Maitland

AFRICA ETF ISSUER (RF) LIMITED
(Registration number: 2013/022008/06)

ANNUAL FINANCIAL STATEMENTS
For the year ended 28 February 2015

AFRICA ETF ISSUER (RF) LIMITED
Registration number: 2013/022008/06

GENERAL INFORMATION
For the year ended 28 February 2015

Directors	Johann Steyn Erasmus Wesley Alan Martens David Peter Towers Jan Wandrag
Nature of business and principal activities	Structured Entity to conduct an exchange traded fund ("ETF")
Secretary	Maitland Group South Africa Limited
Registered office	1st Floor 32 Fricker road Illovo 2196
Auditors	PricewaterhouseCoopers 2 Eglin Road, Sunninghill 2157
Shareholder	Africa Funds Issuer Owner Trust Incorporated in South Africa
Company registration number	2013/022008/06
Country of incorporation and domicile	South Africa
Preparer/Compiler	The audited annual financial statements were independently compiled by: Maitland Group South Africa Limited Cecilia Strydom CA (SA)
Supervised	Africa ETF Issuer (RF) Limited is managed by The Standard Bank of South Africa Limited ("Standard Bank"). All References to manager and management relate to The Standard Bank of South Africa Limited. These audited annual financial statements are under the direction and supervision of Standard Bank.
Level of assurance	These audited annual financial statements have been audited in compliance with the applicable requirements of the Companies Act, 71 of 2008.

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DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS
For the year ended 28 February 2015

The directors are responsible for overseeing the preparation, integrity and objectivity of the annual financial statements that fairly present the state of the affairs of Africa ETF Issuer (RF) Limited ("the Company") at the end of the financial year and the net income and cash flows for the reporting period, and other information contained in this report.

To enable the directors to meet these responsibilities:

- All directors and employees will endeavour to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach;
- The board sets standards and management implements systems of internal control and accounting and information systems aimed at providing reasonable assurance that both on and off statement of financial position assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- The board and management identify all key areas of risk across the Company and endeavour to mitigate or minimise these risks by ensuring that appropriate infrastructure controls, systems and discipline are applied and management within predetermined procedures and constraints;
- The internal audit function is outsourced from Standard Bank, which operates unimpeded and independently from operational management appraises evaluates and, when necessary, recommends improvements to the systems if internal control and Accounting practices based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and
- The internal auditors play an integral role in matters relating to financial and internal control, accounting policies reporting and disclosure.

To best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

The Company consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis. The annual financial statements are prepared in accordance with `the provisions of the Companies Act, 71 of 2008 and comply with International Financial Reporting Standards (IFRS) and all applicable legislation.

The directors have no reason to believe that the Company will not be a going concern in the reporting period ahead, based on forecast and available cash resources. These annual financial statements have accordingly been prepared on this basis.

It is the responsibility of the independent auditors to report on the annual financial statements. Their report to the shareholders of the Company is set out on pages 3 to 4 of this report.

Approval of the annual financial statements

The directors' report on pages 8 to 10 and the annual financial statements of the company, set out on page 11 to 39, were approved by the board of directors on 29 May 2015 and are signed on its behalf by:

Johann Steyn Erasmus	David Peter Towers

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AUDIT COMMITTEE REPORT
For the year ended 28 February 2015

Mr WA Martens is the chairman of the audit committee, while Mr DP Towers and Mr J Wandrag are members of the Company's audit committee. Mr WA Martens, Mr DP Towers and Mr J Wandrag are independent non-executive directors and have relevant qualifications and financial expertise.

The Company secretary also serves as the secretary of the committee.

Besides the statutory functions for audit and risk committees contained in the Companies Act, the key terms of reference of the audit committee comprise various categories of responsibility and include the following:
- the Company's relationship with external auditors;
- the presentation of financial statements and reports complying with all relevant corporate disclosure requirements and accounting standards;
- the review of any other announcement regarding the Company's results or other financial information, including dividends proposed for declaration;
- the identification of exposure to significant risks;
- the operation of adequate processes of internal control; and
- the monitoring of the Company's corporate governance practices in relation to statutory and other regulatory requirements and guidelines.

In addition, the committee considers any matters referred to it by the board. The Chairman of the committee reports to the board on the recommendations made by the committee.

The audit committee met on the under mentioned occasions during the year under review for the primary purposes mentioned below:
- 24 February 2015, to discuss the internal and external audit function.
- 29 May 2015, to consider the financial statements for the year ended 28 February 2015 which were approved by the board of directors on 29 May 2015 .

The board had concluded that the audit committee has satisfied its responsibilities for the year under review in compliance with the terms of reference and statutory requirements.

The Company is fully committed to the principles of the Code of Corporate Practices and Conduct ("the Code") as set out in The King Report on Corporate Governance.

In supporting the Code, the directors recognise the need to govern the Company with integrity and in accordance with generally accepted corporate practices.

Notwithstanding the aforementioned, the directors of the Company are of the opinion that the Company has complied with the principles and recommendations of the Code, in all material respects, with regard to the period under review.

pwc

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AFRICA ETF ISSUER (RF) LIMITED

We have audited the financial statements of Africa ETF Issuer (RF) Limited set out on pages 11 to 39, which comprise the statement of financial position as at 28 February 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Africa ETF Issuer (RF) Limited as at 28 February 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 28 February 2015, we have read the Audit committee report, the Corporate governance statement, the Company secretary's certification and the Report of the directors for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: P. E. de Villiers
Registered Auditor
Sunninghill
29 May 2015

CORPORATE GOVERNANCE STATEMENT

For the year ended 28 February 2015

The Company is fully committed to the principles of the Code of Corporate Practices and Conduct ('the Code") as set out in the King III Report on Corporate Governance.

In supporting the Code, the directors recognise the need to govern the Company with integrity and in accordance with generally accepted corporate practices.

The Company has no employees. The directors of the Company are of the opinion that the Company has applied the principles and recommendations of the Code, in all material respects, with regard to the period under review.

Board of directors

The board consist of :

- 1 non-executive director
- 3 Independent non-executive directors

The board has the following committee:

- Audit committee

Independent advice

A director or any member of a board committee may, if necessary , take independent professional advice at the expense of the Company.

