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 2018

TORQUE SECURITISATION (RF) LIMITED

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

CONTENTS **PAGE**

TORQUE SECURITISATION (RF) LIMITED

CORPORATE GOVERNANCE STATEMENT

Torque Securitisation (RF) Limited (Torque or 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.

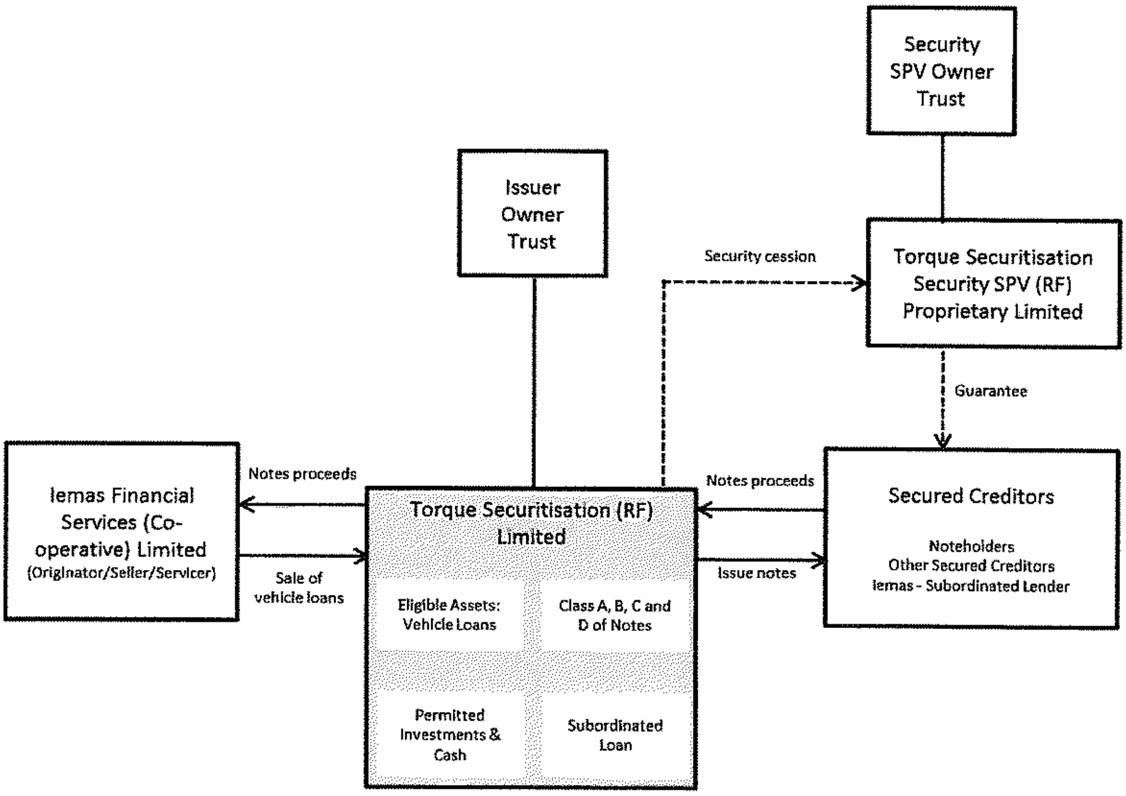
REPORTING PERIOD AND PRINCIPLES

This report covers the financial year ending on 31 August 2018. The annual financial statements have been produced in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (2008).

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 notes.

Company structure



TORQUE SECURITISATION (RF) LIMITED

Overview

Iemas sold participating assets, subject to the eligibility criteria and the portfolio covenants of the Programme Memorandum, to Torque. Torque commenced with voluntary early amortisation during May 2016 and was consequently not permitted to acquire any further participating assets in terms of the Programme Memorandum. The early amortisation process required that subsequent cash generated by the structure should, except for statutory and other expenses, be utilised to repay the interest and capital of rated notes. All note repayments were paid in descending order of rank, based on the rating classes of the notes. Notes of equal ranking were paid pari passu until the aggregate capital and interest of ranked notes were repaid. All the notes as at the end of the 2017 financial year were settled during May 2018.

Given the stable vehicle advance growth for Iemas for the 2017 financial year, the viability and benefits of the securitisation structure were reassessed and during the current financial year Torque was restructured to enable the purchase of additional participating assets from Iemas and the issue of new notes to investors.

The revived securitisation structure came into effect in May 2018, which entailed a new external investor, together with a revised set of documents and updated capital structure. Consequently the programme was de-listed and it is no longer a requirement for the notes to be rated by an external rating agency. The revived structure also provides flexibility concerning the necessity for a liquidity facility and hedging arrangement. The high levels of credit enhancement currently in the company reduced the need for these facilities and both were cancelled in May 2018. As part of the revival process, Iemas repurchased all performing contracts from Torque in order to settle the existing notes and subsequently sold additional participating assets to Torque as security for the revived capital structure.

Torque initially funded the purchase of assets by issuing unsubordinated, secured, compulsory redeemable, asset-backed notes to investors. These notes were issued to various investors as class A1, class A2, class A3, class A4, class A5, class A6, class B, class B2, class B3, class C, class C2, class C3, class D and class D2 notes. The class A1 notes were redeemed in August 2014, the class A2, class B en class C notes were redeemed in August 2015 and the class A3, class A4, class A5, class B3, class C3 and class D notes were settled in May 2018.

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) was 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 (Owner Trusts). In addition they act as the company secretary for Torque. The main functions as trustees include:
- Holding the shares of Torque Securitisation (RF) Limited and Torque Securitisation Security SPV (RF) Proprietary Limited.
- Review of documentation and signatory thereof impacting on the Owner Trusts, as and when required.
- Director services

TORQUE SECURITISATION (RF) LIMITED

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; and
- 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 (67)
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) Proprietary Limited team as a structured finance specialist.

