



SYNTHESIS FUNDING LIMITED
(Registration Number 2004/004188/06)

AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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Preparers of audited annual financial statements – N Kunene, B Science (Statistics), Transaction Manager in Nedbank Capital – Transaction Management, T Ndimande, B Com (Accounting), CTA, CA Trainee in Nedbank Capital – Investment Banking.

Supervised by – V Ramprasad, B Business Science (Economics), Technical Manager in Nedbank Capital – Transaction Management

Directors' responsibility

The directors are responsible for the preparation and fair presentation of the annual financial statements of Synthesis Funding Limited, comprising the statement of financial position at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended; the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes; and the directors' report. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 71 of 2008.

The directors' responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements, so as to be free from material misstatement, whether owing to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the company's ability to continue as a going concern and there is no reason to believe that the company will not be a going concern in the year ahead (refer to note 2).

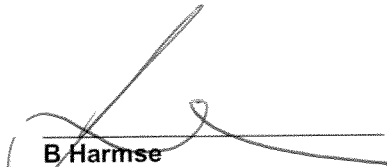
The auditors are responsible for reporting on whether the company's annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

SYNTHESIS FUNDING LIMITED
(Registration Number 2004/004188/06)
AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2014




Directors' approval of the audited annual financial statements

The audited financial statements set out on pages 9 to 36 were approved by the board of directors on 23 March 2015 and are signed on its behalf by:



B. Harmse
Director



RC Hayne
Director

Certification by company secretary

In terms of Section 84 of the Companies Act, 71 of 2008, that for the year ended 31 December 2014, Synthesis Funding Limited has lodged with the Commissioner of the Companies and Intellectual Property Commission, all such returns are true, correct and up to date.



M Bagus
Nedgroup Secretariat Services (Pty) Ltd (1992/006437/07)

Registered Office and Business Address

135 Rivonia Road
Sandown
Sandton
2196

Postal Address

P O Box 1144
Johannesburg
2000

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF SYNTHESIS FUNDING LIMITED

We have audited the annual financial statements of Synthesis Funding Limited set out on pages 9 to 36, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

National Executive: *LI Ram Chief Executive *AE Swiegers Chief Operating Officer *GM Pinnock Audit
DL Kennedy Risk Advisory *NB Kader Tax TP Pillay Consulting *K Black Clients & Industries
*JK Mazzocco Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy S Gwala Managed Services
*TJ Brown Chairman of the Board *MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Synthesis Funding Limited as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.


Emphasis of Matter

Without qualifying our opinion above, we draw your attention to note 2 to the financial statements which indicates that the company's total liabilities exceeded its total assets by R1 580 445 as at 31 December 2014 (2013: R6 151 426). Note 2 provides details of this condition, as well as management's key measures in place to ensure the company continues as a going concern.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2014, we have read the Directors' Report, Audit Committee Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



Deloitte & Touche
Registered Auditor

Per: W Klaassen
Partner
23 March 2015

SYNTHESIS FUNDING LIMITED
DIRECTORS' REPORT
for the year ended 31 December 2014



The directors have pleasure in presenting their report on the activities of the company for the year ended 31 December 2014.

Nature of Activities

Synthesis Funding Limited is an asset backed commercial paper programme that invests in longer term rated bonds and offers capital market funding to South African corporates at attractive rates. These assets are funded through the issuance of short dated investment grade commercial paper to institutional investors. All the commercial paper issued by Synthesis Funding Limited is assigned the highest short term RSA local currency credit rating by Fitch, and is listed on the Johannesburg Stock Exchange (JSE).

Financial Results

For the year under review the company made a net profit after tax of R4 570 981 (2013: R2 023 499). For more detail refer to the Statement of Comprehensive Income on page 10.

Interest of Directors and Officers

The directors and officers have no interests in the company.

Directors' Emoluments

Director fees of R119 152 (2013: R126 787) in respect of the 2014 financial year are paid to TMF Corporate Services (South Africa) (Pty) Ltd who provide the directors for the company (refer to note 14).

The directors provided by TMF Corporate Services (South Africa) (Pty) Ltd are as follows:

John Richard Parker Doidge
Brendan Harmse
Rishendrie Thanthony

Authorised and Issued Share Capital

Details of the authorised and issued share capital of the company appear in note 7 to the financial statements.

Ownership

The Securitisation Issuer Owner Trust holds 100% of the issued ordinary shares of Synthesis Funding Limited. Synthesis Funding Limited was established by Nedbank Limited for a narrow, well defined objective.

Directors

The directors of the company during the year and as at the date of this report were as follows:

	Appointed
John Richard Parker Doidge (Chairman)	7 June 2006
Richard Chennells Hayne (British)	1 April 2004
Evelyn Deiner (alternate to Richard Chennells Hayne)	15 December 2008
Rishendrie Thanthony	15 February 2013
Willem Swanepoel (alternate to John Richard Parker Doidge)	17 March 2014

Administrator

Nedbank Limited ("Nedbank"), acting through its Securitisation division has been appointed as the Administrator for Synthesis Funding Limited.

Secretary

Nedgroup Secretariat Services

Appointed

1 January 2007

Parent Entity

The Securitisation Issuer Owner Trust

Registered Office

135 Rivonia Road
Sandown
Sandton
2196

Postal address

P O Box 1144
Johannesburg
2000

Country of Incorporation

South Africa

Dividends

No dividends have been declared during the current or prior year.

Events after the Reporting Date

There have been no material events between 31 December 2014 and the date of this report.

Going concern

The company's liabilities exceeded its assets by R1 580 445 as at 31 December 2014 (2013: R6 151 426). The primary reason for this deficit is the fair value loss sustained on financial instruments. As outlined in Note 17, the company has liquidity facilities in place to ensure the availability of sufficient funds in instances where timing mismatches could occur between receipt of funds relating to financial assets and disbursement of funds relating to the redemption of financial liabilities. The company is expected to trade to finalisation and is expected by management to continue as a going concern for the foreseeable future. Accordingly, the financial statements are prepared on the basis of the accounting policies applicable to a going concern.