Company secretary

All directors have access to the advice and services of the Company secretary, who provides guidance to the board as a whole and to individual directors with regard to how their responsibilities should be discharged in the best interest of the Company.

Audit committee

The board has concluded that the audit committee has satisfied its responsibilities.

Internal audit

The internal audit function is conducted by Standard Bank Internal Audit, following a risk based approach. The Company is risk assessed and prioritised in relation to Standard Bank business functions to determine the audit need and therefore frequency of review. Internal Audit did not perform any audits during the financial year.

Remuneration philosophy

The Company adopted the Standard Bank Human Resources policies. One of the non-executive directors of the Company is a full time employee of Standard Bank and therefore earn no directors' fees for his services as director.

Integrated sustainability reporting and disclosure

As a special purpose entity, the company does not play an active role in the environment and the community and therefore the integrated sustainability report will not form part of the annual financial statements.

Managing stakeholder relationships

The board delegates to the management of Standard Bank to proactively deal with stakeholder relationships.

Fundamental and affected transactions

The Company does not conduct business with entities in which its directors have an interest. Directors are requested to declare their directorships in other companies on an annual basis.

IT governance

Information technology governance is performed in terms of the Standard Bank IT Governance Policy.

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COMPANY SECRETARY'S CERTIFICATION
For the year ended 28 February 2015

To the shareholders of Africa ETF Issuer (RF) Limited

In accordance with the provisions of the Companies Act 71 of 2008 ("the Act"). I, in my capacity as Company Secretary, certify that in respect of the year ended 28 February 2015, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission, all returns prescribed by the Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Maitland Group South Africa Limited
Company Secretary
Represented by: Peter Brian Ellis Coombe

Johannesburg

29 May 2015

REPORT OF THE DIRECTORS

For the year ended 28 February 2015

The directors have pleasure in presenting the report, which accompanies the annual financial statements of the Company for the year ended 28 February 2015.

1. Review of activities

Main business and operations

The Company is engaged as a structured entity to conduct an exchange traded fund ("ETF"). The Company enables investors to invest in debt instruments, the value of which tracks the price of Gold bullion, Platinum and Palladium (Precious Metals). The Company operates principally in South Africa, and from the way the business of the Company is structured and managed, there are no operating segments and the Company's results are reviewed as a single operating segment.

The current financial year was the first year of operations as the entity issued debentures and held metals for the first time.

The operating results and state of affairs of the Company are fully set out in the attached annual financial statements and do not, in our opinion, require any further comment.

2. Registered office, date of incorporation and company registration number

Registered offices	1st Floor 32 Fricker Road Illovo 2196
Date of incorporation	11 February 2013
Company registration number	2013/022008/06

3. Shareholder

Africa Funds Issuer Owner Trust, established in South Africa, holds 100% of the share capital of the Company. In accordance with IFRS10 Consolidated Financial Statements, since the Company is a structured entity, control is not only assessed by the way of voting rights but by considering all relevant contractual arrangements.

4. Directors

The directors of the Company during the year and to the date of this report are as follows:

Names	Appointed	Resigned
Johann Steyn Erasmus	24 April 2013	
Wesley Alan Martens	16 October 2014	
David Peter Towers	24 April 2013	
Kurt Wade Van Staden	24 April 2013	16 October 2014
Jan Wandrag	24 April 2013	

5. Events after the reporting period

No events, which are likely to have a material effect on the Company's results in the current year, have occurred between the year-end date and the date of this report.

The annual financial statements were approved by the directors on the date in the statement of the directors' responsibility.

The annual financial statements cannot be amended after issue.

6. Auditors

PricewaterhouseCoopers will continue in office in accordance with section 90 of the Companies Act, 71 of 2008.

7. Secretary

The secretary of the Company is Maitland Group South Africa Limited.

8. Authorised and Issued share capital

There were no changes in the authorised or issued share capital of the Company during the year under review.

9. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis 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.

10. Special Resolutions

No special resolutions were passed during the year.

11. Compilation of annual financial statements

The compiler was responsible for preparation of the annual financial statements based on information provided by management and worked under the supervision of management and management is responsible for these annual financial statements.

12. Directors' interest in contracts

No contracts were entered into in which the directors' of the Company had an interest and which significantly affected the business of the Company.

13. Risk

The Precious Metals are held by JP Morgan Chase Bank ("the custodians") in their vaults. There is a risk that the Precious Metals could be lost, stolen or damaged, therefore the Company would not be able to request the sale or delivery of Precious Metals for itself or on behalf of any qualifying debenture holder. If the custodians fail to take out suitable insurance against such risks, as they are so obliged, then the debenture holders have to rely on the Company to recover the value lost from the custodians. The custodians have suitable insurance cover and this cover has been reviewed by management and the directors.

14. Compulsory redemption of Precious Metals debentures

The compulsory redemption of Precious Metals debentures could occur if the amount derived from the sales is not sufficient to cover management and corporate expenses. No such redemption occurred during the period under review.

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STATEMENT OF FINANCIAL POSITION
At 28 February 2015

	Notes	2015 R	2014 R
Assets			
Non-Current Assets			
Deferred tax	**3**	168 686	-
Current Assets			
Trade and other receivables	**4**	69 311	-
Bullion Investments	**5**	8 095 972 275	-
Cash and cash equivalents	**6**	8 536 555	120
Total Assets		8 104 746 827	120
EQUITY AND LIABILITIES			
Equity			
Share capital	**7**	120	120
Retained income		9 738 211	(7 660)
Total Equity		9 738 331	(7 540)
Liabilities			
Current Liabilities			
Debentures	**8**	8 090 679 760	-
Trade and other payables	**9**	4 240 761	-
Current tax payable		87 975	-
Bank overdraft	**6**	-	7 660
Total Liabilities		8 095 008 496	7 660
Total Equity and Liabilities		8 104 746 827	120

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STATEMENT OF COMPREHENSIVE INCOME
For the year ended 28 February 2015

