

ASHBURTON TOP 40 EXCHANGE TRADED FUND

**AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020**

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<ul style="list-style-type: none"> • Annexure A: Report of the trustee in terms of Section 70(1)(f) 	

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MANAGER'S RESPONSIBILITY AND APPROVAL

Ashburton Management Company RF Proprietary Limited (the "Manager") is responsible for the preparation and fair presentation of the Manager's report and the annual financial statements of the Ashburton Top 40 Exchange Traded Fund (the "Portfolio"), comprising of the statement of financial position, statement of comprehensive income, statement of cash flows and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Collective Investment Schemes Control Act ("CISCA") and the Supplemental Deed No.8 (relating specifically to this Portfolio) to the deed in respect of the Ashburton Collective Investment Scheme (the "Scheme").

The Manager's responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these annual financial statements to ensure that these are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies, applying judgement and making accounting estimates that are reasonable in the circumstances.

The Manager's responsibilities also include maintaining adequate accounting records and an effective system of risk management.

The Manager has made an assessment of the Portfolio's ability to continue as a going concern and has no reason to believe that the Portfolio will not be a going concern in the foreseeable future. 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. The going concern basis of preparation, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The annual financial statements of the Portfolio were approved by the Manager and signed on its behalf by two directors of the Manager.



Director



Director

Sandton
31 August 2020

Ashburton Management Company (RF) (Pty) Limited
4 Merchant Place
1 Fredman Drive
Sandton
2196

7 August 2020

Attention: The board of Directors of Ashburton Management Company (RF) (Pty) Ltd

Ashburton Collective Investment Scheme in Securities (The Scheme) – Year End 30 June 2020

We, Standard Chartered Bank, Johannesburg Branch, in our capacity as trustee of the Scheme, are required in terms of Section 70(3) of the Collective Investments Scheme Control Act, 45 of 2002, as amended (the "Act"), to satisfy ourselves that every Statement of Financial Position, Statement of Comprehensive Income and other return prepared by the manager of the Scheme in terms of Section 90 of the Act (the "Accounts") fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the manager of the Scheme.

We note that responsibility for the Accounts rests with the manager of the scheme in terms of the Act and that they have the obligation to ensure that the Accounts have been properly drawn up in accordance with both International Financial Reporting Standards (IFRS) and the Act and that they fairly represent the financial position of each portfolio of the Scheme. Nothing in this report can be construed as us giving an accounting opinion in relation to the Accounts.


Based on our records, and the Accounts, we hereby report that nothing has come to our attention that would lead us to believe anything other than:

- (a) the fact that the Accounts fairly represent the assets and liabilities of every portfolio of the Scheme;
- (b) the fact that the Accounts fairly represent the income and distribution of income of every portfolio of the Scheme; and
- (c) the fact that the Manager has administered the scheme in accordance the provisions of the Act and the relevant deed.

Yours sincerely,



Chantell Kruger
Senior Manager, Trustee Services



Charl Steyn
Manager, Trustee Compliance

Standard Chartered Bank
Johannesburg Branch

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South Africa

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Incorporated in England with limited liability by Royal Charter 1853 Reference Number ZC18
The Principal Office of the Company is situated in England at 1 Basinghall Avenue, London EC2V 5DD.



Independent auditor's report

To the Participatory Interest Holders of Ashburton Top 40 Exchange Traded Fund

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ashburton Top 40 Exchange Traded Fund (the Portfolio) as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

Ashburton Top 40 Exchange Traded Fund's financial statements set out on pages 13 to 38 comprise:

- the statement of financial position as at 30 June 2020;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies; and
- the notes to the annual financial statements.