Audit Committee

Meetings were held on 10 March 2014, 26 November 2014 and 23 March 2015.

Social and Ethics Committee

An application for the exemption from the requirement to appoint a Social and Ethics Committee has been submitted and awaits approval.

Audit Committee Report

Members of the Audit Committee

B Harmse (Chairperson)
JRP Doidge
R Thanthony

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

Meetings held by the Audit Committee

The Audit Committee performed the duties laid upon it by Section 94(7) of the Companies Act 71 of 2008 by holding meetings with the key role players and by the unrestricted access granted to the external auditors.

Meetings were held on 10 March 2014, 26 November 2014 and on 23 March 2015.

Expertise and experience of finance function

The on-going secretarial administration of the Company's statutory records is done by Nedbank Secretariat Services, whilst accounting is managed by the Nedbank Capital Finance Department. Nedbank Capital Transaction Management is the professional administrator of Synthesis Funding Limited as well, which is a conduit operating in the local debt capital markets (jointly "management").

The Audit Committee satisfied itself that the composition, experience and skills set of the finance function met the Company's requirements.

Independence of external auditors

The Audit Committee satisfied itself through enquiry that the external auditors, Deloitte & Touche, are independent as defined by the Companies Act 71 of 2008 and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the Companies Act 71 of 2008 that internal governance processes within the firm support and demonstrate the claim to independence.

The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

Fees paid to the auditors are disclosed in note 14 in the financial statements on page 30.

Discharge of responsibilities and Audited Annual Financial Statements

Following the review by the Audit Committee of the audited annual financial statements of the Company for the year ended 31 December 2014 and based on the information provided to it, the committee considers that, in all material respects, the Company complies with the provisions of the Companies Act No 71 of 2008, International Financial Reporting Standards, and that the accounting policies applied are appropriate.

Following the review of the audited annual financial statements the Audit Committee recommended the Company's 2014 audited annual financial statements for approval to the Board on 23 March 2015.

The committee further concurred with the Board and management that the adoption of the going-concern status in preparation of the annual audited financial statements is appropriate.

The committee fulfilled their responsibilities in compliance with the audit charter.

On behalf of the Audit Committee:


B Harmse
Chairman: Audit Committee
23 March 2015

SYNTHESIS FUNDING LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 December 2014



	Notes	2014 R	2013 R
ASSETS			
Non-current assets		2 484 288 707	3 981 888 113
Fixed rate rated securities	5.1	-	415 580 014
Variable rate rated securities	5.2	2 483 110 290	3 563 454 012
Deferred tax asset	10	1 178 417	2 854 087
Current assets		802 248 918	1 137 383 726
Fixed rate rated securities	5.1	-	407 262 606
Variable rate rated securities	5.2	800 587 521	729 667 791
Cash and cash equivalents	6	1 555 427	453 329
Current tax asset	15.3	105 970	-
TOTAL ASSETS		3 286 537 625	5 119 271 839
EQUITY AND LIABILITIES			
Capital and reserves		(1 580 445)	(6 151 426)
Share capital	7	100	100
Accumulated loss		(1 580 545)	(6 151 526)
Current liabilities		3 288 118 070	5 125 423 265
Derivative financial instruments	8	15 853 672	34 545 173
Financial liabilities	9	3 271 471 959	5 089 958 980
Accounts payable		792 439	615 291
Current tax liability	15.3	-	303 821
TOTAL EQUITY AND LIABILITIES		3 286 537 625	5 119 271 839

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SYNTHESIS FUNDING LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014



	Notes	Year ended 31 December 2014 R	Year ended 31 December 2013 R
Interest and similar income	11	320 763 696	372 632 769
Interest expense and similar charges	12	(316 395 051)	(366 101 537)
Net interest income		4 368 645	6 531 232
Fair value gain on financial instruments	13	5 984 532	1 642 887
Realised loss on sale of financial instruments		(90 167)	-
Operating expenses	14	(3 914 434)	(5 363 704)
Net profit before taxation		6 348 576	2 810 415
Taxation	15	(1 777 595)	(786 916)
Other Income Comprehensive		-	-
Total comprehensive profit for the year		4 570 981	2 023 499

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SYNTHESIS FUNDING LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014



	Share capital R	Accumulated loss R	Total R
Balance at 1 January 2013	100	(8 175 025)	(8 174 925)
Net profit for the year	-	2 023 499	2 023 499
Balance at 31 December 2013	100	(6 151 526)	(6 151 426)
Net profit for the year	-	4 570 981	4 570 981
Balance at 31 December 2014	100	(1 580 545)	(1 580 445)

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SYNTHESIS FUNDING LIMITED
STATEMENT OF CASHFLOWS
for the year ended 31 December 2014



	Notes	2014 R	2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (utilised by) / generated from operations	3.1	(936 196)	5 212 697
Taxation (paid)/refunded	15.3	(511 716)	8 478
Interest paid	3.2	(330 452 410)	(364 265 258)
Interest received	3.3	333 007 252	370 358 027
Net cash inflow from operating activities		<u>1 106 930</u>	<u>11 313 944</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Financial assets redeemed / (purchased)		<u>1 804 424 830</u>	<u>(361 886 144)</u>
Net cash inflow / (utilised) in investing activities		<u>1 804 424 830</u>	<u>(361 886 144)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Net Commercial paper (redeemed) / issued		<u>(1 804 429 662)</u>	<u>350 627 779</u>
Net cash (outflow) / inflow from financing activities		<u>(1 804 429 662)</u>	<u>350 627 779</u>
Increase in cash and cash equivalents		1 102 098	55 579
Cash and cash equivalents at beginning of the year		<u>453 329</u>	<u>397 750</u>
Cash and cash equivalents at end of the year		<u>1 555 427</u>	<u>453 329</u>

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1. ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently in dealing with items that are considered material in relation to the Synthesis Funding Limited financial statements. New standards adopted in current year are detailed in note 1.9.

