service provider (TMF Corporate Services (SA) Proprietary Limited). These directors are employed by TMF Corporate Services (SA) Proprietary Limited on a separate basis. No directors fees were paid to Tom O'Connell by the company or by entites in the same group of companies applying a legal Companies Act definition.

Iemas Financial Services (Co-operative) Limited
The company is a special purpose entity established by Iemas Financial Services (Co-operative) Limited (incorporated in South Africa). The transactions with Iemas Financial Services (Co-operative) Limited are listed below:

Income and expenses		
Income		
Interest received	102,846,157	96,626,779
Expenses		
Interest paid on subordinated loan	1,571,538	1,521,701
Interest paid on the class A4 notes	639,470	605,589
Interest paid on the class B2 notes	270,641	-
Interest paid on the class C2 notes	121,282	-
Interest paid on the class D notes	9,631,712	9,284,110
Servicer fees paid	7,052,228	6,939,115
Loan purchases during the year		
Loans purchased from related party	534,142,693	506,321,438
Loans replaced between related parties	33,266,050	61,957,710
Outstanding balances		
Payable to related party		
Class A4 notes	-	180,000,000
Class B2 notes	84,000,000	-
Class C2 notes	39,000,000	-
Class D Notes	70,000,000	70,000,000
Sub-ordinated loan	11,007,699	11,007,699
Interest payable on the subordinated loan	65,594	73,058
Interest payable on the class A4 notes	-	605,589
Interest payable on the class B2 notes	270,641	-
Interest payable on the class C2 notes	121,282	-
Interest payable on the class D notes	369,178	421,918
Servicer fee	635,963	607,055
Receivables from related party		
Cash-in-transit receivable	34,601,609	31,516,146
Admin fees receivable	599,468	565,659
Loans receivable	882,580,335	852,234,885

19. EVENTS AFTER THE REPORTING PERIOD

No events occurred after the reporting period that would require adjusting the financial results as presented.

20. FINANCIAL RISK MANAGEMENT

The company is a special purpose entity established by Iemas Financial Services (Co-operative) Limited (Iemas). The company has been established to fund the purchase of certain participating assets in terms of a securitisation agreement by issuing notes to investors. The entity is consolidated as part of the Iemas Financial Services (Co-operative) Limited Group (group). As a result of this relationship, the company has adopted and subscribes to the group's risk management framework and policies and procedures.

Structures are in place to exercise control and oversee the risk management process towards promoting the interest of all its stakeholders. The board of directors is ultimately responsible for risk management. The company's activities exposes it to the following financial risks:

Credit risk

Credit risk refers to the risk of loss or of adverse change in the financial position resulting directly or indirectly from the non-performance of a counterparty in respect of any financial or performance obligation due to deterioration in the financial status of the counterparty and any debtors to which the shareholder is exposed. It could also arise from the decrease in value of an asset subsequent to the downgrading of counterparties. Credit risk arises mainly from the 'participating assets' (as referred to below) which is effectively accounted for as the loan receivable from Iemas.

Liquidity risk

Liquidity risk is the risk that the company is unable to meet its obligations when they fall due as a result of cash requirements from contractual commitments or other cash outflows.

Market risk

Market risk for stakeholders is the risk that the fair value on future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuers, or factors affecting all similar financial instruments traded in the market.

The purpose of the following section is to provide information on the processes in place to manage and mitigate the financial risks inherent in the company.

CREDIT RISK

Credit risk in the group is managed in terms of the credit risk management framework, which is prepared by the group credit risk management committee. The overall responsibility for the effectiveness of credit risk management processes vests with the group board of directors. The operational responsibility has been delegated to the group credit risk management committee.

Credit risk governance

The group credit risk management committee consists of the group chief executive officer, group chief financial officer, group executive director and the group general manager for credit and legal services. The group credit risk management committee is headed by the group chief executive officer.