Rishendrie Thanthony (35)
CA(SA) and chairperson of the audit committee

Rishendrie 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.

Olivia Ann Ferreira (35)
CA(SA)

After completing her professional qualification with KPMG in 2008, Olivia joined Absa's secured lending team and subsequently Quince Capital, a subsidiary of Reunert Ltd, as the Financial Manager. Whilst employed at Quince Capital, Olivia managed and administered, amongst other, a R2bn asset book, a securitisation vehicle and assisted with the analysis of various funding options. In 2012 she was appointed as the general manager: finance for Nashua Kopano, a Reunert Limited subsidiary, therein extending both her operational and commercial business acumen. In 2015 she returned to Quince Capital as the Operations Director furthering her experience in the financial, operations and information technology functions. In 2016 Olivia joined TMF Corporate Services (SA) Proprietary Limited in a dual-capacity as Chief Operations Officer and Head of Structured Finance.

Non-executive director

Tom O'Connell (47)
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, Tom 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. Tom has 24 years' experience in finance, funding and audit and his responsibilities include the finance, funding and administration functions in Iemas.

Alternate director

Olympia Shabangu (34)
LLB

Having attained her law degree from the University of the Witwatersrand, Olympia served and completed her articles at Blakes Maphanga Attorneys, and was admitted as an attorney of the High Court of South Africa in July 2009. Following admission, she joined the corporate and investment bank division of Standard Bank South Africa, working as a legal manager in the credit legal (risk) team for approximately three years. Thereafter, Olympia joined the finance department of T-Systems South Africa (TSSA) as a legal specialist, primarily providing support to sales and management, and reporting to both the local and international finance and legal teams. After a few years at TSSA, she moved to the Netherlands to pursue full time LLM studies with the University of Amsterdam and Vrije Universiteit Amsterdam; LLM- Corporate Law: Law, Financial Markets & Behaviour. Having returned from her post-graduate studies, she currently serves as internal legal counsel for TMF Corporate Services (SA) Proprietary Limited.

Directorate changes

Olympia Shabangu was appointed as an alternate director with effect from 28 November 2017.

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. Mrs 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 with accounting standards and general regulatory compliance.

TORQUE SECURITISATION (RF) LIMITED

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-17	Dec-17	Mar-18	Jun-18
Willie Swanepoel (chairperson of the board)	Yes	Yes	Yes	Yes
Rishendrie Thanthony	Yes	Yes	Yes	Yes
Tom O'Connell	Yes	Yes	Yes	Yes
Olivia Ferreira	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 has established 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 are 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 quarterly investor reports were published on the South African Securitisation Forum website (www.sasf.co.za) to provide investors with a financial overview and performance update of 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 through the audit committee. Where weaknesses are identified the audit committee ensures that responsible parties take appropriate action. The members of the audit committee has reviewed the finance function by means of servicer and administrator declarations and reports, 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 nominating and assessing the independence of 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 statements.

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

STATEMENT OF RESPONSIBILITY AND APPROVAL BY THE BOARD OF DIRECTORS

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 7 to 49 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.

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 13 to 14.

The corporate governance statement and the annual financial statements for the year ended 31 August 2018, were approved by the board of directors on 7 December 2018 and are signed on its behalf by:

TD O'Connell Director	W Swanepoel Director

TORQUE SECURITISATION (RF) LIMITED

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
3rd Floor, 200 on Main, Cnr Main and Bowwood Road, Claremont, 7708
Tel: +27 11 666 0760
Fax: +27 86 603 3068

TORQUE SECURITISATION (RF) LIMITED

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 bi-annually, as per its terms of reference, or more frequently, should circumstances dictate. The committee's second meeting for the year had to be postponed to September 2018 due to administrative reasons. This meeting is therefore also included in the attendance of meetings by audit committee members reflected below:

Name of member	Dec-17	Sep-18
Rishendrie Thanthony (chairperson)	Yes	Yes
Willie Swanepoel	Yes	Yes
Olivia Ferreira	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.

TORQUE SECURITISATION (RF) LIMITED

AUDIT COMMITTEE REPORT

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 nothing has emerged to indicate material weakness in the risk management and internal control process of the servicer which would adversely impact the company.

External Audit

The committee nominated PricewaterhouseCoopers Inc. as auditors of the company. The audit committee, in consultation with the board of directors, agreed to the engagement letter, terms of engagement, audit plan and fees for the 2018 financial year. The audit committee has assessed and is satisfied with the suitability of PricewaterhouseCoopers Inc. as audit firm and the designated individual partner.

The audit committee is satisfied that the external auditors were independent of the company, as set out in the section 90(2) of the Companies Act, 2008. This conclusion was arrived at after taking into account the following:
- the representations made by the auditors to the audit committee;
- the auditors do not, except as external auditors or in rendering permitted non-audited services, receive any remuneration or other benefits from the company;
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by them;
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor.

The audit committee has reviewed the annual financial statements together with the corporate governance statement and recommends it to the board of directors for approval.

R Thanthony
7 December 2018

TORQUE SECURITISATION (RF) LIMITED

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 in the Torque financial statements.

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 a consideration of R100. 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 2018 as set out on pages 7 to 49.

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:
R Thanthony (appointed 15 February 2013)
TD O'Connell (appointed 29 August 2013)
WH Swanepoel (appointed 25 March 2014)
OA Ferreira (appointed 7 July 2016)
O Shabangu (appointed 28 November 2017)
TMF Corporate Services (SA) (Proprietary) Limited (appointed 24 May 2012) (Company secretariat)

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.

Independent auditor's report

To the Shareholders of Torque Securitisation (RF) Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Torque Securitisation (RF) Limited (the Company) as at 31 August 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Torque Securitisation (RF) Limited's financial statements set out on pages 15 to 49 comprise:

- the statement of financial position as at 31 August 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Financial Statements, which includes the Board of Directors' report, the Audit committee report and the Certificate by the Company Secretary as required by the Companies Act of South Africa, as well as the Contents page, Corporate Governance statement and Statement of responsibility and approval by the Board of Directors. Other information does not include the financial statements and our auditor's report thereon.