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), JSE requirements and the requirements of the South African Companies Act 71 of 2008.

1.2 Basis of presentation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies are detailed in the sections below.

1.3 Financial instruments

Financial instruments, as reflected on the statement of financial position, include all financial assets and financial liabilities, including derivative instruments, but exclude deferred taxation and taxation payable/receivable. Financial instruments are accounted for under IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurement. The company does not apply hedge accounting. This accounting policy should be read in conjunction with the categorised statement of financial position.

1.3.1 Initial recognition

Financial instruments are recognised on the statement of financial position when the company becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the time frame established by regulation or market convention ('regular way' purchases) are recognised at trade date, which is the date on which the company commits to purchase the asset. The liability to pay for 'regular way' purchases of financial assets is recognised on trade date, which is when the company becomes a party to the contractual provisions of the financial instrument. Contracts that require or permit net settlement of the change in the value of the contract are not considered 'regular way' contracts and are treated as derivatives between the trade and settlement of the contract.

1.3.2 Initial measurement

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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1. ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

1.3.3 Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification:

- Financial instruments at fair value through profit or loss

Financial assets at fair value through profit or loss consist of instruments that the company has elected, on initial recognition date, to designate as at fair value through profit or loss. The designation of these financial assets at fair value through profit and loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from using different bases to measure and recognise the gains and losses of these financial assets.

Financial assets at fair value through profit or loss are measured at fair value, with fair value gains and losses (excluding interest income and interest expense calculated on the amortised cost basis relating to interest bearing instruments that have been designated as at fair value through profit or loss) reported in non interest revenue as they arise. Interest income and interest expense calculated on the amortised cost basis are reported in interest income and expense.

The company's derivative transactions include interest rate swaps and liquidity swaps. Subsequent to initial recognition, derivative financial instruments are measured at fair value at each statement of financial position date.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the company as at fair value through profit or loss. Financial assets classified as loans and receivables are carried at amortised cost, with interest income recognised in profit or loss.

- Financial liabilities

All financial liabilities are classified as non-trading financial liabilities and are measured at amortised cost.

1.3.4 Measurement basis of financial instruments

- Amortised cost

Amortised cost of financial assets and financial liabilities are measured at fair value plus transaction costs on initial recognition, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, less any cumulative impairment losses.

1. ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

1.3.4 Measurement basis of financial instruments (continued)

– Fair value

Transaction costs directly attributable to financial assets and financial liabilities other than those at fair value through profit or loss are included in the initial fair value of these instruments. The best evidence of the fair value of a financial asset or financial liability at initial recognition is the transaction price, unless the fair value of the instrument is evidenced by comparison with other current observable market transactions in the same instrument or based on a valuation technique whose variables include only observable market data.

Where quoted market prices or rates are available, such market data is used to determine the fair value of financial assets and financial liabilities that are measured at fair value. The bid price is used to measure financial assets held.

If quoted bid prices are unavailable, the fair value of financial assets and financial liabilities is estimated using pricing models or discounted cashflow techniques. Where discounted cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate used is a market related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures (prices from observable current market transactions in the same instrument without modification or other observable market data) at the statement of financial position date.

1.3.5 Derecognition

The company derecognises a financial asset or a part of a financial asset when and only when:

- the contractual rights to the cashflows arising from the financial asset have expired; or
- it transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability is derecognised when and only when the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the period.

1.3.6 Impairment of financial assets

The company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has (or events have) an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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1. ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

1.3.6 Impairment of financial assets (continued)

Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the company about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the company would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including
 - adverse changes in the payment status of borrowers, or
 - national or local economic conditions that correlate with defaults on the assets.

1.4 Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method taking into account the expected timing and amount of cash flows. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

1.5 Taxation

Taxation expense comprises current and deferred taxation.

1.5.1 Current tax

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

1.5.2 Deferred tax

Deferred taxation is provided using the statement of financial position liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary

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1. ACCOUNTING POLICIES (continued)

1.5 Taxation (continued)

1.5.2 Deferred tax (continued)

differences when they reverse. Deferred taxation is charged to profit or loss for the period. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred taxation is not recognised for temporary differences that arise on the initial recognition of assets or liabilities in a transaction and that affect neither accounting nor taxable profit.

A deferred taxation asset is recognised to the extent that it is probable that future taxable income will be available against which the unutilised taxation losses and deductible temporary differences can be used. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

1.6 Share capital

The company's ordinary share capital is classified as equity.

1.7 Operating Segments

At 31 December 2014, the company did not have any separate reportable segments and as such no disclosure of operating segments is made.

1.8 Standards and interpretations issued but not yet effective

At 31 December 2014 the following standards and interpretations, or amendments thereto, which are relevant to the company have been issued by the International Accounting Standards Board ('IASB'). The standards, interpretations or amendments are effective for financial year ends beginning after 1 January 2015 and accordingly, have not been early adopted by the company.

1.8.1 New Standards

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued in its entirety in July 2014. The final version of the standard incorporates amendments to the classification and measurement guidance as well as the accounting requirements for the impairment of financial assets measured at amortised cost. These elements of the final standard are discussed in detail below:

- Financial assets are to be classified and measured based on the business model for managing the financial asset and the cashflow characteristics of the financial asset. There are two measurement approaches, namely fair value and amortised cost. The financial asset is carried at amortised cost if it is the business model of the entity to hold that asset for the purpose of collecting contractual cashflows and if those cashflows comprise principal repayments and interest.