	Notes	2015 R	2014 R
Management fee income	**10**	17 329 849	-
Other income	**11**	1 080 267	-
Operating expenses	**12**	(4 821 126)	(7 362)
Fair value adjustment on Bullion Investments		444 906 742	-
Fair value adjustment on Debentures		(444 957 354)	-
Operating profit/(loss)		13 538 378	(7 362)
Finance cost	**13**	(2 446)	(298)
Profit/(loss) before taxation		13 535 932	(7 660)
Taxation	**14**	(3 790 061)	-
Profit/(loss) for the year/period		9 745 871	(7 660)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year/period		9 745 871	(7 660)
Total comprehensive income (loss) attributable to:			
Owners of the Company		9 745 871	(7 660)

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STATEMENT OF CHANGES IN EQUITY
For the year ended 28 February 2015

	Share capital R	Retained income R	Total equity R
Balances as at 11 February 2013	**-**	**-**	**-**
Changes in equity	-	-	-
Issue shares	120	-	120
Total comprehensive loss for the period	-	(7 660)	(7 660)
Total changes	120	(7 660)	(7 540)
Balances as at 28 February 2014	**120**	**(7 660)**	**(7 540)**
Changes in equity	-	-	-
Total comprehensive income for the year	-	9 745 871	9 745 871
Total changes	-	9 745 871	9 745 871
Balances as at 28 February 2015	**120**	**9 738 211**	**9 738 331**
Note	**7**		

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STATEMENT OF CASH FLOWS
For the year ended 28 February 2015

	Note(s)	2015 R	2014 R
Cash flows from operating activities			
Cash generated from operations	**15**	12 417 313	(7 362)
Tax paid	**16**	(3 870 772)	-
Finance expense	**13**	(2 446)	(298)
Net cash from operating activities		**8 544 095**	**(7 660)**
Cash flows from investing activities			
Sale of Bullion	**5**	69 361 926	-
Purchase of Bullion	**5**	(7 734 891 799)	-
Net cash from investing activities		**(7 665 529 873)**	**-**
Cash flows from financing activities			
Issue of debentures	**8**	7 734 891 799	-
Debentures redeemed	**8**	(69 361 926)	-
Proceeds from the issue of shares		-	120
Net cash from financing activities		**7 665 529 873**	**120**
Net movement in cash and cash equivalents		**8 544 095**	**(7 540)**
Cash and cash equivalents at the beginning of the year/period	**6**	(7 540)	-
Cash and cash equivalents at the end of the year/period	**6**	**8 536 555**	**(7 540)**

1. Presentation of the annual financial statements

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

1.1 Statement of compliance

The audited annual financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), Interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"), and in the manner required by the Companies Act, 71 of 2008 and JSE Listings Requirements.

1.2 Basis of accounting and measurement

The annual financial statements have been prepared on an accrual basis of accounting. The measurement basis used is the historical cost basis, unless otherwise stated in the detailed accounting policies below.

1.3 Functional and presentation currency

The annual financial statements are presented in South African Rand, which is the Company's functional currency. All financial information is presented to the nearest Rand.

1.4 Use of estimates, assumptions and judgements

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those current estimates reported. The accounting policies that are deemed critical to the Company's results and financial position, in terms of the materiality of the items to which the policy is applied, and which involve a high degree of judgement including the use of assumptions and estimation, are included in the individual notes in the annual financial statements.

Management have not made use of significant estimates, assumptions or judgements in preparing these financial statements.

1.5 Financial instruments

Financial instruments are initially measured at fair value and are subsequently measured on the basis as set out below. Transaction costs of instruments carried at fair value through profit or loss are recognised immediately through the profit and loss component of the statement of comprehensive income. For other categories of financial instruments, transaction costs (incremental costs directly attributable to the acquisition, issue or disposal of a financial instrument) and transaction income (i.e. initiation fees) are capitalised to the initial carrying amount.

Financial instruments are recognised on the date when the Company enters into contractual arrangements with counterparties to purchase or sell the financial instruments.

The Company is required to group financial instruments into classes that are appropriate to the nature of the information disclosed and take into account the characteristics of those financial instruments. Classes of financial instruments have been determined by referring to the nature and extent of risks arising from the financial instruments and how these are managed.

The Company generally adopts an approach of not reclassifying financial instruments between different categories subsequent to initial recognition. In exceptional circumstances, where such reclassifications do occur, the Company will apply the requirements of the IAS 39 amendments for reclassifications together with the IFRS 7 required disclosures.

Financial instruments designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in the profit or loss section in the statement of comprehensive income.

1.5.1 Financial liabilities

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs. Included in this classification are trade and other payables.

1.5.2 Impairment of financial assets at amortised cost

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income.

1.5.2 Impairment of financial assets at amortised cost (continued)

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs.

1.5.3 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have been discharged, cancelled or have expired; or
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either:
  has transferred substantially all of the risks and rewards of the asset; or
  has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1.5.4 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss component of the statement of comprehensive income. Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

1.5.5 Fair value

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include, using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 18.

1.5.6 Offsetting

Financial instruments are offset and the net amount reported in the statement of financial position when the entity holds a current legally enforceable right to off-set the recognised amounts and has an intention to either settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

1.6 Share capital

Ordinary share capital

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

1.7 Revenue

Revenue is recognised at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following criteria are applicable to the following significant revenue categories:

Management fee income

The management fee income consist of a fee accrued daily on all the company's bullion holdings in excess of 1,000 fine troy ounces of the relevant commodity which that ETF references, calculated at the applicable rate set by the company, which will initially be 0.3% per annum (excluding VAT) for the Gold ETF and Platinum ETF and 0.35% per annum (excluding VAT) for the Palladium ETF.

Other income

The sales consists of income earned from the sale of Gold, Platinum or Palladium Bullion which is permitted to be sold in order to cover the expenses of the Company. The sales equals the gross sale proceeds on the disposal of physical Gold, Platinum or Palladium Bullion.

Revenue from the precious metals sales is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

1.8 Cash and cash equivalents

For the purposes of the statement of cash flows, cash comprises of cash on hand and demand deposits Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months.