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

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

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

PricewaterhouseCoopers, 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Robert Oudhof

Registered Auditor

Johannesburg

7 December 2018

TORQUE SECURITISATION (RF) LIMITED

STATEMENT OF FINANCIAL POSITION
at 31 August

	Note	2018 R'000	2017 R'000
ASSETS			
Non-current assets			
Loans receivable	2	324,239	224,583
Deferred income tax	3	3,150	3,078
		327,389	227,661
Current assets			
Loans receivable	2	142,716	191,056
Cash and cash equivalents	4	70,623	30,290
Trade and other assets	5	16,613	21,887
Derivative financial assets	10	-	257
Income tax receivable	11	2,827	1,241
		232,779	244,731
TOTAL ASSETS		560,168	472,392
EQUITY AND LIABILITIES			
Equity			
Share capital	6	- *	- *
Retained reserves		80,560	80,548
		80,560	80,548
Non-current liabilities			
Notes issued	7	318,268	160,983
Borrowings	8	5,300	11,008
		323,568	171,991
Current liabilities			
Notes issued	7	154,950	218,173
Borrowings	8	37	78
Trade and other liabilities	9	1,053	1,602
		156,040	219,853
TOTAL EQUITY AND LIABILITIES		560,168	472,392

* *Less than R 1,000.*

TORQUE SECURITISATION (RF) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 August

	Note	2018 R'000	2017 R'000
Interest income		49,595	81,727
Interest expenditure	12	(38,646)	(60,224)
Net interest income before impairment of loans receivable		10,949	21,503
Impairment of loans receivable	13	(8,953)	(10,333)
Net interest income after impairment of loans receivable		1,996	11,170
Other operating income	14	2,968	4,664
Income from operations		4,964	15,834
Operating expenditure	15	(4,956)	(5,445)
Profit before income tax		8	10,389
Income tax	16	4	(2,976)
Profit after income tax		12	7,413
Other comprehensive income		-	-
Total comprehensive income for the year		12	7,413
Total comprehensive income attributable to:			
- Owners of the company		12	7,413

TORQUE SECURITISATION (RF) LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 August

	Share capital R'000	Retained reserves R'000	Capital and reserves R'000
Balance at 1 September 2016	- *	73,135	73,135
Total comprehensive income for the year	-	7,413	7,413
Balance at 31 August 2017	- *	80,548	80,548
Balance at 1 September 2017	- *	80,548	80,548
Total comprehensive income for the year	-	12	12
Balance at 31 August 2018	- *	80,560	80,560

* *Less than R 1,000.*

TORQUE SECURITISATION (RF) LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 August

	Note	2018 R'000	2017 R'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (utilised by)/generated from operations	17	(57,535)	374,606
Interest received (excluding interest receivable)	17	49,292	86,285
Interest paid (excluding accrued interest)	17	(38,355)	(61,771)
Income tax paid	11	(1,654)	(3,894)
Derivative receipts	10	563	1,318
Net cash flow (utilised by)/generated from operating activities		(47,689)	396,544
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of notes issued		(432,770)	(389,791)
Notes issued		526,500	-
Decrease in borrowings		(11,008)	-
Increase in non-current borrowings		5,300	-
Net cash flow generated from/(utilised by) financing activities		88,022	(389,791)
Net increase in cash and cash equivalents		40,333	6,753
Cash and cash equivalents at beginning of the period		30,290	23,537
Cash and cash equivalents at end of the period	4	70,623	30,290

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 for the year 2018 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 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, 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 of loans receivable and the financial risk management notes.

The financial statements are prepared on the going concern basis.

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 of loans receivable

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.

A portfolio impairment is raised based on the business conducted before the start of the financial year as well as business conducted during the financial year under review. 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 of loans receivable in the statement of comprehensive income.

Standards, amendments and interpretations which became effective in the 2018 financial year

The following standards, amendments and interpretations which became effective in the 2018 financial year have been adopted for the first time for the financial period beginning on or after 1 September 2017 and have an impact on the company's operations.

- *IAS 7, 'Cash flow statements' (effective from 1 January 2017).* In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. For the application of this amendment refer to note 17.

The following standards, amendments and interpretations which became effective in the 2018 financial year are mandatory for the company's accounting periods beginning on or after 1 September 2017. Although these standards, amendments and interpretations are mandatory, they are not relevant for the current and prior financial year.

- *IAS 12, 'Income taxes' (effective from 1 January 2017).*
- *IFRS 12 (Amendment), 'Disclosure of interests in other entities' (effective from 1 January 2017).*

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 2018 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. Except for the standards specifically addressed below the impact of the remaining future standards are still being assessed.

- *IFRS 9, 'Financial Instruments' (2009 & 2010) (effective from 1 January 2018).* This standard replaces IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. It is expected that this standard will predominantly impact the accounting and impairment of loans receivable (refer to notes 2 and 13). Given the company's business model, the board is of the opinion that advances will be included in the 'amortised cost' category under the new standard. The board is still in the process of establishing the impact of the incurred loss model on the impairment calculation.
- *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. It is not expected that the hedge accounting element of IFRS 9 will have a significant impact on the company's operations.

  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:
  - 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).