Basis for opinion

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

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

Independence

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

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Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Chief Executive Officer: L S Machaba

The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Our audit approach

Overview

	Overall materiality <ul style="list-style-type: none"> <i>Overall materiality: R 12.8 million, which represents 1% of net assets attributable to participatory interest holders.</i>
	Key audit matters <ul style="list-style-type: none"> <i>Existence and valuation of investments at fair value through profit or loss.</i>

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall materiality</i>	<i>R 12.8 million.</i>
<i>How we determined it</i>	<i>1% of net assets attributable to participatory interest holders.</i>
<i>Rationale for the materiality benchmark applied</i>	<i>We chose net assets attributable to participatory interest holders as the benchmark because, in our view, it is the benchmark against which the performance of the Portfolio is most commonly measured by users, and is a generally accepted benchmark. The Portfolio is not considered to be a profit orientated entity, but an investment Portfolio and asset-based entity. We chose 1% which is consistent with quantitative materiality thresholds that we would typically apply when using net assets to compute materiality.</i>

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Existence and valuation of investments at fair value through profit or loss</i></p> <p>The Portfolio's investments comprise of listed investments which are measured at fair value through profit or loss. As at 30 June 2020, the carrying value of the Portfolio's total investments at fair value through profit or loss ("the investments") amounted to R1,272,340,270.</p> <p>The Portfolio's accounting policy is to measure investments at fair value using the market approach. As disclosed in Note 7 to the financial statements, the listed investments are classified as level 1 in terms of the fair value hierarchy which implies that the fair value is determined using unadjusted quoted prices in active</p>	<p><i>Existence</i></p> <p>We confirmed all of the Portfolio's scrip holdings as at 30 June 2020 with the custodian. Where differences were identified, we obtained explanations from management and inspected relevant documentation.</p> <p><i>Valuation</i></p> <p>We obtained the International Standard on Assurance Engagements, <i>Assurance Reports on Controls at a Service Organisation</i> 3402 Type II report in respect of the third party service provider who performed the valuation of the investments. We read the report and obtained an understanding of the internal controls relevant to the valuation of the Portfolio's investments. We further evaluated the design and implementation of these relevant controls.</p>

markets for identical listed investments that the Portfolio can access as at 30 June 2020.

We considered the existence and valuation of investments at fair value through profit or loss to be a matter of most significance to the current year's audit due to the following factors:

- The value of the investments is a key measure in determining the performance of the Portfolio;
- The investments are held in a fiduciary capacity by the Portfolio on behalf of the participatory interest holders; and
- The value of the investments at year-end is quantitatively significant.

Refer to the following accounting policies and notes to the financial statements for details:

- Accounting policy 3.3: Financial instruments, Fair value estimation;
- Note 1: Investments at fair value through profit or loss; and
- Note 7: Fair value of financial instruments.

We evaluated the appropriateness of the fair value measurement methodology applied by the Portfolio in accordance with IFRS 13, *Fair Value Measurement* (IFRS 13). We did not note any inconsistencies in this regard. We assessed the appropriateness of the valuation methodology with reference to the definition of an active market. We also assessed the adequacy of the disclosure of the fair value hierarchy in accordance with IFRS 13. We noted no matters requiring further consideration.

We independently recalculated the fair value of all the listed investments by obtaining the closing prices of the investments from external sources and multiplying these prices by the quantities obtained from confirmations received from the custodian. No material exceptions were noted when compared to management's fair values.

Other information

The directors of Ashburton Management Company (RF) Proprietary Limited (the Manager) are responsible for the other information. The other information comprises the information included in the document titled "Ashburton Top 40 Exchange Traded Fund Audited Annual Financial Statements for the year ended 30 June 2020". The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors of the Manager for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Gino Fraser

Registered Auditor

Johannesburg

3 September 2020

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MANAGER'S REPORT

1. General review

There has been no material change in the nature or conduct of the Portfolio's business during the year. The annual financial statements adequately disclose the results of the operations and the state of the Portfolio's affairs for the year ended 30 June 2020.

2. Establishment

The Scheme was established in accordance with the provisions of the CISCAs with effect from 12 April 2008. The Portfolio was established as a portfolio of the Scheme in accordance with paragraph A of the Deed of the Scheme on 12 April 2008.

3. Nature of the business

The investment objective of the Portfolio is to track the price and performance yield of the FTSE/JSE Top 40 Companies Index (the "Index") on the Johannesburg Stock Exchange ("JSE"). The Portfolio securities are securities listed and traded on the JSE in much the same way as any listed security. By owning Portfolio securities, a participatory interest holder will obtain market exposure to the constituent companies included in the Top 40 Index. The Portfolio pays an annual management fee of 0.10% for Class A participatory interests to the Manager.