1.9 Tax

Current tax

The current tax liability or asset is the expected tax payable or recoverable, using tax rates and tax laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years. The taxation charge in the annual financial statements for amounts due to fiscal authorities in the various territories in which the Company operates, includes estimates based on a judgement of the application of law and practice in certain cases to determine the quantification of any liability arising. In arriving at such estimates, management assesses the relative merits and risks of the tax treatment for similar classes of transactions, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

Deferred tax

Deferred income tax is provided, using the balance sheet method, on temporary differences arising between the tax bases and carrying amounts of property and equipment, certain financial instruments including derivative contracts, provisions for pensions and other post-retirements benefits and tax losses carried forward. In relation to acquisitions, deferred tax is raised on the difference between the fair values of net assets acquired and their tax bases in the annual financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The rates enacted or substantially enacted at the reporting date are used to determine deferred income tax. However , the 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 and loss.

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

The tax effects of income tax losses available against for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extend that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset , if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

1.9 Tax (Continued)

Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the asset; and
- receivables and payables that are stated with the amount of VAT included.

1.10 Gold, Platinum and Palladium Bullion

Gold, Platinum and Palladium Bullion are commodities that the Company buys and/or sells for others or on their own account. The Company enables investors to track the performance of commodities through investing in the respective debentures linked to Gold, Platinum or Palladium. There is an active market for the respective commodities with trading prices publically available. The most appropriate policy is to hold these Bullions as an investment held at fair value through profit and loss.

Bullion are initially measured at fair value and are subsequently measured on the basis as set out below. Transaction costs of Bullion carried at fair value through profit or loss are recognised immediately through the profit and loss component of the statement of comprehensive income.

Bullion are recognised on the date when the Company enters into contractual arrangements with counterparties to purchase Bullion.

It is subsequently measured at fair value and recorded on the statement of financial position. Changes in fair value are recorded in the profit and loss section in the statement of comprehensive income.

The fair value of Bullion is affected by the market and is determined with reference to the exchange quoted selling price of gold / platinum/ palladium per ounce known as Gold AM fix, Platinum AM fix and Palladium AM fix.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

The application of the Company's accounting policies are consistent with those adopted in the prior year, except for those standards and amendments which became effective in the current year. All other standards and amendments that became effective in the current year were assessed and have no impact on the annual financial statements:

IAS 32 Financial Instruments: Presentation (amendments) (2011)

IAS 32 (amendments) (2011) Offsetting Financial Assets and Financial Liabilities , was issued in December 2011 and was effective for annual periods beginning on or after 1 January 2014. The Offsetting requirements in IAS 32 have been retained, such that a financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a basis , or to realise the asset and settle the liability simultaneously. The amendment to IAS 32 provides more application guidance on when the criterion for offsetting would be considered to be met. An entity shall apply the amendments retrospectively.

This amendment had no material impact on the Company's annual financial statements.

2.2 Standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations issued are not yet effective for the current reporting period and have not been applied in preparing these annual financial statements. Only those standards, amendments and interpretations which were assessed to be applicable to the Company are disclosed below:

IFRS 9 Financial Instruments

This standard was initially published in November 2009 as the first step in replacing IAS 39 and contains new requirements for the classification and measurement requirements for financial assets. The classification and measurement requirements of financial liabilities were added to IFRS 9 in October 2010. In July 2011, the International Accounting Standards Board (IASB) communicated in an Exposure Draft its intention to postpone the mandatory application of IFRS 9 to annual periods beginning no earlier than 1 January 2017 with early application of certain paragraphs permitted. The IASB decided not to require the restatement of comparative financial statements for the initial application of the classification and measurement requirement of IFRS 9, but instead to require modified disclosures on transition from the classification and measurement requirements of IAS 39 to those of IFRS 9.

2. New Standards and Interpretations (continued)

2.2 Standards and interpretations not yet effective

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013 but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures issued in December 2011 moved the mandatory effective date to 1 January 2015. In November 2013 issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) amending IFRS 9 to include the new general hedge accounting model, allow adoption of the treatment of fair value changes due to own credit on liabilities designated at fair value through profit or loss to be recognised through other comprehensive income, and remove the 1 January 2015 effective date.

During July 2014 the IASB issued IFRS 9 as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.

This amendment completes the IASB's financial instruments project and the standard is effective for reporting periods on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). The amount is not expected to have a material impact on the Company's annual financial statements.

IFRS 15 Revenue from Contracts with Customers

The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer regardless of the type of revenue transaction or industry. The standard's requirements will also apply to the recognition of some gains and losses of some non-financial assets that are not an output of the entity's ordinary activities.

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications). The standard also improves guidance for multiple-element arrangements. Extensive disclosures will be required including the 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 annual periods beginning on or after 1 January 2017. The amount is not expected to have a material impact on the Company's annual financial statements.

Amendments from Annual Improvement Projects

Amendments resulting from Annual Improvements 2011-2013 cycle

In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014, although entities are permitted to adopt them earlier.

2.2 Standards and interpretations not yet effective (continued)

Amendments resulting from Annual Improvements 2011-2013 cycle (continued)

IFRS 13 Fair Value Measurement: Amendments to scope of the portfolio exception - The objective of this amendment is to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement of IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. The amendment requires prospective adoption.

This amendment is not expected to have a material impact on the Company's annual financial statements.

Amendments resulting from Annual Improvements 2010-2012 cycle

In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs. With limited exception, the amendments are effective for annual periods beginning on or after 1 July 2014, although entities are permitted to adopt them earlier.

IFRS 13 Fair Value Measurement: Short-term receivables and payables - The IASB clarified that short term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective as from the date of publication.

IAS 24 Related Party Disclosures: Amendment regarding management entities - The amendment clarifies that a management entity, which is defined as an entity provides key management personnel services, may be a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments are required to be applied retrospectively.

These amendments are not expected to have a material impact on the Company's annual financial statements.