- *IFRS 9 (Amendment), 'Financial Instruments' (effective from 1 January 2019).* The narrow-scope amendment covers two issues:
  - The amendment allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities.
  - The amendment clarifies how to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.
- *IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018).* The standard 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 goods or services transfer to a customer.
- *IFRS 15 (Amendment), 'Revenue from contracts with customers' (effective from 1 January 2018).* The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The amendment also includes additional practical expedients related to transition to the new revenue standard.
- *IFRIC 23, 'Uncertainty over income tax treatments' (effective from 1 January 2019).* IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. The board will assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

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 2018 or later periods, but are not relevant to the company's operations:

- *IFRS 2 (Amendment), 'Share-based payments' (effective from 1 January 2018).*
- *IFRS 4, 'Insurance contracts' (effective from 1 January 2018).*
- *IFRS 10 (Amendment), 'Consolidated financial statements' and IAS 28 (Amendment), 'Investments in associates and joint ventures' on sale or contribution of assets (Postponed - initially effective from 1 January 2016).*
- *IFRS 16, 'Leases' (effective from 1 January 2019).*
- *IFRS 17, 'Insurance contracts' (effective from 1 January 2021).*
- *IAS 28 (Amendment), 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures. (effective from 1 January 2019).*
- *IAS 40 (Amendment), 'Investment property' (effective from 1 January 2018).*
- *IFRIC 22, 'Foreign currency transactions and advance consideration' (effective from 1 January 2018).*

- There are a number of minor amendments and improvements published in December 2016 and December 2017. 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:

  Published in December 2016:

  - *IFRS 1 (Amendment), 'First-time adoption of IFRS' (effective from 1 January 2018).*
  - *IAS 28 (Amendment), 'Investments in associates and joint ventures' (effective from 1 January 2018).*

  Published in December 2017:

  - *IFRS 3 (Amendment), 'Business combination' (effective from 1 January 2019).*
  - *IFRS 11 (Amendment), 'Joint arrangements' (effective from 1 January 2019).*
  - *IAS 12 (Amendment), 'Income taxes' (effective from 1 January 2019).*
  - *IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2019).*

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.

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 receivable 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.

Offsetting of financial instruments

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). Derivatives, where applicable are classified in the 'fair value through profit and loss' category (refer below).

The classification depends on the purpose for which the financial assets were acquired. The board 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 of loans receivable*

  Loans receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment of loans receivable. An 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 of loans receivable 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.

  For participating assets where no objective evidence in the form of default has been identified, the impairment of loans receivable 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 impairment raised. 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.

Derivative financial instruments

Derivative financial assets 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

Share capital comprise ordinary shares and preference shares and are classified as equity.

Issued ordinary share capital is stated in the statement of changes in equity at the value received less directly attributable issue costs.

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 in which case it is not recognised:

(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.

	2018 R'000	2017 R'000
2. LOANS RECEIVABLE		
Loan to Iemas Financial Services (Co-operative) Limited	481,955	430,639
Impairment provision (note 13)	(15,000)	(15,000)
	466,955	415,639
Non-current portion of loans receivable	324,239	224,583
Current portion of loans receivable	142,716	191,056
	466,955	415,639

The company purchased participating assets, comprising vehicle finance contracts, from 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 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 company) 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' statement of financial position. Therefore the capital amount outstanding on all contracts is 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 specific underlying assets in Iemas, which did not qualify for accounting derecognition in terms of IAS 39 'Financial instruments: Recognition and measurement' as explained above.

	2018 R'000	2017 R'000
3. DEFERRED INCOME TAX		
Deferred tax assets		
- To be recovered within 12 months	3,150	3,078
The gross movement on the deferred income tax account is as follows:		
At 1 September	3,078	2,680
Charge per statement of comprehensive income (note 16)	72	398
At 31 August	3,150	3,078

3. DEFERRED INCOME TAX *(continued)*

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

	Fair value movement on interest rate swap R'000	Impairment provision R'000	Total R'000
Deferred tax assets			
At 31 August 2016	(50)	2,730	2,680
(Debit)/credit to the statement of comprehensive income	(22)	420	398
At 31 August 2017	(72)	3,150	3,078
Credit to the statement of comprehensive income	72	-	72
At 31 August 2018	-	3,150	3,150

	2018 R'000	2017 R'000
4. CASH AND CASH EQUIVALENTS		
Cash at bank	64,957	22,513
Restricted cash	5,666	7,777
Cash and cash equivalents	70,623	30,290

In terms of the securitisation programme the company is required to maintain a reserve fund equal to 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 100% of the aggregate outstanding principal of all delinquent participating assets is required. These amounts are held in unrestricted normal operational bank accounts.

The long-term national scale credit ratings for the bank balances held:

	2018		2017	
	Global credit rating	Expiry date	Global credit rating	Expiry date
FirstRand Bank Limited	AA+	Nov 18	AA	Nov 18

	2018 R'000	2017 R'000
5. TRADE AND OTHER ASSETS		
Cash-in-transit suspense - Iemas	16,021	20,736
Cash-in-transit suspense - Rand Merchant Bank	344	794
Administration fees - Iemas	248	357
	16,613	21,887

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 and amounts which have not been swept from the FirstRand Bank Limited suspense account into the company's bank account. Both of these accounts are cleared on a monthly basis.

	2018 R'000	2017 R'000
6. SHARE CAPITAL		
Ordinary shares		
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 a consideration of R100. These shares are redeemable in terms of the Programme Memorandum.	- *	- *

** Less than R 1,000.*

	2018 R'000	2017 R'000
7. NOTES ISSUED		
Class A3 notes	-	50,710
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bore interest at 3-month JIBAR plus 1,59%. As of 16 August 2017 the interest rate increased with the step-up interest margin of 0,5%. The scheduled maturity date of the notes was set at 15 August 2017. In terms of a SENS announcement by the JSE on 4 August 2017, these notes were not refinanced at this date and would subsequently mature at the earlier of the capital redemptions, in terms of the early amortisation program, or its legal maturity date of 15 April 2022. The notes were settled in May 2018 as part of the restructuring.		
Class A4 notes	-	63,387
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bore interest at 3-month JIBAR plus 1,60%. The scheduled maturity date was 15 August 2019. The legal maturity date was 15 August 2025. The notes were settled in May 2018 as part of the restructuring.		
Class A5 notes	-	60,344
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bore interest at 3-month JIBAR plus 1,80%. The scheduled maturity date was 15 August 2018. The legal maturity date was 15 August 2026. The notes were settled in May 2018 as part of the restructuring.		
Class A6 notes	344,671	-
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bear interest at 3-month JIBAR plus 2,30%. The scheduled maturity date is 15 May 2021. The legal maturity date is 15 May 2026.		
Class B2 notes	-	84,000
Subordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bore interest at 3-month JIBAR plus 2,10%. The scheduled maturity date was 15 August 2018. The legal maturity date was 15 August 2026. The notes were settled in May 2018 as part of the restructuring.		
Class B3 notes	49,500	-
Subordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bear interest at 3-month JIBAR plus 2,60%. The scheduled maturity date is 15 May 2023. The legal maturity date is 15 May 2026.		
Sub-total	394,171	258,441