The Portfolio was initially listed on 16 October 2008.

4. Trustee

The trustee of the Portfolio at the date of this report is The Standard Chartered Bank Johannesburg Branch Custody and Trustee.

5. Manager

The Manager of the Scheme and the Portfolio at the date of this report is Ashburton Management Company (RF) Proprietary Limited.

6. Beneficiaries

Vested income beneficiaries include all holders of the Portfolio's participatory interests.

7. Corporate governance

The Manager is committed to good corporate citizenship and to open corporate governance in its stewardship of its own affairs and those of the Portfolio. The Manager has implemented and complied with the requirements of Board Notice 910 of the CISCAs during the year under review.

This commitment provides stakeholders with the comfort that the Manager's and the Portfolio's affairs are being managed in an ethical, transparent and responsible manner, after considering prudently the determined risk parameters.

The corporate governance framework ensures the strategic guidance of the Manager and the Portfolio, the effective monitoring of management by the directors of the Manager and their accountability to all stakeholders. Furthermore, the framework ensures that timely and accurate disclosure is made on all material matters regarding the Manager and the Portfolio, including the financial position, performance, ownership, and governance of the Manager and the Portfolio.

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MANAGER'S REPORT (CONTINUED)

8. Integrated report

The Manager of the Portfolio has decided not to present an integrated report about the Portfolio, on the basis that the integrated report would not provide any more insight and/or relevant information to investors and/or stakeholders on the strategy, risks and value creation activities of the Portfolio.

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ACCOUNTING POLICIES

1. General information

The Portfolio is established and domiciled in South Africa. The address of its registered office is 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton.

The Portfolio adopts the following accounting policies in preparing its annual financial statements which are consistent with the accounting policies of the previous accounting period unless otherwise stated.

2. Basis of presentation

The annual financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board (the "IASB"), including interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, and the provisions of the CISCA.

These financial statements comprise the statements of financial position as at 30 June 2020, the statement of comprehensive income, and the statement of cash flows for the year ended, as well as the notes comprising a summary of significant accounting policies and other explanatory notes.

The annual financial statements have been prepared in accordance with the going concern principle using the historical cost basis, except for certain financial assets where the Portfolio adopts the fair value basis of accounting, and incorporates the principal accounting policies set out below, which complies with the Portfolio's Supplemental Trust Deed.

Standards, interpretations and amendments effective 1 July 2019

The following new and revised standards and interpretations that are effective for the year had no impact on the Portfolio's reported earnings, financial position, reserves or accounting policies.

New / revised IFRS	Description of change	Impact on the Portfolio
IFRS 16	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value as defined by the entity. Lessors continue to classify leases as either operating or finance, with IFRS 16's approach to lessor accounting being substantially unchanged from its predecessor, IAS 17.	IFRS 16 will have no material impact on the Portfolio, as the Portfolio is currently not a counterparty to any active lease agreements.
Annual improvements 2015–2017 cycle	These annual improvements include amendments to: <ul style="list-style-type: none"> ➤ IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. ➤ IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises. 	The amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 are not applicable to the Portfolio.

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ACCOUNTING POLICIES (CONTINUED)

New / revised IFRS	Description of change	Impact on the Portfolio
	<p>➤ IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.</p>	
IFRS 9	<p>Prepayment features with Negative Compensation</p> <p>The IASB issued a narrow-scope amendment to IFRS 9 to enable companies to measure at amortised cost some pre-payable financial assets with negative compensation. The assets affected include some advances and debt securities which would otherwise be measured at fair value through profit or loss.</p> <p>Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the pre-payment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be a reasonable compensation for early termination of the contract.</p>	The IFRS 9 amendment will have no material impact on the Portfolio and will be considered if the Portfolio issues instruments with these characteristics.
IAS 28	<p>Long-term Interests in Associates (Amendments to IAS 28)</p> <p>The amendments clarify that an entity should apply IFRS 9, including impairment requirements, to long-term interests in associates and joint ventures that in substance form part of the net investment in the associate or joint venture.</p>	The IAS 28 amendment will have no material impact on the Portfolio, as the Portfolio does not have any investments in associates.
IFRIC 23	<p>IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 Income taxes, are applied where there is uncertainty over income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities if there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that approach will be accepted by the tax authority.</p>	The Portfolio is exempt from income tax; therefore, this interpretation is not applicable to the Portfolio.