	2015 R	2014 R
3. Deferred tax		
Deferred tax asset		
Deferred tax asset	168 686	-
Reconciliation of deferred tax asset		
Opening balance	-	-
Fair value movements on Precious Metals	(124 573 888)	-
Fair value movements on Precious Metals debentures	124 588 059	-
Accruals	154 515	-
	168 686	**-**
Tax effects of temporary differences between tax and book value for:		
Fair value on Bullion Investment	(124 573 888)	-
Fair value on Debentures	124 588 059	-
Accruals	154 515	-
	168 686	**-**

4. Trade and other receivables

	2015 R	2014 R
Deferred expenses	5 386	-
Prepayments	41 125	-
Sundry debtors	22 800	-
	69 311	**-**

The sundry debtors balance of R22,800 (2014: nil) comprises of creation and redemption fees charges as stipulated in the prospectus. The carrying value of trade and other receivables approximates the fair value.

5. Bullion Investments

	2015 R	2014 R
Gold		
Fair value at the beginning of the year	-	-
Gold acquisitions during the year	53 202 778	-
Gold redemptions during the year	(26 588 660)	-
Proceeds on gold sales during the year	(78 168)	-
Fair value adjustment for the year	1 303 918	-
	27 839 868	-

As at 28 February 2015, 1993.85 ounces of gold bullion to the value of approximately R27,823,938 (2014: nil) has been pledged in favour of AfricaGold Security Trust as security for the guarantee provided by AfricaGold Security Trust against Africa ETF Issuer's obligations under the AfricaGold debentures. The balance of the gold bullion holdings which have not been pledged are for Africa ETF Issuer's own account. Refer to note 22 for details on the Security Trust.

	2015 R	2014 R
5. Bullion Investments (continued)		
Platinum		
Fair value at the beginning of the year	-	-
Platinum acquisitions during the year	1 564 861 542	-
Proceeds on platinum sales during the year	(1 358 210)	-
Fair value adjustment for the year	(62 371 275)	-
	1 501 132 057	-

As at 28 February 2015, 110 658.80 ounces of platinum bullion to the value of approximately R1,500,234,528 (2014: nil) has been pledged in favour of AfricaPlatinum Security Trust as security for the guarantee provided by AfricaPlatinum Security Trust against the Africa ETF Issuer's obligations under the AfricaPlatinum Debentures. The balance of the platinum bullion holdings which have not been pledged are for Africa ETF Issuer's own account. Refer to note 22 for details on the Security Trust.

	2015 R	2014 R
Palladium		
Fair value at the beginning of the year	-	-
Palladium acquisitions during the year	6 116 827 479	-
Palladium redemptions during the year	(42 773 266)	-
Proceeds on palladium sales during the year	(13 027 961)	-
Fair value adjustment for the year	505 974 098	-
	6 567 000 350	-

As at 28 February 2015, 705 352.76 ounces of palladium bullion to the value of approximately R6,562,622,520 (2014:nil) has been pledged in favour of AfricaPalladium Security Trust as security for the guarantee provided by AfricaPalladium Security Trust against Africa ETF Issuer's obligations under the AfricaPalladium Debentures. The balance of the palladium bullion holdings which have not been pledged are for Africa ETF Issuer's own account. Refer to note 22 for details on the Security Trust.

	2015 R	2014 R
Total Bullion Investments	**8 095 972 275**	**-**

6. Cash and cash equivalents

	2015 R	2014 R
Cash and cash equivalents consist of:		
Bank balances	8 536 435	-
Cash on hand	120	120
Bank overdraft	-	(7 660)
	8 536 555	**(7 540)**

The bank balances are held with Standard bank.

Please refer to note 19 for additional information.

7. Share capital

	2015 R	2014 R
Authorised		
4 000 no par value shares	-	-
Issued		
120 no par value shares	120	120

7. Share capital (continued)

Authorised shares
There were no changes to authorised share capital during the current

Unissued shares
As at the reporting date, the unissued shares are under the control of the directors, in terms of a general authority to allot and issue them on such terms and conditions and at such times as they deem fit. This authority expires at the forthcoming annual

Shares issued during the current reporting period
There were no shares issued during the current reporting period.

Shares issued during the prior reporting period
During the previous financial year 120 no par value shares have been issued.

8. Debentures

The unsecured debenture values are linked to the respective gold, platinum and palladium prices and are listed on the Exchange Traded Index Funds sector of the Johannesburg Stock Exchange. The date of initial issue of the debentures was 24 March 2014 for Palladium and 7 April 2014 for Platinum and Gold.

The Debentures do not bear interest and rank pari passu among each other. The debenture holders have not acquired any ownership, right or beneficial interest in or to any Gold, Platinum or Palladium Bullion held by the Company. The holder can redeem a debenture as long as the conditions for redemption as set out in the prospectus have been met. The Company can redeem debentures in certain situations as set out in the prospectus.

Fair value movements on debentures

The carrying value of the liability at fair value and the amount which the Company is contractually required to pay the holder on redemption, approximate each other.

Fair value gain in the current year equals R 444,957,354 (2014: nil) and the cumulative fair value movement is a gain of R 444,957,354.

The changes in fair value of the liability attributable to changes in credit risk is Rnil (2014: Rnil). The constant credit spread approach was applied from the date the liabilities were originated. No changes in the credit risk of the liabilities and the applicable credit spreads were observed after origin.

	2015 Number of debentures	2015 R	2014 Number of debentures	2014 R
Reconciliation - Gold				
Fair value at the beginning of the year	-	-	-	-
Creation of debentures	400 000	53 202 778	-	-
Redemptions of debentures	(200 000)	(26 588 660)	-	-
Gold fee accrual (incl VAT)	-	(91 108)	-	-
Fair value adjustment	-	1 299 726	-	-
Gold debentures	200 000	27 822 736	-	-

	2015 Number of debentures	2015 R	2014 Number of debentures	2014 R
8. Debentures (continued)				
Reconciliation - Platinum				
Fair value at the beginning of the year	-	-	-	-
Creation of debentures	11 100 000	1 564 861 542	-	-
Platinum fee accrual (incl VAT)	-	(2 152 614)	-	-
Fair value adjustment	-	(62 474 396)	-	-
Platinum debentures	11 100 000	1 500 234 532	-	-
Reconciliation - Palladium				
Fair value at the beginning of the year	-	-	-	-
Creation of debentures	71 300 000	6 116 827 479	-	-
Redemptions of debentures	(500 000)	(42 773 266)	-	-
Palladium fee accrual (incl VAT)	-	(17 563 745)	-	-
Fair value adjustment	-	506 132 024	-	-
Palladium debentures	70 800 000	6 562 622 492	-	-
		8 090 679 760		**-**

The fair value is derived from multiplying the number of ounces with the AM fix (price of an ounce of gold/ platinum/ palladium) and also with the ZAR/USD exchange rate applicable on 28 February 2015.