20. FINANCIAL RISK MANAGEMENT (continued)

The groups' executive directors have approved a risk management policy and framework. The processes followed to identify, evaluate and manage risk are clearly reflected in this framework. The group board of directors remains responsible for the oversight of risk but has delegated the review function to the group audit and risk committee together with the company audit committee that reports to their respective boards of directors.

Managing credit risk

Management recognises and accepts that losses may occur through the inability of counterparty to pay amounts in full when due. In order to limit this risk, the group credit risk management committee has formulated guidelines regarding the assessment of customer's credit worthiness, management of credit risk associated with various customers depending on their portfolio which includes a detailed assessment of the counterparty's financial strength, the prevailing economic environment, industry classification and other qualitative factors. The group credit risk management policy is reviewed at least annually and also whenever significant changes in the environment occur that require intervention to manage the risk. The policy is revised to meet customers' needs as well as to be in line with market trends, current economic circumstances, requirements of participating employers and the requirements of the National Credit Act.

The company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. The group performs on-going credit evaluations of the financial conditions of its members and employers, and where appropriate, purchases credit life insurance. Salary deductions are contractually negotiated with the employers before credit is granted to a Iemas member. At 31 August 2015 the company was of the opinion that there was no significant concentration of credit risk that had not been adequately provided for.

Credit mitigation instruments are used where appropriate. These include collateral and guarantees. There is also a specialist asset recovery unit that is responsible for repossessions and constitutes an important part of Iemas' risk management programme.

Collateral disclosure

Credit risk in respect of the exposure of the group is mitigated by collateral such as the credit life policies and the value of the underlying vehicles. Refer to credit quality later on for more detail.

The group's main business model is based on strong relationships with the employers that the group has contracted to provide salary deduction backed facilities to their employees. The group's business could be adversely affected, should a large employer cancel its agreement with Iemas.

Participating assets that are not derecognised

The company purchased from Iemas participating assets that are subject to the eligibility criteria and portfolio covenants. The company funded the purchase on the first issue date by issuing notes to investors and drawing down on subordinated loans provided by Iemas. A security special purpose vehicle was also established for the purpose of guaranteeing the performance by the company of its obligation to secured creditors (which include note holders, Iemas as the subordinated lender, Iemas as the first loss loan provider and other creditors of the Issuer) set out in the Priority of Payments as set out in the Programme Memorandum. Iemas retained substantially all the risks and rewards of ownership of the company due to the nature of the credit enhancements provided. As a result the subordinated retained interest absorbs all the variability in the cash flows and should be recognized in their entirety, because even though the transfer of cash flows has been met, Iemas still retains substantial risks and rewards of ownership. Based on the above facts the assets are still being recognised on Iemas' statement of financial position.

20. FINANCIAL RISK MANAGEMENT (continued)

The company purchased a revolving pool of South African vehicle loan receivables from Iemas. Class A1, A2, A3, A4, A5, B, B2, C, C2 and D secured floating rate notes were issued to fund this purchase. The class A1 notes were redeemed in August 2014.

Financial assets and liabilities	**2015 R**	**2014 R**
Carrying amount of assets	965,216,481	945,035,304
Carrying amount of liabilities	(907,435,602)	(907,193,209)

The fair value of the notes included in above at a carrying value of R 893,9 million (2014: 894,2 million) was R 894,4 million (2014: R 894,6 million). The carrying value of other financial assets and liabilities carried at amortised cost is assessed by management to approximate their fair value.

Credit quality

Cash and cash equivalents

The balances held with banks are as follows (note 4)

FirstRand Bank Limited	46,260,869	56,851,076

The long term credit ratings for the bank balance held are disclosed in note 4. Management considered the concentration risk on cash and is of the opinion that the risk is adequately managed by holding bank balances at one of the major banks in South Africa.