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1. ACCOUNTING POLICIES (continued)

1.8 Standards and interpretations issued but not yet effective (continued)

- For financial liabilities designated as at fair value through profit or loss a further requirement is that all changes in the fair value of financial liabilities attributable to credit risk be transferred to other comprehensive income with no recycling through profit or loss on disposal.
- Impairments in terms of IFRS 9 will be determined based on an expected-loss model that considers the significant changes to the asset's credit risk and the expected loss that will arise in the event of default.
- IFRS 9 allows financial liabilities not held for trading to be measured at either amortised cost or fair value. If fair value is elected, then changes in the fair value as a result of changes in own credit risk should be recognised in other comprehensive income.
- The hedge accounting requirements under IFRS 9 are closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Hedge effectiveness will now be proved based on management's risk management objectives rather than the 80% to 125% band that was previously stipulated. IFRS 9 also allows for rebalancing of the hedge and the deferral of hedging costs.

The company has initiated a process to determine the impact of the standard on the company's statement of financial position and performance. Until the process has been completed the company is unable to quantify the expected impact.

The standard is effective for financial years commencing on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a client (with limited exceptions), regardless of the type of revenue transaction or the industry.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not outputs of the entity's ordinary activities (eg the sale of property, plant and equipment or intangibles).

Extensive disclosures will be required, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgements and estimates.

The standard is effective for financial years commencing on or after 1 January 2017.

The company has initiated a process to determine the impact of the standard on the company's statement of financial position and performance. Until the process has been completed the company is unable to quantify the expected impact.

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1.8.2 Revised Standards

IASB Annual Improvement Project

In December 2013, the IASB issued Annual Improvements to cycles IFRSs 2010-2012 and IFRSs 2011-2013.

The improvements focus on areas of inconsistency in IFRSs or where clarification of wording is required. As a consequence, the improvements are either clarifying or correcting in nature, and do not propose new principles or changes to existing ones.

The amendments are effective for the company for the financial year commencing 1 January 2015 and are not anticipated to have a material impact of the company's statements.

1.9 Standards and interpretations adopted in the current year

The following standards and interpretations, or amendments thereto, effective for the financial year end beginning on 1 January 2014, have been adopted by the company:

1.9.1 Revised Standards

Amendment to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

The amendment to IAS 32 clarifies offsetting by explaining:

- When an entity currently has a legally enforceable right of setoff; and
- When gross settlement is equivalent to net settlement.

The adoption of the amendment did not have an impact on the company's financial statements.

Amendment to IAS 36 Impairment of Assets Recoverable Amounts Disclosures for Non-financial Assets

"The amendment removes certain disclosures required in respect of the recoverable amount of declined-value cash generating units, which had previously been included in IAS 36 by the issue of IFRS 13 Fair Value Measurement.

The amendment did not have a material effect on the company's financial statements.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement

The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The amendment covers novations in the following circumstances:

- As a consequence of laws or regulations, or the introduction of laws or regulations.
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties.
- Where it did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception.

The amendment did not have an effect on the company's financial statements.

15/7

2. GOING CONCERN

The company's liabilities exceeded its assets by R1 580 445 as at 31 December 2014 (2013: R6 151 426). The primary reason for this deficit is the fair value loss sustained on financial instruments. As outlined in Note 17, the company has liquidity facilities in place to ensure the availability of sufficient funds in instances where timing mismatches could occur between receipt of funds relating to financial assets and disbursement of funds relating to the redemption of financial liabilities. The company is expected to trade to finalisation and is expected by management to continue as a going concern for the foreseeable future. Accordingly, the financial statements are prepared on the basis of the accounting policies applicable to a going concern.

	2014 R	2013 R
3. CASH FLOWS (UTILISED BY) / GENERATED FROM OPERATIONS		
3.1 Cash flows (utilised by) / generated from operations		
Net profit before taxation	6 348 576	2 810 415
Plus:		
Interest expense	316 395 051	366 101 537
Unrealised fair value gain on financial instruments	(5 984 532)	(1 642 887)
Working capital changes:	3 068 405	10 576 401
Decrease / (Increase) in accounts receivable	-	10 671 694
Increase / (Decrease) in Derivative Financial Instruments	2 891 257	(271 088)
Increase in accounts payable	177 148	175 795
Less: Interest received	(320 763 696)	(372 632 769)
	<u>(936 196)</u>	<u>5 212 697</u>
3.2 Interest paid		
Interest accrual opening balance	(32 847 630)	(31 011 351)
Interest expense	(316 395 051)	(366 101 537)
Interest accrual closing balance	18 790 271	32 847 630
Interest paid	<u>(330 452 410)</u>	<u>(364 265 258)</u>

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SYNTHESIS FUNDING LIMITED
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)
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3.3 Interest received

Interest accrual opening balance	43 795 917	41 521 175
Interest received	320 763 696	372 632 769
Interest accrual closing balance	(31 552 361)	(43 795 917)
Interest received	<u>333 007 252</u>	<u>370 358 027</u>

4. CATEGORISED STATEMENT OF FINANCIAL POSITION

	Total	Fair value through profit or loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities
	R	R	R	R	R
2014					
Assets					
Variable rate rated securities	3 283 697 811	-	3 283 697 811	-	-
Cash and cash equivalents	1 555 427	-	1 555 427	-	-
Deferred tax asset	1 178 417	-	-	-	1 178 417
Current tax asset	105 970	-	-	-	105 970
Total assets	<u>3 286 537 625</u>	<u>-</u>	<u>3 285 253 238</u>	<u>-</u>	<u>1 284 387</u>
Equity and liabilities					
Share capital	100	-	-	-	100
Accumulated loss	(1 580 545)	-	-	-	(1 580 545)
Total equity	<u>(1 580 445)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1 580 445)</u>
Derivative financial instruments	15 853 672	15 853 672	-	-	-
Financial liabilities	3 271 471 959	-	-	3 271 471 959	-
Accounts payable	792 439	-	-	792 439	-
Current tax liability	-	-	-	-	-
Total liabilities	<u>3 288 118 070</u>	<u>15 853 672</u>	<u>-</u>	<u>3 272 264 398</u>	<u>-</u>
Total equity and liabilities	<u>3 286 537 625</u>	<u>15 853 672</u>	<u>-</u>	<u>3 272 264 398</u>	<u>(1 580 445)</u>
Assets - Designated at fair value through profit and loss		-			
Liabilities - Held for trading		15 853 672			