Quarterly review of the gold prices per ounce	**US$**	**R/$**	**R**
31 May 2014	1 254	10.4403	13 092
31 August 2014	1 286	10.6091	13 641
30 November 2014	1 185	11.0020	13 032
28 February 2015	1 205	11.5803	13 954

Quarterly review of the gold debenture values per debenture	**R**
31 May 2014	130.81
31 August 2014	136.21
30 November 2014	130.02
28 February 2015	139.04

Quarterly review of the platinum prices per ounce	**US$**	**R/$**	**R**
31 May 2014	1 457	10.4440	15 217
31 August 2014	1 425	10.6026	15 109
30 November 2014	1 214	11.0395	13 402
28 February 2015	1 173	11.5578	13 557

Quarterly review of the platinum debenture values per debenture	**R**
31 May 2014	152.09
31 August 2014	150.88
30 November 2014	133.71
28 February 2015	135.20

Quarterly review of the palladium prices per ounce	**US$**	**R/$**	**R**
31 May 2014	831	10.4440	8 679
31 August 2014	897	10.6026	9 511
30 November 2014	804	11.0395	8 876
28 February 2015	805	11.5578	9 304

8. Debentures (continued)

Quarterly review of the palladium debenture values per debenture

	R
31 May 2014	86.73
31 August 2014	94.95
30 November 2014	88.52
28 February 2015	92.68

Africa ETF Issuer (RF) Limited debentures are primary listed the Johannesburg Stock Exchange and secondary listed on the following exchange. The details are given below:

Precious Metals debentures	Number of listed	Stock Exchange
Palladium	70 800 000	Namibian Stock Exchange

9. Trade and other payables

	2015 R	2014 R
Vat payable	2 286 500	-
JP Morgan Chase bank - custodian fees	605 993	-
Maitland Group South Africa Limited- Portfolio administration	594 879	-
Accruals	551 839	-
Johannesburg Stock Exchange Limited - listing fees	139 375	-
Sundry creditors	55 813	-
Strate Limited - listing fee	6 362	-
	4 240 761	**-**

Trade and other payables are interest free and are payable within 3 months. The carrying value of trade and other payables approximates the fair value.

10. Management fee income

Management fee : Gold	81 876	-
Management fee : Platinum	1 888 258	-
Management fee : Palladium	15 359 715	-
	17 329 849	**-**

11. Other income

Profit on palladium sales	485 267	-
Creation and redemption fees	595 000	-
	1 080 267	**-**

12. Operating expenses

Loss on platinum sales	58 066	-
Portfolio administration fees	1 400 129	-
Corporate and Trust administration fees	313 500	-
Custodian fees	2 466 326	-
Foreign exchange loss	38 501	-
Loss on gold sales	2 600	-
Sundry expenses	542 004	7 362
	4 821 126	**7 362**

		2015 R	2014 R
13.	**Finance cost**		
	Interest paid to Standard Bank	2 446	298
		2 446	**298**
14.	**Taxation**		
	Major components of the tax expense		
	South African normal tax		
	Current year	3 958 747	-
	Current taxation	3 958 747	-
	Deferred tax		
	Current year	(168 686)	-
	Deferred taxation	(168 686)	-
	Total taxation	**3 790 061**	**-**
	Reconciliation of the tax expense		
	Reconciliation between accounting profit and tax expense		
	Operating profit/(loss) before tax	13 535 932	(7 660)
	Tax at the applicable tax rate of 28%	3 790 061	-
		3 790 061	-
15.	**Cash generated from operations**		
	Profit/(loss) before taxation	13 535 932	(7 660)
	Adjustments for:		
	Finance expense	2 446	298
	Fair value gain on Precious Metals	(444 906 742)	-
	Fair value loss on debentures	444 957 354	-
	Bullion held for company's own account	(5 291 290)	-
	Unrealised foreign exchange loss	372 764	-
	Profit on palladium sales	(485 267)	
	Loss on gold sales	2 600	
	Loss on platinum sales	58 066	
	Changes in working capital:		
	Increase in trade and other receivables	(69 311)	-
	Increase in trade and other payables	4 240 761	-
		12 417 313	**(7 362)**
16.	**Tax paid**		
	Balance at beginning of the year	-	-
	Current tax for the year recognised in profit and loss	(3 790 061)	-
	Deferred tax for the year recognised in profit or loss	(168 686)	-
	Balance at end of the year	87 975	-
		(3 870 772)	

17. Fair value of financial instruments

Financial instruments at amortised cost carried on the statement of financial position include cash and cash equivalents, trade and other receivables, and trade and other payables. As at 28 February 2014, for all these instruments, the carrying amounts approximate the fair values of the respective assets and liabilities because the instruments are short term in nature, therefore no further hierarchy disclosure were made for these instruments.

18. Fair value hierarchy

The table below shows the Company's assets and liabilities that are recognised and subsequently measured at fair value and are analysed by valuation techniques. The classification of assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations based on unobservable inputs is set out in the table below:

Recurring fair value measurements

2015	**Valuations with reference to observable prices**	**Valuations based on observable inputs**	**Valuations based on un-observable inputs**	
	Level 1	**Level 2**	**Level 3**	**Total**
	R	R	R	R
Assets				
Bullion Investment	8 095 972 275	-	-	8 095 972 275
Total assets	8 095 972 275	-	-	8 095 972 275
	-	-	-	-
Liabilities			-	-
Debentures	-	8 090 679 760	-	8 090 679 760
Total liabilities	-	8 090 679 760	-	8 090 679 760

Note that a level 1 fair value was not used for debentures as we applied a bid-ask adjustment to the level 1 fair value.

No comparative figures presented as no transactions occurred for investments and debentures in the previous financial period.