Loan receivable

The fair value of the loan receivable approximates the carrying value in the statement of financial position, due to the matured seasoning of the participating assets and small fluctuations observed in the interest rate and credit environment. The loan receivable as disclosed in note 2, represents the company's maximum exposure to credit risk. The following collateral is held for the loan receivable:

	Loan receivable	**Collateral**	**Under collateralised**
As at 31 August 2014			
Participating assets	852,234,885	776,135,104	76,099,781
	852,234,885	776,135,104	76,099,781
As at 31 August 2015			
Participating assets	882,580,335	829,914,225	52,666,110
	882,580,335	829,914,225	52,666,110

The underlying vehicles on the contracts of the participating assets serve as security on the loan. Current market trade values have been applied to the adjusted vehicle kilometre readings in calculating the collateral value of vehicles. The kilometre readings were taken as at inception of the contract and have subsequently been adjusted with a depreciation rate based on historical trends. The method of measurement has been amended from the prior year which was purely based on historical numbers. Prior year numbers were therefore recalculated.

The notes issued to fund the purchase of the participating assets were rated AAA for class A2, class A3, class A4 and class A5 notes, A for class B notes, A+ for class B2 notes and BBB for class C and class C2 notes on issue. The ratings were determined at inception of the structure and are re-assessed on every annual anniversary.

The underlying assets purchased from Iemas, which do not qualify for derecognition in terms of IAS 39 'Financial instruments: Recognition and measurement', are subject to eligibility criteria and portfolio covenants as they constitute high quality receivables.

Iemas is a financially sound entity with positive solvability and liquidity ratios as at 31 August 2015 and will be able to settle the loan payable to the company when needed.

20. FINANCIAL RISK MANAGEMENT (continued)

All underlying assets that meet the following criteria are considered impaired:

The underlying vehicle loans are repayable by regular instalments and are considered past due if R1 is in arrears for one day or more and remains unpaid as at the reporting date. In these instances, the full outstanding amount is considered overdue even if part is not yet due.

A past due analysis is performed for vehicle loans with specific expiry or instalment repayment dates.

Age analysis of underlying assets

	Neither past due nor specifically impaired	Total: Past due and specifically impaired	Past due and specifically impaired 0-30 days	31-60 days	61-90 days	>90 days
	R'000	R'000	R'000	R'000	R'000	R'000
As at 31 August 2014						
Vehicle loans	814,613,763	44,621,122	27,918,295	5,412,589	3,178,892	8,111,346
	814,613,763	44,621,122	27,918,295	5,412,589	3,178,892	8,111,346
As at 31 August 2015						
Vehicle loans	843,925,511	48,654,824	23,634,953	7,742,001	5,067,004	12,210,866
	843,925,511	48,654,824	23,634,953	7,742,001	5,067,004	12,210,866

The credit quality of "Neither past due nor impaired loans" is positively impacted if the employee is a current member of Iemas Financial Services (Co-operative) Limited and if the loans are collected by debit order or salary deduction. Further disclosure on credit quality is included in note 2 and in the accounting policies.

Specific impairments are raised for vehicle loans that are past due and impaired, whilst portfolio impairments are raised for vehicle loans that are neither past due nor impaired, net of impairment. The following table sets out the movement in specific and portfolio impairments:

	Opening R'000	Utilised R'000	Provided R'000	Closing R'000
As at 31 August 2014				
Specific impairment	5,378,970	(2,761,337)	2,761,337	5,378,970
Portfolio impairment	1,621,030	(846,129)	846,129	1,621,030
	7,000,000	(3,607,466)	3,607,466	7,000,000

20. FINANCIAL RISK MANAGEMENT (continued)

	Opening R'000	Utilised R'000	Provided R'000	Closing R'000
As at 31 August 2015				
Specific impairment	5,378,970	(2,931,074)	4,998,373	7,446,269
Portfolio impairment	1,621,030	(673,749)	1,606,450	2,553,731
	7,000,000	(3,604,823)	6,604,823	10,000,000

Impairments held as percentage of gross loans receivable are summarised below:

	Neither past due nor specifically impaired	Past due and specifically impaired	Total
	%	%	%
As at 31 August 2014			
Vehicle loans	0.2	12.1	0.8
As at 31 August 2015			
Vehicle loans	0.3	15.3	1.1

Sensitivity analysis

In order to assess the sensitivity of the estimates and assumptions used in the calculation of the amount recognised for the impairment of loans receivable, the following sensitivity analysis has been performed in respect of both performing and non-performing loans. As the calculation of the impairment provision was based on the average net bad debt write-offs in the previous financial year as a percentage of the average outstanding vehicle loans for the same period, the sensitivity of the amounts provided for the impairment provision were tested based on changes in these percentages by the following:

	Change in the write off percentage		Sensitivity	
	2015 %	2014 %	2015 R'000	2014 R'000
Neither past due nor specifically impaired	0.2	0.2	1,667,902	2,946,311
Past due and specifically impaired	3.0	3.0	1,459,645	1,356,535

20. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

The key component of market risk is interest rate risk.

Interest rate risk - Interest rate risk refers to the risk that the fair value of the future cash flows from a financial instrument will fluctuate because of changes in market interest rates.

Market risk governance

The group credit risk management committee is responsible for the group's market risk management, with the group audit and risk committee of the group board of directors providing oversight for market risks assumed on the company's statement of financial position on behalf of its stakeholders.

Interest rate risk

The company's interest rate risk arises from loans receivable, notes and long term borrowings. This exposes the company to effects of fluctuations in the prevailing levels of market interest rates, its financial position and cash flows. Interest margins may increase as a result of such changes, but may also reduce in the event that unexpected movements in interest rates occur. These assumptions are based on management's judgement. The loan receivable is prime linked.

Funding for the purchase of the loan receivable was obtained by issuing notes. The class A, class B and class C notes were issued at rates linked to 3 month ZAR-JIBAR. The class D notes are prime linked.

As part of the management of market risk, the company enters into interest rate swaps to match the interest rate risk associated with JIBAR-linked notes issued to the underlying prime-linked advances being financed by Iemas.

	2015 R	2014 R
The exposure of the company's loan receivable to an interest rate change of 0.5% at the reporting date will have the following pre-tax impact on 'net interest income' in the statement of comprehensive income over a one year period:		
Loans receivable	4,412,902	4,261,174
The above table is based on loans receivable of the company with a total value of R882,5 million (2014: R852,2 million).		
The exposure of the cash and cash equivalents to an interest rate change of 0.5% at the reporting date will have the following pre-tax impact on 'net interest income' in the statement of comprehensive income over a one year period:		
Cash and cash equivalents	231,304	284,255
The above table is based on cash and cash equivalents of the company with a total value of R46,2 million (2014: R56,9 million).		

20. FINANCIAL RISK MANAGEMENT (continued)

	2015 R	2014 R
The exposure of the company's borrowings to an interest rate change of 0.3% at the reporting date will have the following pre-tax impact on 'net interest income' in the statement of comprehensive income over a one year period:		
Borrowings	33,023	33,023

The above table is based on borrowings with a total value of R11,0 million (2014: R11,0 million).

The borrowings interest rates are linked to prime.

	2015 R	2014 R
The exposure of the company's notes (which are linked to JIBAR) to a 3 month JIBAR rate change of 0.3% and the company's note (which are linked to prime) to an interest rate change of 0.3% at the reporting date will have the following pre-tax impact on 'net interest income' in the statement of comprehensive income over a one year period:		
Notes	2,673,000	2,673,000

The above table is based on notes with a total value of R891 million (2014: R891 million).

The class A, class B and class C notes are issued at rates linked to 3 month ZAR-JIBAR. The class D notes are prime linked.

LIQUIDITY RISK

Management is responsible for the establishment and monitoring of lending and funding policies. It ensures that the statement of financial position is flexible enough to adapt to changing economic conditions and that quality assets are taken on.