4. CATEGORISED STATEMENT OF FINANCIAL POSITION (continued)

	Total	Fair value through profit or loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities
	R	R	R	R	R
2013					
Assets					
Fixed rate rated securities	822 842 620	822 842 620	-	-	-
Variable rate rated securities	4 293 121 803	-	4 293 121 803	-	-
Cash and cash equivalents	453 329	-	453 329	-	-
Deferred tax asset	2 854 087	-	-	-	2 854 087
Total assets	5 119 271 839	822 842 620	4 293 575 132	-	2 854 087
Equity and liabilities					
Share capital	100	-	-	-	100
Accumulated loss	(6 151 526)	-	-	-	(6 151 526)
Total equity	(6 151 426)	-	-	-	(6 151 426)
Derivative financial instruments	34 545 173	34 545 173	-	-	-
Financial liabilities	5 089 958 980	-	-	5 089 958 980	-
Accounts payable	615 291	-	-	615 291	-
Current tax liability	303 821	-	-	-	303 821
Total liabilities	5 125 423 265	34 545 173	-	5 090 574 271	303 821
Total equity and liabilities	5 119 271 839	34 545 173	-	5 090 574 271	(5 847 605)
Assets - Designated at fair value through profit and loss		822 842 620			
Liabilities - Held for trading		34 545 173			

5. FINANCIAL ASSETS

Financial assets consist of fixed and variable rate rated securities. All financial assets are registered in the name of Synthesis Funding Limited. The title, interests and rights to the financial assets have been ceded to Lexshell 596 Investments Proprietary Limited ("the Security SPV") to secure the rights of the secured creditors in terms of the security arrangements of the structure.

All rated securities purchased by the company are rated by Fitch Southern Africa Proprietary Limited. The company only transacts with creditworthy counterparties that are rated the equivalent of investment grade and above.

As at statement of financial position date, all rated asset backed securities and bonds classified as financial assets were listed with the JSE.

5.1 Fixed rate rated securities

Various fixed rate rated securities have been acquired by the company. These securities are classified as financial assets designated as at fair value through profit and loss. The company has satisfied the criteria for designation of financial instruments as at fair value through profit or loss in terms of the accounting policy adopted in the audited annual financial statements.

The fixed rate rated securities do not meet the definition of 'derivatives'. Therefore, to avoid an accounting mismatch by holding these securities at amortised cost and the balance of the hedging schemes' instruments at fair value, the securities are designated as at fair value through profit or loss and are therefore held at fair value.

The risk of the portfolio is measured and monitored on a fair value basis. Performance measurement is directly aligned to the fair value, and is reported to key management staff on a regular basis.

The overall interest rate risk of the company is hedged by the ALM ('Asset and Liability Management') division of Nedbank Limited by way of an interest rate swap.

5.1.1 Current Assets

	2014	2013
	R	R
Nominal		
At start of year	398 777 382	-
Assets becoming current	-	398 777 382
Assets disposed / redeemed	(398 777 382)	
At end of year	-	398 777 382
Accrued interest	-	4 667 771
Amortised cost	-	403 445 153
Fair Value	-	407 262 606

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5. FINANCIAL ASSETS (continued)

5.1 Fixed rate rated securities (continued)

5.1.2 Non-current Assets	2014 R	2013 R
Nominal		
At start of year	400 000 000	798 777 382
Assets becoming current	-	(398 777 382)
Assets disposed / redeemed	(400 000 000)	
At end of year	-	400 000 000
Accrued interest	-	3 799 240
Amortised cost	-	403 799 240
Fair Value	-	415 580 014
Total Fair value		
Market value of all fixed rated securities – all-in price	-	822 842 620
Cumulative changes in fair value attributable to changes in credit risk	-	-
Changes in fair value attributable to changes in credit risk recognised during the period	-	-

At the reporting date there are no significant concentrations of credit risk for fixed rate rated securities. The carrying amount reflected above represents the company's maximum exposure to credit risk for such loans and receivables.

During the year there were no defaults or breaches of principal, interest or any other terms and conditions of fixed rate rated securities held by the company. None of the contractual terms applicable to fixed rate rated securities have been renegotiated. No fixed rate rated security is past its contractual payment terms.

5.2 Variable rate rated securities

Various variable rate rated securities have been acquired by the company. The variable rates of return earned on these securities are mostly linked to 3 month JIBAR rates. These securities are classified as loans and receivables and are carried at amortised cost.

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5. FINANCIAL ASSETS (continued)

5.2 Variable rate rated securities (continued)

5.2.1 Current Assets	2014	2013
	R	R
Nominal		
At start of year	725 000 000	1 206 000 000
Assets acquired / (disposed) or (redeemed)	69 000 000	(481 000 000)
At end of year	794 000 000	725 000 000
Accrued interest	6 587 521	4 667 791
Amortised cost	<u>800 587 521</u>	<u>729 667 791</u>
Fair value	<u>803 325 398</u>	<u>732 168 873</u>

5.2.2 Non-current Assets

Nominal		
At start of year	3 532 792 898	2 689 906 753
Assets acquired / (disposed) or (redeemed)	(1 074 647 448)	842 886 145
At end of year	2 458 145 450	3 532 792 898
Accrued interest	24 964 840	30 661 114
Amortised cost	<u>2 483 110 290</u>	<u>3 563 454 012</u>
Fair Value	<u>2 517 280 038</u>	<u>3 640 102 234</u>

During the year there were no defaults or breaches of principal, interest or any other terms and conditions of variable rate securities held by the company. None of the contractual terms applicable to variable rate securities have been renegotiated. None of the variable rate securities are past their contractual payment terms.