Level 1

Financial instruments values with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

	2015 R	2014 R

18. Fair value hierarchy (continued)

Level 2 (continued)

Financial instruments valued using inputs other than quoted prices as described above for Level 1 but

- quoted price for similar assets or liabilities in an active market;
- quoted price for identical or similar assets or liabilities in inactive markets;
- valuation model using observable inputs; and
- valuation model using inputs derived from/corroborated by observable market data.

The valuation technique applied in order to value the Level 2 financial instrument is with reference to the value of the underlying bullion investments after deducting the current sales. The bullion investments and the sales values are calculated with reference to the Rand value of the underlying precious metal.

Level 3

Financial instruments valued using inputs that are not based on observable market data (unobservable data) such as an entity's own assumptions about assumptions of market participants in pricing the asset or liability.

19. Related parties

Key management personnel:

- Maitland Group South Africa Limited
- The Standard Bank of South Africa Limited

Holding Company

- Africa Funds Issuer Owner Trust

Related party balances

	2015 R	2014 R
The Standard Bank of South Africa Limited		
Cash and cash equivalents	8 536 435	(7 590)
Maitland Group South Africa Limited		
Fees payable	(594 879)	-

Related party transactions

	2015 R	2014 R
Maitland Group South Africa Limited		
Fees for fund administration	(1 400 129)	-
The Standard Bank of South Africa Limited		
Interest paid	(2 446)	(298)

The Africa Funds Issuer Owner Trust owns 100% (2014: 100%) of the ordinary shares in the entity. The founder of the Africa Funds Issuer Owner Trust is The Standard Bank of South Africa Limited. The Trustees of Africa Funds Issuer Owner Trust are Maitland Group South Africa Limited.

20. Directors' emoluments

The non-executive director of the Company that is a full time employee of Standard Bank does not earn any directors fees for his services as director.

21. Risk Management

Financial risks

The Company's financial instruments consist mainly of debentures, cash and cash equivalents, trade and other receivables and trade and other payables. In respect of all financial instruments the carrying values approximates fair value. Exposure to interest credit and liquidity risks arises in the normal course of business.

The Company's business involves taking risks in a targeted manner and managing them professionally. The core functions of the Company's risk management are to identify all key risks for the Company, measure these risks, manage the risk positions and determine capital allocations. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Company’s aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company’s financial performance. The Company defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The risks arising from financial instruments to which the Company is exposed are financial risks which include credit risk, liquidity risk, market risk (which are discussed below) and operational risk.

21. Risk Management (continued)

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company.

The entity's cash resources are placed with reputable financial institutions. Credit risk with respect of trade and other receivables is limited as it mainly relates to creation/ redemption fees due from investors.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period represented below, is the worst case scenario of credit risk exposure.

	2015 R	2014 R
Cash and cash equivalents	8 536 555	-
Trade and other receivables (excluding accrued expenses and prepayments)	22 800	-
Concentration of risks of financial assets with credit risk exposure:		
Industry sectors		
Financial services	8 559 355	-

Impairment losses

The credit quality of all the financial assets that were neither past due nor impaired are as follows:

	2015 R	2014 R
Neither past due nor impaired	8 559 355	-

The credit quality of all the financial assets that are neither past due nor impaired can be assessed by reference to external credit rating (if available) or past information about counterparty defaults rates.

Cash and cash equivalents are held with Standard Bank that has a short term credit rating of F1+ and a long term rating of AA.

Market risk

Market risk is the risk of a reduction in the Company's earnings or capital due to:

- Traded market risk: The risk of the company being impacted by changes in the level or volatility of market rates or prices. This Includes changes in interest rates, inflation rates, credit spreads, property prices, commodity prices, equity and bond prices and foreign exchange levels.
- Non-traded market risk: The risk of the Company exposed to interest rate risk arising from loans, deposits and similar instruments held for longer term strategic purposes rather than for the purpose of profiting from changes in interest rates.

Market risk exposure

Market risk exposure arises from cash and cash equivalents, debentures and investments.

21. Risk Management (continued)

Market risk (continued)

Market risk management process

The Company's market risk management objectives include the protection and enhancement of the statement of financial position and statement of comprehensive income and facilitating business growth within a controlled and transparent risk management framework.

Commodity risk

The value of the Precious Metals debentures is affected by movements in the US Dollar price of Precious Metals. The Precious Metals prices are affected by numerous factors including:

- Political, economic or financial situations;
- Future expectations of inflation rates and movements in world equity, financial and property markets;
- Supply and demand for Precious Metals; and
- Interest rates and currency exchange rates, particularly the strength of the US Dollar.

The price at which the debentures trade on the JSE may not accurately reflect the price of the Precious Metals.

A 10% change in the strengthening or weakening of the commodity price at 28 February 2015 would result in the changes below:

	2015 Precious Metals Investment	2015 Precious Metals Debenture	2015 Profit or (loss)
	R	R	R
Commodity price strengthening	809 597 228	809 067 976	529 252
Commodity price weakening	(809 597 228)	(809 067 976)	(529 252)

No comparative figures presented as no transactions occurred for investments and debentures in the previous financial period.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The only exposure to interest rate risk relates to cash in overdraft with reputable financial institutions and is therefore not material.

21. Risk Management (continued)

Interest rate sensitivity

28 February 2015	Amounts R	Rate % (Current)	Increase/ decrease in rate	Increase/ decrease in profit before tax R
Cash and cash equivalents	8 536 435	0%	2%	170 729

28 February 2014	Amounts R	Rate % (Current)	Increase/ decrease in rate	Increase/ decrease in profit before tax R
Cash and cash equivalents	(7 660)	21.5%	2%	(153)

There has been no change in sensitivity method or assumptions since the previous period.

Foreign exchange risk

Foreign exchange risk mean the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchanges rates.

The Company is exposed to currency risk as the precious metals and the JP Morgan creditor are denominated in USD.