Standards and amendments to existing standards in issue not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019 and have not yet been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Portfolio. Refer to note 20.

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ACCOUNTING POLICIES (CONTINUED)

3. Financial instruments

3.1 Classification

The Portfolio has classified all its investments as financial assets or financial liabilities at amortised cost or at fair value through profit or loss ("FVPL").

Financial assets at amortised cost

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets at amortised cost include dividends and interest receivable, other receivables and cash and cash equivalents.

Financial assets at FVPL

All financial assets not measured at amortised cost are subsequently measured at FVPL, except for investments in equities and rights which are mandatorily held at FVPL.

Financial liabilities at amortised cost

Financial liabilities that are not held-for-trading or designated as at FVPL are measured at amortised cost. This category includes fees payable and other payables.

3.2 Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Portfolio commits to purchase or sell the investment. Financial assets at FVTPL are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or if the Portfolio has transferred substantially all risks and rewards of ownership. The Portfolio derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Gains and losses arising from the sale of financial assets and liabilities are recognised within fair value gains and losses on financial assets and financial liabilities at fair value through profit or loss in the period in which they arise (and are presented in the statement of comprehensive income).

Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of comprehensive income within fair value gains and losses, net of withholding taxes when the Portfolio's right to receive payment is established. Interest on cash is recognised in the statement of comprehensive income within interest received based on the effective interest rate.

3.3 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments are valued by various methods depending on the primary market or exchange on which they trade.

Securities traded in active markets are valued using the closing price or the last sale price in the principal market where they are traded. When the last sale price on the local exchange is unavailable the last available quote or last bid price are used.

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ACCOUNTING POLICIES (CONTINUED)

3. Financial instruments (continued)

3.3 Fair value estimation (continued)

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3.4 Impairment

The Portfolio holds only trade receivables with no financing component, and which have maturities of less than 12 months at amortised cost and, as such, has applied the simplified approach for expected credit losses ("ECLs") under IFRS 9 to all its trade and other receivables. Therefore, the Portfolio does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Portfolio's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions refer to Note 2.

The Portfolio uses the provision matrix as a practical expedient to measure ECLs on trade receivables based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates of the expected life of the receivables and is adjusted for forward looking estimates.

The carrying amount of the asset is reduced and the loss is recognised in profit or loss. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases due to events occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced through profit or loss to the extent that the carrying value of the asset does not exceed its amortised cost value, as if the financial asset was not impaired previously, at the reversal date based on the original effective interest rate.

Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified ECL is immaterial.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset when the right to set-off is not contingent on a future event and is legally enforceable for all counterparties in the normal course of business. The net amount is reported in the statement of financial position when the Portfolio has the intention and ability either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Financial assets and financial liabilities are not offset if the right of set-off is only enforceable in the event of default, insolvency and bankruptcy.

3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. All balances, except for physical cash which is held at call, included in cash and cash equivalents have a maturity date of less than three months from the acquisition date and are measured at amortised cost.

4. Participatory interest

The Portfolio issues one class of participatory interests which is redeemable at the holder's option. Participatory interests can be put back to the Portfolio at any dealing date for cash equal to a proportionate share of the Portfolio's net asset value attributable to the participatory interest class.

The participatory interests are measured at the redemption amount that is payable at the reporting date if the holder exercises the right to put the participatory interests back to the Portfolio.

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ACCOUNTING POLICIES (CONTINUED)

4. Participatory interest (continued)

The participatory interests are issued and redeemed at the holder's option at prices based on the Portfolio's net asset value per participatory interest at the time of issue or redemption. The Portfolio's net asset value per participatory interest is calculated by dividing the net assets attributable to the holders of the participatory interest by the total number of outstanding participatory interests, in accordance with the provisions of the Portfolio's supplemental trust deed.