6. CASH AND CASH EQUIVALENTS

Cash in short term permitted investments	1 555 427	453 329
Accrued interest on permitted investments	-	-
	<u>1 555 427</u>	<u>453 329</u>

Cash and cash equivalents represent amounts which can be withdrawn in 32 days or less. These amounts bear interest at variable interest rates.

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7. SHARE CAPITAL

Authorised

1 000 Ordinary shares of R1 each	1 000	1 000
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Issued

100 Ordinary shares of R1 each	100	100
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The shares may be issued by the directors with rights, privileges or restrictions attached thereto as the directors may determine.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The company uses interest rate swaps to manage its exposure to interest rate movements on its investments in certain fixed rate rated securities. These interest rate swaps exchange fixed rate interest earned on the fixed rate rated securities for floating rates of interest based on notional amounts. These floating rates are mostly linked to 3 month JIBAR.

The company also uses liquidity swaps to mitigate the interest rate and basis risks the company would be exposed to in the event of a draw down on its liquidity facility with Nedbank Limited. Nedbank Limited undertook to charge a maximum of 3 month JIBAR to the company in the event of a drawdown on its liquidity facility. In terms of the liquidity swaps entered into between Nedbank Limited and the company, the company pays Nedbank Limited the variable rate of return earned on performing rated securities and receives from Nedbank Limited the cost of funds linked to funding activities plus a spread. The variable rate of return on rated securities and cost of funds are mostly linked to 3 month JIBAR.

The interest rate swaps and liquidity swaps are classified as at fair value through profit or loss (held for trading) and accounted for at fair value.

	2014 R	2013 R
Fair value of liquidity swaps	(15 853 672)	(12 980 464)
Fair value of interest rate swaps	-	(21 564 709)
Total Fair value of derivative financial instruments	(15 853 672)	(34 545 173)
Notional principal	4 052 145 450	5 855 347 662

During the year there were no defaults or breaches interest or any other terms and conditions of interest rate and liquidity swaps. None of the contractual terms applicable to interest rate and liquidity swaps have been renegotiated. No interest rate or liquidity swap is past its contractual payment terms.

9. FINANCIAL LIABILITIES

Financial liabilities consist of F1+(zaf) rated commercial paper issued to investors in denominations of R1 000 000 or multiples thereof for a maximum tenure of 364 days. These notes bear interest at varying margins above or at the applicable JIBAR and are issued at a discount. These notes are secured by a surety given by Lexshell 596 Investments (Proprietary) Limited.

	2014 R	2013 R
Nominal value:		
At start of year	5 057 111 350	4 706 483 571
Issues net of repayments	<u>(1 804 429 662)</u>	<u>350 627 779</u>
At end of year	3 252 681 688	5 057 111 350
Accrued interest	18 790 271	32 847 630
Amortised cost	<u>3 271 471 959</u>	<u>5 089 958 980</u>
Unearned finance charges	19 528 041	35 041 020
Face value	<u>3 291 000 000</u>	<u>5 125 000 000</u>
Fair value of financial liabilities	3 272 374 411	5 091 572 917

During the year there were no defaults or breaches of principal, interest or any other terms and conditions of commercial paper issued. No commercial paper is past its contractual payment terms.

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	2014 R	2013 R
10 DEFERRED TAX		
10.1 Reconciliation of deferred taxation balance		
Balance at beginning of year	2 854 087	3 450 248
Current year temporary differences	(1 675 670)	(460 008)
Assessed loss	-	(136 153)
Balance at the end of the year	<u>1 178 417</u>	<u>2 854 087</u>
10.2 Analysis of deferred taxation		
Fair value adjustment of financial assets	-	(4 367 503)
Fair value adjustment of derivative financial instruments	1 178 417	7 221 590
Balance at the end of the year	<u>1 178 417</u>	<u>2 854 087</u>

In assessing the recoverability of deferred tax assets, the directors consider whether it is probable that all the deferred tax assets will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

The directors believe it is probable that the company will realise the benefits of the recognised deductible differences.

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SYNTHESIS FUNDING LIMITED
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)
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	2014 R	2013 R
11. INTEREST AND SIMILAR INCOME		
Interest income on financial assets	320 196 432	370 932 832
Other interest income	567 264	1 699 937
	<u>320 763 696</u>	<u>372 632 769</u>
Interest income earned on financial assets may be analysed as follows:		
Fixed rate rated securities	50 918 718	72 489 210
Variable rate rated securities	269 277 366	298 443 622
	<u>320 196 432</u>	<u>370 932 832</u>
12. INTEREST EXPENSE AND SIMILAR CHARGES		
Interest on commercial paper issued	258 238 267	287 638 597
Interest on derivative financial instruments	58 156 784	78 462 940
	<u>316 395 051</u>	<u>366 101 537</u>
13. FAIR VALUE GAIN ON FINANCIAL INSTRUMENTS		
Realised fair value loss on fixed rate rated securities	(15 598 226)	-
Unrealised fair value loss on fixed rate rated securities	-	(22 455 841)
Realised fair value gain on derivative financial instruments	19 237 221	-
Unrealised fair value gain on derivative financial instruments	2 345 537	24 098 728
	<u>5 984 532</u>	<u>1 642 887</u>

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SYNTHESIS FUNDING LIMITED
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	2014	2013
	R	R
14. EXPENSES		
Expenses include the following items:		
Audit fees:		
Current year	397 238	375 355
Directors' fees*	119 152	126 787
Trustees fees	58 655	55 335

* These are the fees paid to TMF Corporate Services (South Africa) (Pty) Ltd, of whom 3 of the directors are employees, for director services provided to the company. These individuals are remunerated by TMF Corporate Services (South Africa) (Pty) Ltd on a separate basis, but not in direct proportion to the services they render to the company.