A 10% change in the strengthening or weakening of the US Dollar against the Rand at 28 February 2015 would result in the changes below:

	2015 Precious Metals Investment R	2015 Precious Metals Debenture R	2015 Profit or (loss) R
Rand strengthening against the US Dollar	809 597 228	809 067 976	529 252
Rand weakening against the US Dollar	(809 597 228)	(809 067 976)	(529 252)

	2015 Trade and other payables R	2015 Profit or (loss) R
Rand strengthening against the US Dollar	605 993	60 599
Rand weakening against the US Dollar	(605 993)	(60 599)

No comparative figures presented as no transactions occurred for investments, debentures and trade and other payables in the previous financial period.

21. Risk Management (continued)

Liquidity risk

Liquidity risk results from both the differences between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk is the risk that operation cannot be funded and financial commitments cannot be met timeously and cost effectively. Liquidity risk management deals with the overall time profile of the current statement of financial positions as well the expected future structure.

Liquidity risk management process

The availability of funding through liquid cash positions with various institutions ensures that the Company has the ability to fund day-to-day operations.

The redemption value that Africa ETF issuer would pay in relation to a Debenture and as at the redemption date thereof, is an amount equal to the sale proceeds realised or that would have been realised by Africa ETF issuer pursuant to a sale of the reference quantity of the relevant commodity to which such debenture is linked. The liquidity of the debentures (on redemption) is thus driven entirely by the liquidity in the underlying precious metals and Africa ETF issuer has no obligation to liquidate at any given predetermined valuation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreement.

At 28 February 2015	**Carrying amount**	**Contractual cash flows**	**On demand**	**Within 1 year**	**1-5 years**
Trade and other payables	4 240 761	4 240 761	-	4 240 761	-
Debentures	8 090 679 760	8 090 679 760	8 090 679 760	-	-
	8 094 920 521	8 094 920 521	8 090 679 760	4 240 761	-

No comparative figures presented as no movement in previous reporting period.

Safe keeping of metals

The Precious Metals are held by JP Morgan Chase Bank ("the custodians") in their vaults. There is a risk that the Precious Metals could be lost, stolen or damaged, therefore the Company would not be able to request the sale or delivery of Precious Metals for itself or on behalf of any qualifying debenture holder. If the custodians fail to take out suitable insurance against such risks, as they are so obliged, then the debenture holders have to rely on the Company to recover the value lost from the custodians. The custodians have suitable insurance cover and this cover has been reviewed by management and the directors.

22. Unconsolidated structured entities

The Africa ETF Issuer's obligations under the Debentures are not secured by any of the assets of the Africa ETF Issuer (including any Commodity held by the Africa ETF Issuer from time to time), but the payment obligations of the Africa ETF Issuer under the Debentures are secured by the relevant Security Trust binding itself under a Guarantee issued in favour of the Debenture Holders in respect of the relevant Class of Debentures as guarantor, guaranteeing the Africa ETF Issuer's obligations under the relevant Debentures.

The AfricaPlatinum Security Trust is a special purpose trust established in terms of the AfricaPlatinum Security Trust Deed for the purposes of issuing a Guarantee in favour of the AfricaPlatinum Debenture Holders and the creditors in respect of the Platinum ETF. As at the date of this Prospectus, the trustee of the AfricaPlatinum Security Trust is Maitland Group South Africa Limited.

The AfricaPalladium Security Trust is a special purpose trust established in terms of the AfricaPalladium Security Trust Deed for the purposes of issuing a Guarantee in favour of the AfricaPalladium Debenture Holders and the creditors in respect of the Palladium ETF. As at the date of this Prospectus, the trustee of the AfricaPalladium Security Trust is Maitland Group South Africa Limited.

The AfricaGold Security Trust is a special purpose trust established in terms of the AfricaGold Security Trust Deed for the purposes of issuing a Guarantee in favour of the AfricaGold Debenture Holders and the creditors in respect of the Gold ETF. As at the date of this Prospectus, the trustee of the AfricaGold Security Trust is Maitland Group South Africa Limited.

The AfricaPlatinum Security Trust has issued a Guarantee in favour of the AfricaPlatinum Debenture Holders and other creditors in respect of the Platinum ETF. The AfricaPalladium Security Trust has issued a Guarantee in favour of the AfricaPalladium Debenture Holders and other creditors in respect of the Palladium ETF. The AfricaGold Security Trust has issued a guarantee in favour of the AfricaGold Debenture Holders and other creditors in respect of the Gold ETF.

In terms of each Guarantee, the liability of the relevant Security Trust is limited to the amount recovered under the Indemnity granted in its favour and the Security granted in respect thereof in terms of the relevant Security Agreement. In relation to each Class of Debentures the interests of the creditors will be represented by the corresponding Security Trust. In terms of the applicable Debenture Conditions the relevant Security Trust is required to enforce the Security granted to it on behalf of the creditors and issue an Enforcement Notice to the Africa ETF Issuer if called upon to do so by an Extraordinary Resolution of the Debenture Holders under that Class of Debentures. Creditors will not be able to enforce the Security themselves nor to take any action against the Africa ETF Issuer in respect of the Security or otherwise, nor to enforce claims against the Africa ETF Issuer except through the relevant Security Trust unless the Guarantee structure is not enforceable or the relevant Security Trust is sequestrated or fails to act within a reasonable time of being called upon to do so.

22. Unconsolidated structured entities (continued)

If the Security Trust is sequestrated, creditors shall be entitled to take action themselves to enforce claims directly against the Africa ETF Issuer by delivering an Enforcement Notice in respect of a Debenture but, in such circumstances, the applicable Security held by the Security Trust will be bypassed and thus no longer be effective as a means of achieving distribution of the Africa ETF Issuer's assets which relate to that Debenture in accordance with the relevant Priority of Payments.

23. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of ordinary dividends paid to shareholders. There are no externally imposed capital requirements on the Company.

	2015	**2014**
Capital consists of:		
Ordinary share capital	**120**	**120**

24. Events after the reporting period

No events, which are likely to have a material effect on the Company’s results in the current year, have occurred between the year-end date and the date of this report.

The annual financial statements were approved by the directors on the date in the statement of directors' responsibility.

The annual financial statements cannot be amended after issue.

25. Going concern

The directors assess the Company's future performance and financial position on an ongoing basis and have no reason to believe that the Company will not be a going concern in the reporting period ahead. For this reason, these annual financial statements are prepared on a going concern basis.