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The Debt Sponsor /Company Secretary

Dear Sir/Madam

PRO ACTIVE MONITORING OF ANNUAL FINANCIAL STATEMENTS FOR ISSUERS OF DEBT SECURITIES

The JSE wishes to notify all applicant issuers of debt securities that it is embarking on a process of pro-actively monitoring annual financial statements ("**AFS**") for compliance with the accounting framework pursuant to paragraph 5.2 of the Debt Listings Requirements.

AFS of applicant issuers could be reviewed at least once every five years. The process that will be followed mirrors that as applied to listed equity issuers on the JSE, as adapted for the nature of a debt issuer. Full details of that process, which commenced in 2011, are available on the JSE's website in the reports entitled "Report Back on Proactive Monitoring of Financial Statements" Route: Companies & Issuer Regulation/Issuer Regulation/Useful Links/ Accounting Matters/Reports.

As a pilot for this process the JSE has put a sample of AFS through its process. Approximately a third of the debt issuers are structured entities, and the JSE's pilot sample covered 20% of the effective population. Whilst some disclosure and classification questions will be raised, the JSE was pleased to note that 60% of the sample returned with a clean review. The questions areas that were identified (whilst yet to be raised directly with the relevant parties) are highlighted in Annexure A. The aim of doing this is to encourage improvements in the levels of corporate reporting. We therefore ask that debt issuers consider their approach to these issues to ensure the necessary levels of compliance.

The remainder of the pilot project review dealt with certain of the corporate entities. Again the JSE will engage directly with those involved and will communicate with the market in due course with regards to any common errors.

Debt Issuers should therefore expect that the JSE may engage with them and raise questions with regards to their compliance with their applicable reporting framework. Please do not hesitate to contact Tania Wimberley from the JSE on 011 520 7222 should you have any queries in this regard.

Yours faithfully

A F VISSER: GENERAL MANAGER
ISSUER REGULATION

Annexure A- Areas for consideration by special purpose vehicles (“SPV’s”)

Disclosure requirements of IFRS 7 on credit risk disclosures

Given the significance of net advances in a securitization vehicle we would expect to see extensive credit quality disclosures. The inclusion of such disclosures in the AFS of SPV has been done very well in certain cases, in others the disclosure is bland and does not cover many of the disclosures required by IFRS 7. The types of disclosures that would be required include the credit quality of advances, average loan balances, specific verses portfolio impairments, inter alia.

This information is typically presented to investors as part of the quarterly investor reports, and therefore it would seem to be an unfortunate oversight that has led to the exclusion of the necessary detail. Whilst the market may have the information, it is not only a specific IFRS requirement, but its inclusion within the AFS will give investors the necessary comfort that the information has been audited.

Classifications within the Statement of Cash flows

Given the entities’ purpose as a SPV, investing in advances and using these as security for debt securities in issue, one may have assumed that the ‘proceeds received from the settlement of advances’ would form part of the ‘principle revenue-producing activates of the entity’. Hence we would have anticipated that they should be included in the cash flows from operating activities. It is not clear why such cash inflows should be classified as investing activities on the face of the statement of cash flows.