15. TAXATION

15.1 South African normal taxation	1 777 595	786 916
- Current	101 925	190 755
- Deferred	1 675 670	596 161

15.2 Taxation rate reconciliation

South African standard tax rate	(28%)	(28%)
Effective tax rate	(28%)	(28%)

The tax rate for the 2014 reconciliation above is the corporate tax rate of 28% (2013: 28%) payable by corporate entities in South Africa on taxable profits.

15.3 Current tax asset/(liability)

Balance at beginning of year	(303 821)	(104 588)
Normal taxation	(101 925)	(190 755)
Amount paid / (refunded)	511 716	(8 478)
Balance at end of year	105 970	(303 821)

15.4 Assessed loss

Balance at beginning of year	-	486 259
Utilised during the year	-	(486 259)
Balance at end of year	-	-

16. RELATED PARTY TRANSACTIONS

Nedbank Limited is exposed, or has rights to, variable returns from its involvement with Synthesis Funding Limited and has the ability to affect those returns through its power over the company.

The following significant transactions were entered into between Synthesis Funding Limited and Nedbank Limited and its related parties. All of these transactions were entered into in the normal course of business and are market related.

	due from / (owing to)	
	2014	2013
Outstanding balances	R	R
Nedbank Limited – parent company		
Accrued balance of commercial paper held	(1 550 030 897)	(342 777 194)
Derivative financial instruments	(15 853 672)	(34 545 173)
Cash and cash equivalents	1 555 427	453 329
Sundry Creditor	(6 000)	(4 295)
Greenhouse Funding (RF) Limited*		
Accrued balance of variable rate rated securities held by the company	3 028 192	22 213 986
Precinct Funding 1 (RF) Limited*		
Accrued balance of variable rate rated securities held by the company	194 130 673	278 012 033

*Securitisation programmes where Nedbank is the arranger

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SYNTHESIS FUNDING LIMITED
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)
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16. RELATED PARTY TRANSACTIONS (continued)

Transactions	Income / (expense)	
	2014 R	2013 R
Nedbank Limited – parent company		
Interest on commercial paper	(39 296 460)	(17 515 615)
Interest on derivative financial instruments	(58 156 784)	(78 462 940)
Administration fee	(456 000)	(1 596 000)
Transfer secretary fee	(101 818)	(67 000)
Credit enhancement fee	(57 000)	(71 863)
Liquidity facility fee	(57 000)	(67 000)
Nedbank Investor Services fees	(79 640)	(63 530)
Placement fees	(1 363 792)	(1 865 420)
TMF Corporate Services (South Africa) (Pty) Ltd*		
Directors fees	(119 152)	(126 787)
Maitland Trust Proprietary Limited**		
Trustee fees for the Securitisation Security SPV Owner Trust	(58 655)	(55 335)
Greenhouse Funding (RF) Limited		
Interest income on variable rate rated securities held by the company	753 006	1 997 807
Precinct Funding 1 (RF) Limited		
Interest income on variable rate rated securities held by the company	17 265 224	13 120 180

*Provides three directors to Synthesis Funding Limited and all directors fees for services rendered by these directors is paid to TMF Corporate Services (South Africa) (Pty) Ltd.

**Maitland is the trustee on the Securitisation Security SPV Owner Trust ("Security Trust"). The Security Trust is the 100% shareholder in Lexshell 596 Investments (Proprietary) Limited which was established to hold and realise security for the benefit of secured creditors and to enter into suretyships in favour of the holders of commercial paper issued by Synthesis Funding Limited ("the Issuer") and certain other contractual creditors of the Issuer.

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17. RISK MANAGEMENT

Market risk

The company seeks to minimise the effects of interest rate risks by using derivative financial instruments. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles relating to interest rate risk and the use of financial derivatives and non-derivative financial instruments. All of the derivative financial instruments are liquidity swaps, where the fair value is calculated as the net present value of the future cash flows. The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

2014:

Fair value hierarchy

	R Level 1	R Level 2	R Level 3
<u>Assets</u>			
Bonds	-	-	-
Corporate Loans	-	-	-
<u>Liabilities</u>			
Derivative Liabilities	-	15 853 672	-

2013:

Fair value hierarchy

	R Level 1	R Level 2	R Level 3
<u>Assets</u>			
Bonds	-	415 580 014	-
Corporate Loans	-	407 262 606	-
	-		
<u>Liabilities</u>			
Derivative Liabilities	-	34 545 173	-

There have been no movements between levels during the year.

Interest rate risk

The company is exposed to interest rate risk as the company's asset portfolio consists of fixed and variable rate securities. Interest rate risk is managed by the use of interest rate swap and liquidity swap contracts (refer to note 8). On this basis the company's exposure to basis interest rate risk is limited and the impact of interest rate volatility is expected to have a minor effect on the company's results. As at 31 December 2014 the company was not exposed to interest rate risk. This is because all fixed rate securities were either disposed of or redeemed during 2014.

In addition, some assets are linked to prime while liabilities are all linked to JIBAR. Synthesis has taken out a prime JIBAR swap to counter the interest rate risk associated with having different reference rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company makes use of an internal risk management policy (credit committee approval policy), and utilises the Nedbank Group credit risk monitoring process (Credit Approval Policy of Nedbank Limited) to govern lending activities to external parties. The company only transacts with creditworthy counterparties that are rated the equivalent of investment grade and above.

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17. RISK MANAGEMENT (continued)

Credit risk (continued)

This information is supplied by independent rating agencies where available and, if not available, the company uses other publicly available financial information and its own trading records to rate its major counterparties. In addition financial assets may only be introduced into the program provided they meet certain Eligibility Criteria prescribed by the programme agreements.

The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties and diverse industries. Ongoing credit evaluation is performed on the financial condition of financial assets.