The table below presents the cash flows payable by the company under non-derivative financial liabilities in terms of the remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the company manages the inherent liquidity risk based on expected undiscounted cash inflows.

	1-12 months R	13-36 months R	Over 36 months R
As at 31 August 2014			
Due to investors	73,066,200	88,780,000	929,650,000
Other liabilities (including sub-ordinated loan)	4,228,241	3,137,194	12,576,296
Total financial liabilities	77,294,441	91,917,194	942,226,296
Loans receivable	374,408,855	522,948,592	131,399,045
Cash and cash equivalents	56,851,076	-	-
Trade and other assets	35,949,343	-	-
Total financial assets	467,209,274	522,948,592	131,399,045
Net liquidity position	389,914,833	431,031,398	(810,827,251)

The liquidity gap in the over 36 month bracket is due to the notes issued that have their legal maturity date during this period. The gap is funded by excess capacity in the other periods which will be reinvested to fund the notes on the legal maturity date.

20. FINANCIAL RISK MANAGEMENT (continued)

	1-12 months R	13-36 months R	Over 36 months R
As at 31 August 2015			
Due to investors	76,221,000	126,862,000	910,750,000
Other liabilities (including sub-ordinated loan)	3,819,398	3,192,233	12,603,815
Total financial liabilities	80,040,398	130,054,233	923,353,815
Loans receivable	403,289,801	542,483,244	123,592,849
Cash and cash equivalents	46,260,869	-	-
Trade and other assets	36,375,277	-	-
Total financial assets	485,925,947	542,483,244	123,592,849
Net liquidity position	405,885,549	412,429,011	(799,760,966)

The liquidity gap in the over 36 month bracket is due to the notes issued that have their legal maturity date during this period. The gap is funded by excess capacity in the other periods which will be reinvested to fund the notes on the legal maturity date.

FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per statement of financial position	Loans and receivables R'000	Total R'000
As at 31 August 2014		
Loans receivable	852,234,885	852,234,885
Cash and cash equivalents	56,851,076	56,851,076
Trade and other assets	35,949,343	35,949,343
Total	945,035,304	945,035,304
As at 31 August 2015		
Loans receivable	882,580,335	882,580,335
Cash and cash equivalents	46,260,869	46,260,869
Trade and other assets	36,375,277	36,375,277
Total	965,216,481	965,216,481

20. FINANCIAL RISK MANAGEMENT (continued)

Liabilities as per statement of financial position	Derivatives at fair value R'000	Other financial liabilities at amortised cost R'000	Total R'000
As at 31 August 2014			
Notes issued	-	894,183,108	894,183,108
Borrowings	-	11,080,757	11,080,757
Trade and other liabilities excluding non-financial liabilities	-	1,363,962	1,363,962
Derivative financial instruments	508,836	-	508,836
Total	508,836	906,627,827	907,136,663
As at 31 August 2015			
Notes issued	-	893,916,833	893,916,833
Borrowings	-	11,073,293	11,073,293
Trade and other liabilities excluding non-financial liabilities	-	2,223,282	2,223,282
Derivative financial instruments	222,194	-	222,194
Total	222,194	907,213,408	907,435,602

FAIR VALUE ESTIMATION

Valuation processes

The group's finance department performs the valuations of financial assets and liabilities required for financial reporting purposes. Selecting the most appropriate valuation methods and techniques, in terms of IFRS 13, is agreed upon after internal discussions and deliberation between members of the group's finance team. Changes in fair values are analysed at each reporting date.

Hierarchy of fair value of financial instruments

IFRS 13 defines a hierarchy of valuation techniques, with three levels, for fair value measurements of assets and liabilities. This hierarchy is based on the extent to which the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the company's assessment of what inputs would likely be from the perspective of the market. The company first considers relevant and observable market inputs where these are available. Unobservable inputs are used in the absence of observable inputs. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1,2 and 3 during the year.