Net assets attributable to participatory interest holders, evidence a residual interest in the assets of the Portfolio after deducting all of its liabilities.

The value of the net assets attributable to participatory interest holders will vary with the changes in the underlying value of the investments, net of receivables and payables. The total movement in the statement of comprehensive income is transferred to the net assets attributable to participatory interest holders.

Creations and redemptions are recorded on trade date using the previous day's closing price.

In accordance with the Portfolio's supplemental trust deed, the Portfolio distributes its distributable income and any other amounts determined by the Manager of the Portfolio to participatory interest holders. The portfolio does not have an unconditional right to avoid delivering cash or another financial asset to settle the contractual obligation should a holder exercise the right to put the participatory interests back to the portfolio. For this reason, the participatory interest does not meet the requirements to be classified as equity in terms of IAS 32 and is thus classified as a liability. Distributions are automatically reinvested in additional participatory interests, other than distributions that are paid in cash.

5. Net income adjustment on creation and redemption of units

An adjustment to income arises on the creation and cancellation of units since the price of a unit includes accrued income and expenses. The income adjustment on creation or cancellation of units is recognised as part of the creation or redemption of unit holder interests and disclosed within the note of net assets attributable to participatory interest holders, when units on which it arises are either purchased or sold as these form part of the cash flow on unit transactions.

6. Other income

Other income comprises income from securities lending activities.

Securities lending fee income

The fees earned for the administration of securities lending activities are recognised as revenue over time as the services are rendered.

7. Investment income

Fair value gains and losses

Gains and losses arising from a change in the fair value of investments, interest income on interest-bearing investments and dividend income, are included in the statement of comprehensive income under fair value gains / losses in the year in which the changes arise.

Interest income

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income as part of interest income on the effective interest method.

Dividend income

Dividend income in respect of investments is recognised when the right to receive payment is established. This is on the "last-day-to-trade" for listed investments and on the "date-of-declaration" for unlisted investments. Dividend income is recognised in the statement of comprehensive income as part of fair value gains and losses.

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ACCOUNTING POLICIES (CONTINUED)

8. Taxation

The Portfolio has no current or deferred tax liability as all realised gains and losses are considered to be of a capital nature and disregarded in the tax calculation of this Collective Investment Scheme portfolio in accordance with paragraph 61 of the Eighth schedule to the Income Tax Act No 58 of 1962. All investment income is distributed within the time frames specified by section 25BA of the Income Tax Act and is therefore taxed in the hands of the participatory interest holders.

9. Critical accounting estimates and judgements in applying accounting policies

No significant accounting estimates and judgements have been applied in the annual financial statements of the Portfolio. All investments designated at FVPL are measured at fair value based on quoted prices in active markets and does not require the use of judgement or estimates.

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

Rand	Notes	2020	2019
ASSETS			
Investments at fair value through profit or loss	1	1,272,340,270	1,634,379,596
Trade and other receivables	2	40,703	1,103,881
Cash and cash equivalents	3	11,792,892	13,104,272
Total assets		1,284,173,865	1,648,587,749
LIABILITIES			
Net assets attributable to participatory interest holders	4	1,283,765,069	1,648,088,684
Trade and other payables	5	408,796	499,065
Total liabilities		1,284,173,865	1,648,587,749

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STATEMENT OF COMPREHENSIVE INCOME

Rand	Notes	2020	2019
Interest income		366,867	536,650
Fair value (loss)/gains	8	(44,187,613)	72,303,832
Investment (loss)/income		(43,820,746)	72,840,482
Other income	9	429,729	531,251
Operating expenses	10	(1,731,323)	(2,048,048)
(Loss)/profit before tax		(45,122,340)	71,323,685
Taxation		-	-
(Loss)/profit before amounts attributable to participatory interest holders		(45,122,340)	71,323,685
Decrease/(increase) in net assets attributable to participatory interest holders	4	45,122,340	(71,323,685)
Total comprehensive income for the year		-	-