	2018 R'000	2017 R'000
7. NOTES ISSUED *(continued)*		
Balance brought forward	394,171	258,441
Class C2 notes	-	49,000
Subordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bore interest at 3-month JIBAR plus 3,00%. The scheduled maturity date was 15 August 2018. The legal maturity date was 15 April 2026. The notes were settled in May 2018 as part of the restructuring.		
Class C3 notes	29,000	-
Subordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bear interest at 3-month JIBAR plus 3,00%. The scheduled maturity date is 15 May 2023. The legal maturity date is 15 May 2026.		
Class D notes	-	70,000
Subordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bore interest at prime rate plus 4,50%. As of 16 August 2017 the interest rate increased with the step-up interest margin of 1,0%. The scheduled maturity date of the notes was set at 15 August 2017. In terms of a SENS announcement by the JSE on 4 August 2017, these notes were not refinanced at this date and would subsequently mature at the earlier of the capital redemptions, in terms of the early amortisation program, or its legal maturity date of 15 April 2022. The notes were settled in May 2018 as part of the restructuring.		
Class D2 notes	48,000	-
Subordinated, secured, compulsory redeemable, asset-backed notes of R 1,000,000 each. The notes bear interest at prime rate plus 4,50%. The scheduled maturity date is 15 May 2025. The legal maturity date is 15 May 2026.		
Interest accrued	2,047	1,715
At 31 August	473,218	379,156

The notes are backed by a revolving pool of South African vehicle loan receivables originated by Iemas. 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.

The company commenced with voluntary early amortisation during May 2016 and was consequently not permitted to acquire any further participating assets in terms of the Programme Memorandum. The early amortisation process required that subsequent cash generated by the structure should, except for statutory and other expenses, be utilised to repay the interest and capital of rated notes. All note repayments were paid in descending order of rank, based on the rating classes of the notes. Notes of equal ranking were paid pari passu until the aggregate capital and interest of ranked notes were repaid. All the notes outstanding as at the end of the 2017 financial year were settled during May 2018.

7. NOTES ISSUED *(continued)*

Given the stable vehicle advance growth for Iemas for the 2017 financial year, the viability and benefits of the securitisation structure were reassessed and during the current financial year the company was restructured to enable the purchase of additional participating assets from Iemas and the issue of new notes to investors.

The revived securitisation structure came into effect in May 2018, which entailed a new external investor, together with a revised set of documents and updated capital structure. Consequently the programme was de-listed and it is no longer a requirement for the notes to be rated by an external rating agency. The revived structure also provides flexibility concerning the necessity for a liquidity facility and hedging arrangement. The high levels of credit enhancement currently in the company reduced the need for these facilities and both were cancelled in May 2018. As part of the revival process, Iemas repurchased all performing contracts from the company in order to settle the existing notes and subsequently sold additional participating assets to the company as security for the revived capital structure.

Capital repayments are based on the quarterly capital received on the corresponding performing advances and as such the contractual capital repayment profile of the advances as apposed to the legal maturity of the notes has been used to calculate the current versus non-current disclosure.

The maturity analysis of the notes are as follows:

	2018 R'000	2017 R'000
No later than 1 year	154,950	218,173
Later than 1 year	318,268	160,983
	473,218	379,156

The fair value of the class A6, class B3, class C3 and class D2 notes closely approximates their carrying amount due to variable interest rates associated with these instruments.

	2018 R'000	2017 R'000
8. BORROWINGS		
Non-current		
Iemas Financial Services (Co-operative) Limited	5,300	11,008
Current		
Iemas Financial Services (Co-operative) Limited	37	78
Total borrowings	5,337	11,086

The loan is a credit enhancement in terms of a subordinated loan of R5,3 million (2017: R11,0 million) provided by Iemas 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. During May 2018 the original subordinated loan of R11,0 million was repaid and replaced by the current subordinated loan after the company revived the securitisation programme (refer note 7).

	2018 R'000	2017 R'000
9. TRADE AND OTHER LIABILITIES		
Trade creditors	733	805
Unclaimed balances	296	779
Vat payable	24	18
	1,053	1,602

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

	2018 R'000	2017 R'000
10. DERIVATIVE FINANCIAL ASSETS		
Interest rate swaps	-	257
Total derivatives	-	257

The company cancelled the interest rate swap in May 2018 as a result of the restructuring of the company (refer note 7). The revived structure provides flexibility concerning the necessity for a hedging arrangement. The high levels of credit enhancement currently in the company reduced the need for this facility. The company previously economically hedged part of its existing interest rate risk using interest rate swaps to convert a proportion of its JIBAR-linked debt to prime-linked debt. The fair value of the derivative financial asset at 31 August 2017 was R0,3 million. The fair value of the 2017 swaps related to financial instruments with a notional value of R384 million.