20. FINANCIAL RISK MANAGEMENT (continued)

The table below summarises the classification of the company's financial instruments and their fair values, by their IFRS 13 hierarchy.

	Measured at	Carrying amount	Fair value disclosed	Hierarchy of valuation technique
As at 31 August 2014		**R'000**	**R'000**	**R'000**
Assets				
Loans receivable (1) and (3)	Amortised cost	852,234,885	953,791,989	Level 3
Cash and cash equivalents (1)	Amortised cost	56,851,076	56,851,076	
Trade and other assets (1)	Amortised cost	35,949,343	35,949,343	
		945,035,304	1,046,592,408	
Liabilities				
Notes issued	Amortised cost	894,183,108	894,583,694	Level 2
Borrowings	Amortised cost	11,080,757	11,080,757	
Trade and other liabilities excluding non-financial liabilities (1)	Amortised cost	1,363,962	1,363,962	
Derivative financial instruments (2)	Fair value	508,836	508,836	Level 2
		907,136,663	907,537,249	
As at 31 August 2015				
Assets				
Loans receivable (1)	Amortised cost	882,580,335	944,625,124	Level 3
Cash and cash equivalents (1)	Amortised cost	46,260,869	46,260,869	
Trade and other assets (1)	Amortised cost	36,375,277	36,375,277	
		965,216,481	1,027,261,270	
Liabilities				
Notes issued	Amortised cost	893,916,833	894,446,341	Level 2
Borrowings	Amortised cost	11,073,293	11,073,293	
Trade and other liabilities excluding non-financial liabilities (1)	Amortised cost	2,223,282	2,223,282	
Derivative financial instruments (2)	Fair value	222,194	222,194	Level 2
		907,435,602	907,965,110	

(1) The fair value of these assets and liabilities closely approximates their carrying amount due to their short-term or on-demand repayment terms or variable interest rates associated with these instruments.

(2) Interest rate swaps

(3) The prior year disclosed fair value for the loans receivable was restated to align with the methodology applied in the current year.

20. FINANCIAL RISK MANAGEMENT (continued)

Loans receivable

The expected present value technique was applied, discounting probability weighted pre-tax cash flows (i.e expected cash flows in Iemas from the underlying assets which take account of life time expected bad debt experience) at Iemas. The equity component of the cost of capital of Iemas was determined using the capital asset pricing method. The market risk premium was based on recent trade history and includes a marketability discount to address the fact that the underlying assets in Iemas, on a stand-alone basis are not typically trade over-the-counter or on any formal exchange. The debt component referenced the government R186 as the risk-free rate.

Notes issued

The fair values of the notes issued were calculated using the mark-to-market (MTM) values listed on the Johannesburg Stock Exchange at each prevailing reporting date.

Derivative financial instruments

Derivative financial instruments were valued using the income approach. The derivative comprises a JIBAR/prime interest rate swap that was fair valued on a discounted basis using forward interest rates extracted from an observable yield curve.

CAPITAL RISK MANAGEMENT

The company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns and benefits for stakeholders, as well as to maintain an optimal capital structure in order to reduce the cost of capital. Externally exposed capital is managed according to the various agreements in place.

The company is specifically established for the purpose of conducting a vehicle asset based securitisation scheme and as such, has various restrictions surrounding its capital, payment of dividends and its operations etc. These restrictive conditions are set out in the company's Memorandum of Incorporation.

The company monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents (excluding restricted cash). Total equity is calculated as 'equity' as shown in the statement of financial position. Total capital is calculated as equity plus net debt.

Debt to equity ratio at 31 August 2015 and 2014 were as follows:

	2015 R	2014 R
Total borrowings (note 7 and 8)	904,990,126	905,263,865
Less: Cash and cash equivalents (excl. restricted cash) (note 4)	(34,388,492)	(13,227,356)
Net debt	870,601,634	892,036,509
Equity	56,783,965	38,724,270
Debt to equity ratio (%)	93.9	95.8