The company does not have any significant credit risk exposure to any single counterparty. The concentration of credit risk based on the carrying amount of financial assets did not exceed 15.37% (2013: 19.77%) during the period ended.

The following tables illustrate the concentration of credit risk at the statement of financial position date of financial assets using the Fitch industry classification:

	2014		2013	
	R	%	R	%
Automobiles	260 131 057	7.91%	486 553 434	9.51%
Mortgage Finance	1 100 981 294	33.53%	2 186 625 061	42.74%
Commercial Finance	136 207 493	4.15%	551 649 178	10.78%
Diversified Conglomerate/ Manufacturing	1 639 725 455	49.94%	1 805 818 501	35.30%
Technology	146 652 512	4.47%	85 318 249	1.67%
	<u>3 283 697 811</u>	<u>100.00%</u>	<u>5 115 964 423</u>	<u>100.00%</u>

The carrying amount of financial assets recorded in the financial statements represents the company's maximum exposure to credit risk without taking account of the value of any collateral obtained. The table below shows the balance of this exposure at the statement of financial position date grouped according to the relevant credit rating symbols.

	2014		2013	
	R	%	R	%
AAA(zaf)/Aaa.za	1 143 950 819	34.84%	2 029 010 419	39.66%
AA+(zaf)/Aa1.za	1 008 772 383	30.72%	-	-
AA(zaf)/Aa2.za	1 130 974 609	34.44%	2 671 373 990	52.22%
AA-(zaf)/Aa3.za	-	-	415 580 014	8.12%
	<u>3 283 697 811</u>	<u>100.00%</u>	<u>5 115 964 423</u>	<u>100.00%</u>

17. RISK MANAGEMENT (continued)

Credit risk (continued)

The following tables provide a further breakdown of the above mentioned maturity analysis based on the rating of each rated security. All assets are current with none having defaulted.

2014

	Up to 1 year	1 - 2 years	2 - 3 years	3 - 5 years	Total
AAA(zaf)/Aaa.za	325 716 896	274 821 918	349 281 332	194 130 673	1 143 950 819
AA+(zaf)/Aa1.za	-	1 008 772 383	-	-	1 008 772 383
AA(zaf)/Aa2.za	474 870 625	656 103 984	-	-	1 130 974 609
	<u>800 587 521</u>	<u>1 939 698 285</u>	<u>349 281 332</u>	<u>194 130 673</u>	<u>3 283 697 811</u>

2013

	Up to 1 year	1 - 2 years	2 - 3 years	3 - 5 years	Total
AAA(zaf)/Aaa.za	709 617 031	325 409 112	303 995 192	689 989 084	2 029 010 419
AA+(zaf)/Aa1.za	-	-	-	-	-
AA(zaf)/Aa2.za	427 313 366	580 694 657	1 663 365 967	-	2 671 373 990
AA-(zaf)/Aa3.za	-	415 580 014	-	-	415 580 014
	<u>1 136 930 397</u>	<u>1 321 683 783</u>	<u>1 967 361 159</u>	<u>689 989 084</u>	<u>5 115 964 423</u>

All derivative financial instruments are entered into with Nedbank Limited. On this basis the credit risk relating to these derivative financial instruments are limited.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors which has built an appropriate liquidity risk management framework for the management of the company's funding and liquidity management requirements.

Liquidity facilities have been obtained from a F1+(zaf) rated bank, Nedbank Limited, in order to ensure the availability of sufficient funds in instances where timing mismatches could occur. These timing mismatches refer to the possible mismatch between the receipt of funds relating to financial assets and disbursement of funds relating to the redemption of financial liabilities. These liquidity facilities cover the nominal value of the commercial paper it is issued against and exceed the maturity date of the underlying financial liability by 5 days.

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17. RISK MANAGEMENT (continued)

Liquidity risk (continued)

The company has entered into a hedge mechanism with Nedbank Limited in order to mitigate the interest rate and basis risks the company would be exposed to in the event of a draw down on the liquidity facility. In terms of this hedge strategy Nedbank Limited undertakes to charge a maximum of 3 month JIBAR to the company should there be a draw down on the liquidity facility. In turn the company pays Nedbank Limited the spread over the 3 month JIBAR that it earns on the performing financial assets and receives from Nedbank Limited the cost of funds incurred by the company plus a spread.

The following table provides a remaining contractual maturity analysis for the company's financial commercial paper liabilities. This table has been drawn up based on the undiscounted cash flows of financial commercial paper liabilities based on the earliest date on which the company can be required to pay and include interest and principal cash flows.

	2014		2013	
	R	%	R	%
Up to 1 month	1 643 000 000	49.93%	1 432 000 000	27.94%
1 – 2 months	937 000 000	28.47%	2 464 000 000	48.08%
2 – 3 months	711 000 000	21.60%	1 229 000 000	23.98%
Greater than 3 months	-	0.00%	-	0.00%
	<u>3 291 000 000</u>	<u>100.00%</u>	<u>5 125 000 000</u>	<u>100.00%</u>

The following table provides a remaining contractual maturity analysis for the company's financial derivatives liabilities. This table has been drawn up based on the projected cash flows of financial derivative liabilities based on the earliest date on which the company can be required to pay the net liability.

	2014		2013	
	R	%	R	%
Up to 1 month	9 249 145	58.00%	3 171 810	36.49%
1 – 2 months	3 596 131	22.55%	2 942 457	33.85%
2 – 3 months	3 102 874	19.46%	2 577 922	29.66%
Greater than 3 months	-	0.00%	-	0.00%
	<u>15 948 150</u>	<u>100.00%</u>	<u>8 692 189</u>	<u>100.00%</u>

18. EVENTS AFTER THE REPORTING PERIOD

No material post Statement of Financial Position events have occurred between the end of the financial year and the date of this report.

19. CONTINGENT LIABILITIES

At the date of preparation of the financial statements there were no contingent liabilities.

15/12/14