	2018 R'000	2017 R'000
Derivative financial assets received		
Receivable at the beginning of the year	257	178
Gain on interest rate swap (note 15)	306	1,397
Receivable at the end of the year	-	(257)
Derivative receipts	563	1,318

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August

	2018 R'000	2017 R'000
11. INCOME TAX PAID		
Receivable at the beginning of the year	1,241	721
Normal tax (note 16)	(68)	(3,374)
Receivable at the end of the year	(2,827)	(1,241)
	(1,654)	(3,894)
12. INTEREST EXPENDITURE		
Interest expenditure	38,646	60,224
Interest expenditure consist of:		
- Notes issued	37,237	58,521
- Subordinated loan	1,409	1,703
	38,646	60,224
13. IMPAIRMENT OF LOANS RECEIVABLE		
The gross movement on the impairment is as follows:		
At 1 September	15,000	13,000
Participating assets written off during the year as uncollectible	(9,338)	(9,415)
Impairment charge	9,338	11,415
	15,000	15,000
Impairment of loans receivable in the statement of comprehensive income is as follows:		
New impairment raised (note 2)	15,000	15,000
Unused amounts reversed	(5,662)	(3,585)
Impairment charge	9,338	11,415
Post write-off recoveries	(385)	(1,082)
At 31 August	8,953	10,333
14. OTHER OPERATING INCOME		
Administration fees	2,968	4,664
	2,968	4,664

	2018 R'000	2017 R'000
15. OPERATING EXPENDITURE		
The following items have been charged against other operating expenditure:		
Administration fees	283	283
Auditor's remuneration - audit fees	510	370
Audit fees	332	370
Non-audit fees	178	-
Back-up servicer fees	154	235
Bank charges	17	17
Commitment fee	111	158
Directors' emoluments: non-executive	266	250
Gain on interest rate swap (note 10)	(306)	(1,397)
Rating agency fees	357	269
Other professional fees	262	231
Servicer fees	3,302	5,029
	4,956	5,445

	2018 R'000	2017 R'000
16. INCOME TAX		
Current		
South African current tax (note 11)	68	3,374
Deferred		
Deferred income tax (note 3)	(72)	(398)
Income tax (income)/expense	(4)	2,976
Tax rate reconciliation	%	%
Effective rate of tax	(53.8)	28.6
Total tax has been affected by:		
Prior year underprovision	-	(0.6)
Disallowed expenditure	81.8	-
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.

	2018 R'000	2017 R'000
17. CASH (UTILISED BY)/GENERATED FROM OPERATIONS		
Profit before income tax	8	10,389
Adjusted for:		
Interest income	(49,292)	(86,285)
Interest expenditure	38,355	61,771
Interest receivable	(9,725)	4,558
Accrued interest	291	(1,547)
Fair value changes on derivatives (unrealised)	257	(79)
Fair value changes on derivatives (realised)	(563)	(1,318)
Admin fee receivable	(248)	(357)
Impairment provision (note 13)	8,953	10,333
Changes in working capital:		
Loans receivable	(50,544)	364,269
Decrease in trade and other assets	5,522	12,335
(Decrease)/increase in trade and other liabilities	(549)	537
	(57,535)	374,606
NET DEBT RECONCILIATION		
The analysis of net debt is as follows:		
Net debt		
Cash and cash equivalents (excluding restricted cash) (note 4)	64,957	22,513
Liabilities arising from financing activities	(478,555)	(390,242)
Borrowings repayable within one year	(154,987)	(218,251)
Borrowings repayable after one year	(323,568)	(171,991)
	(413,598)	(367,729)

The movement in net debt is as follows:

	Opening R'000	Cash flows R'000	Non-cash movement R'000	Closing R'000
As at 31 August 2018				
Cash and cash equivalents (excluding restricted cash) (note 4)	22,513	42,444	-	64,957
Liabilities arising from financing activities	(390,242)	(88,022)	(291)	(478,555)
Notes due within 1 year	(216,458)	63,555	-	(152,903)
Notes due after 1 year	(160,983)	(157,285)	-	(318,268)
Borrowings due after 1 year	(11,008)	5,708	-	(5,300)
Accrued interest	(1,793)	-	(291)	(2,084)
Net Debt	(367,729)	(45,578)	(291)	(413,598)

18. 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.

	2018 R'000	2017 R'000
19. 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).		
Income and expenses		
Board of directors fees	266	250
Directors fees for Rishendrie Thanthony, Olivia Ferreira, Olympia Shabangu 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 entities in the same group of companies applying a legal Companies Act definition. No employee benefits were therefore also incurred.		
Iemas Financial Services (Co-operative) Limited		
The company is a special purpose entity established by Iemas (incorporated in South Africa). One hundred preference shares have been issued by the company to Iemas. The transactions with Iemas are listed below:		
Income and expenses		
Income		
Interest received	37,619	68,321
Expenses		
Interest paid on subordinated loan	1,409	1,703
Interest paid on the class A3 notes	209	19
Interest paid on the class B2 notes	5,448	7,924
Interest paid on the class B3 notes	1,355	-
Interest paid on the class C2 notes	2,839	4,030

	2018 R'000	2017 R'000
19. RELATED PARTIES *(continued)*		
Interest paid on the class C3 notes	827	-
Interest paid on the class D notes	7,793	10,523
Interest paid on the class D2 notes	2,002	-
Servicer fees paid	3,302	5,029
Loan purchases during the year		
Loans purchased from related party	526,531	-
Loans replaced between related parties	225,531	-
Outstanding balances		
Payable to related party		
Class A3 notes	-	5,964
Class B2 notes	-	84,000
Class B3 notes	49,500	-
Class C2 notes	-	39,000
Class C3 notes	29,000	-
Class D Notes	-	70,000
Class D2 Notes	48,000	-
Sub-ordinated loan	5,300	11,008
Interest payable on the subordinated loan	37	78
Interest payable on the class B2 notes	-	337
Interest payable on the class B3 notes	208	-
Interest payable on the class C2 notes	-	172
Interest payable on the class C3 notes	127	-
Interest payable on the class D notes	-	483
Interest payable on the class D2 notes	305	-
Servicer fee	346	306
Unclaimed balances	296	779
Receivables from related party		
Cash-in-transit receivable	16,021	20,736
Admin fees receivable	248	357
Loans receivable	466,955	415,639

20. FINANCIAL RISK MANAGEMENT

The company is a special purpose entity established by 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 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 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.

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.

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.

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's credit risk management committee. The overall responsibility for the effectiveness of credit risk management processes vests with the group's board of directors. The operational responsibility has been delegated to the group's credit risk management committee.

Credit risk governance

The group's 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's credit risk management committee is headed by the group chief executive officer.

The group's 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's board of directors remains responsible for the oversight of risk, however, the group's board of directors has delegated the review function to the group's audit and risk committee together with the company audit committee that reports to their respective boards of directors.

20. FINANCIAL RISK MANAGEMENT *(continued)*

Managing credit risk

The board of directors 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's credit risk management committee has formulated guidelines regarding the assessment of customer's credit worthiness. These guidelines include the affordability assessment as required by the National Credit Act, management of credit risk associated with various customers depending on their portfolio, a detailed assessment of the counterparty's financial strength, the prevailing economic environment, industry classification and other qualitative factors. The group's 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 credit evaluations of the financial conditions of its members and employer groups 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 2018 the company was of the opinion that there was no significant concentration of credit risk that had not been adequately provided for. More detail on the management of participating assets is presented in the accounting policies.

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 the company's risk management programme.

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 and company's business could be adversely affected, should legislation be introduced that prohibits salary deductions.

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. 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 therefore they are recognised in their entirety, as 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 reflected on Iemas' statement of financial position.

	2018 R'000	2017 R'000
Financial assets and liabilities		
Carrying amount of assets	554,191	468,073
Carrying amount of liabilities	(479,586)	(391,826)

20. FINANCIAL RISK MANAGEMENT *(continued)*

Credit quality

	2018 R'000	2017 R'000
Cash and cash equivalents		
The balances held with banks are as follows (note 4):		
First National Bank (a division of FirstRand Bank Limited)	70,623	30,290

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 as bank balances are held at one of the major banks in South Africa.

	2018 R'000	2017 R'000
Trade and other assets		
Iemas Financial Services (Co-operative) Limited (note 5)	16,269	21,093

The balances held with Iemas consist of a cash-in-transit suspense that represents a portion of the cash flows received on the underlying participating assets which have not been transferred from Iemas together with administrative fees receivable from Iemas. Both of these accounts are cleared on a monthly basis. No interest is raised on either the cash-in-transit suspense or the administrative fees receivable between the company and Iemas, due to the short term nature thereof.

Collateral disclosure

Credit risk in respect of the exposure of the company is mitigated by collateral such as the credit life policies and the value of the underlying vehicles. Refer to the detail of collateral held in the following loan receivable table.

Loan receivable

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 R'000	Collateral R'000	Under collateralised R'000
As at 31 August 2017			
Participating assets	415,639	380,884 *	34,755
As at 31 August 2018			
Participating assets	466,955	393,315	73,640

* *Restated.*

20. FINANCIAL RISK MANAGEMENT *(continued)*

The underlying vehicles on the participating asset contracts 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 at inception of the contract and have subsequently been adjusted with a depreciation rate based on historical trends.

The notes issued to fund the purchase of the participating assets as at the end of the 2017 financial year were rated AAA for class A3, class A4 and class A5 notes, A+ for class B2 notes and BBB for class C2 notes. The ratings were determined at inception of the structure and were re-assessed on every annual anniversary. The ratings were determined by an external independant rating agency and provided support for the quality of the participating assets.

In May 2018 a revived securitisation structure came into effect, which entailed a new external investor, together with a revised set of documents and updated capital structure. Consequently the programme was de-listed and it is no longer a requirement for the notes to be rated by an external rating agency.

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 numerous eligibility criteria at acquisition to enhance the credit quality of these assets. These criteria allow for passenger vehicles only which are not subject to balloon payments. In addition, it limits the original term of the contracts to 72 months, requires a greater seasoning and includes the obligation that the contract should be covered by an insurance contract. At acquisition of these contracts the portfolio covenants also limit the concentration risk per the top ten individual contracts (0.9%) (2017: 0.6%), employer group with the largest exposure (10%) (2017: 10%) and mix between new and used vehicles (25/75) (2017: 25/75). Even though not required in terms of the early amortisation rules, the company still complied with these concentration risk covenants at year-end.

Iemas is a financially sound entity with positive solvability and liquidity ratios as at 31 August 2018 and is regarded as able to settle the loan payable to the company when needed.

Arrears

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 R'000	Total: Past due and specifically impaired R'000	Past due and specifically impaired			
			0-30 days R'000	31-60 days R'000	61-90 days R'000	>90 days R'000
As at 31 August 2017						
Vehicle loans	381,475	49,164	11,918	5,438	4,981	26,827
As at 31 August 2018						
Vehicle loans	443,557	38,398	6,191	2,514	1,153	28,540

20. FINANCIAL RISK MANAGEMENT *(continued)*

The credit quality of "Neither past due nor impaired loans" is positively impacted if the employee is a current member of Iemas and if the loans are collected by debit order or salary deduction.

Impairments

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/ (Released) R'000	Closing R'000
As at 31 August 2017				
Specific impairment	7,197	(7,183)	11,592	11,606
Portfolio impairment	5,803	(2,232)	(177)	3,394
	13,000	(9,415)	11,415	15,000
As at 31 August 2018				
Specific impairment	11,606	(8,246)	8,807	12,167
Portfolio impairment	3,394	(1,092)	531	2,833
	15,000	(9,338)	9,338	15,000

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 2017			
Vehicle loans	0.9	23.6	3.5
As at 31 August 2018			
Vehicle loans	0.6	31.7	3.1

20. FINANCIAL RISK MANAGEMENT *(continued)*

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 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 raised were tested based on changes in these percentages by the following:

	Change in the write off percentage		Sensitivity	
	2018 %	2017 %	2018 R'000	2017 R'000
Neither past due nor specifically impaired	0.2	0.2	877	752
Past due and specifically impaired	3.0	3.0	1,152	1,475

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's credit risk management committee is responsible for the group's market risk management, with the audit and risk committee of the group's 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, in its statements of 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 the board'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 and subordinated loan are prime linked.

As part of the management of market risk, the company entered 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. The company however cancelled the interest rate swap in May 2018 (refer note 10).

20. FINANCIAL RISK MANAGEMENT *(continued)*

	2018 R'000	2017 R'000
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	2,335	2,078
The table is based on loans receivable of the company with a total value of R467,0 million (2017: R415,6 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	353	151
The table is based on cash and cash equivalents of the company with a total value of R70,6 million (2017: R30,3 million).		
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	16	33
The table is based on borrowings with a total value of R5,3 million (2017: R11,0 million). The borrowings interest rates are linked to prime.		
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 is 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	1,414	1,132
The table is based on notes with a total value of R471,2 million (2017: R377,4 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.		

20. FINANCIAL RISK MANAGEMENT *(continued)*

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 following table 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, which is the manner in which the company manges its liquidity risk. Refer to note 7 for the assumptions applied as part of the amortisation process.

	1-12 months R'000	13-36 months R'000	Over 36 months R'000
As at 31 August 2017			
Due to investors	247,574	175,063	-
Other liabilities (including sub-ordinated loan)	3,262	13,106	-
Total financial liabilities	250,836	188,169	-
Loans receivable	244,264	234,076	16,870
Cash and cash equivalents	30,290	-	-
Trade and other assets	21,887	-	-
Total financial assets	296,441	234,076	16,870
Net liquidity position	45,605	45,907	16,870
Cumulative liquidity position	45,605	91,512	108,382
As at 31 August 2018			
Due to investors	194,058	272,891	99,676
Other liabilities (including sub-ordinated loan)	1,826	1,590	6,913
Total financial liabilities	195,884	274,481	106,589
Loans receivable	202,613	278,521	105,279
Cash and cash equivalents	70,623	-	-
Trade and other assets	16,613	-	-
Total financial assets	289,849	278,521	105,279
Net liquidity position	93,965	4,040	(1,310)
Cumulative liquidity position	93,965	98,005	96,695

20. FINANCIAL RISK MANAGEMENT *(continued)*

FINANCIAL INSTRUMENTS BY CATEGORY

	Derivatives at fair value R'000	Loans and receivables R'000	Total R'000
Assets as per statement of financial position			
As at 31 August 2017			
Loans receivable	-	415,639	415,639
Cash and cash equivalents	-	30,290	30,290
Trade and other assets	-	21,887	21,887
Derivative financial instruments	257	-	257
	257	467,816	468,073
As at 31 August 2018			
Loans receivable	-	466,955	466,955
Cash and cash equivalents	-	70,623	70,623
Trade and other assets	-	16,613	16,613
	-	554,191	554,191

	Other financial liabilities at amortised cost R'000
Liabilities as per statement of financial position	
As at 31 August 2017	
Notes issued	379,156
Borrowings	11,086
Trade and other liabilities excluding non-financial liabilities	1,584
Total	391,826
As at 31 August 2018	
Notes issued	473,218
Borrowings	5,337
Trade and other liabilities excluding non-financial liabilities	1,029
Total	479,584

20. FINANCIAL RISK MANAGEMENT *(continued)*

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 an outcome of internal discussion and deliberation. 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 the market's perspective. 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 and disclose circumstances that caused the transfer. There were no transfers between levels 1,2 and 3 during the year.

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 R'000	Fair value disclosed R'000	Hierarchy of valuation technique
As at 31 August 2017				
Assets				
Loans receivable	Amortised cost	415,639	415,639	Level 3
Cash and cash equivalents (1)	Amortised cost	30,290	30,290	
Trade and other assets (1)	Amortised cost	21,887	21,887	
Derivative financial instruments (2)	Fair value	257	257	Level 2
		468,073	468,073	
Liabilities				
Notes issued	Amortised cost	379,156	379,329	Level 2
Borrowings (3)	Amortised cost	11,086	11,086	
Trade and other liabilities excluding non-financial liabilities (1)	Amortised cost	1,584	1,584	
		391,826	391,999	

(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) Contractual agreement value

20. FINANCIAL RISK MANAGEMENT *(continued)*

	Measured at	Carrying amount R'000	Fair value disclosed R'000	Hierarchy of valuation technique
As at 31 August 2018				
Assets				
Loans receivable	Amortised cost	466,955	466,955	Level 3
Cash and cash equivalents (1)	Amortised cost	70,623	70,623	
Trade and other assets (1)	Amortised cost	16,613	16,613	
		554,191	554,191	
Liabilities				
Notes issued (1)	Amortised cost	473,218	473,218	
Borrowings (2)	Amortised cost	5,337	5,337	
Trade and other liabilities excluding non-financial liabilities (1)	Amortised cost	1,029	1,029	
		479,584	479,584	

(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) Contractual agreement value

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 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. Where the fair value calculated approximate the carrying value, the carrying value has been disclosed.

Notes issued

The 2017 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. Due to the delisting of the company's notes the notes are now measured at amortised cost.

Derivative financial instruments

The 2017 derivative financial instruments were valued using the income approach. The derivative comprised a JIBAR/prime interest rate swap that was fair valued on a discounted basis using forward interest rates extracted from an observable yield curve.

20. FINANCIAL RISK MANAGEMENT *(continued)*

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 and Programme Memorandum. The conditions typically include priority ranked payments.

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 (refer note 17) 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 were as follows:

	2018 R'000	**2017 R'000**
Total borrowings (note 7 and 8)	478,555	390,242
Less: Cash and cash equivalents (excl. restricted cash) (note 4)	(64,957)	(22,513)
Net debt (note 17)	413,598	367,729
Equity	80,560	80,548
Total capital	494,158	448,278
Debt to equity ratio (%)	83.7	82.0