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STATEMENT OF CASH FLOWS

Rand	Notes	2020	2019
Cash flows from operating activities			
Cash utilised by operations	13	(1,408,199)	(691,436)
Dividends received		62,630,600	64,228,360
Interest received		407,199	490,473
Sale of investments at fair value through profit or loss		308,779,124	1,043,333,867
Purchase of investments at fair value through profit or loss		(52,518,829)	(1,826,018,877)
Net cash (outflow) / inflow from operating activities		317,889,895	(718,657,613)
Cash flows from financing activities			
Redemption of portfolio participatory interests	4	(310,615,150)	(356,446,610)
Creation of portfolio participatory interests	4	36,914,926	1,129,859,601
Distributions paid to participatory interest holders	4	(45,501,051)	(46,423,283)
Net cash inflow / (outflow) from financing activities		(319,201,275)	726,989,708
Net increase / (decrease) in cash and cash equivalents		(1,311,380)	8,332,095
Cash and cash equivalents at the beginning of the year		13,104,272	4,772,177
Cash and cash equivalents at the end of the year	3	11,792,892	13,104,272

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Rand	2020	2019
Instrument class		
Equity instruments - local	1,272,340,270	1,634,379,596
Total investments at fair value through profit or loss	1,272,340,270	1,634,379,596

The Portfolio can sell the investments at any time to settle liabilities as and when these arise, refer to Note 15.

2. TRADE AND OTHER RECEIVABLES

Rand	2020	2019
Dividends receivable	-	1,039,182
Interest receivable	24,368	64,699
Other Assets	16,335	-
Total trade and other receivables	40,703	1,103,881

There are no trade and other receivables that are past due or impaired. All amounts are due within one year from year end. While the trade and other receivables are also subject to the impairment requirements of IFRS 9, the identified ECL is immaterial

Further information regarding credit quality of trade and other receivables is included in Note 15.

3. CASH AND CASH EQUIVALENTS

Rand	2020	2019
Cash and cash equivalents - local	11,792,892	13,104,272
Total cash and cash equivalents	11,792,892	13,104,272

Cash and cash equivalents are not pledged as security.

4. NET ASSETS ATTRIBUTABLE TO PARTICIPATORY INTEREST HOLDERS

Rand	2020	2019
Balance at the beginning of the year	1,648,088,684	849,775,291
Participatory interests created during the year	36,914,926	1,129,859,601
Participatory interests redeemed during the year	(310,615,150)	(356,446,610)
(Decrease)/increase in net assets attributable to participatory interest holders	(45,122,340)	71,323,685
Distributions paid	(45,501,051)	(46,423,283)
Balance at the end of the year	1,283,765,069	1,648,088,684

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

4. NET ASSETS ATTRIBUTABLE TO PARTICIPATORY INTEREST HOLDERS (CONTINUED)

	Number of participatory interests in issue 2020	Net assets attributable to participatory interest holders 2020	Number of participatory interests in issue 2019	Net assets attributable to participatory interest holders 2019
Class A	25,338,332	1,283,765,069	31,288,332	1,648,088,684
Total	25,338,332	1,283,765,069	31,288,332	1,648,088,684

Participatory interests can be put back to the Portfolio at any point in time. Participatory interests do not have a defined maturity date.

5. TRADE AND OTHER PAYABLES

Rand	2020	2019
Audit fee payable	82,414	63,612
Management fee payable	311,092	423,478
Other payables	3,817	6,662
Trustee fee payable	11,473	5,313
Total trade and other payables	408,796	499,065

Other payables consist of trustee fees and custody fees payable at year end. All trade and other payables are payable within one year from financial year end.

6. CATEGORIES OF FINANCIAL INSTRUMENTS

30 June 2020	Notes	At fair value through profit or loss	At amortised cost	Total
Rand				
Assets				
Investments at fair value through profit or loss	1	1,272,340,270	-	1,272,340,270
Trade and other receivables	2	-	40,703	40,703
Cash and cash equivalents	3	-	11,792,892	11,792,892
Total assets		1,272,340,270	11,833,595	1,284,173,865

Liabilities				
Net assets attributable to participatory interest holders	4	-	1,283,765,069	1,283,765,069
Trade and other payables	5	-	408,796	408,796
Total liabilities		-	1,284,173,865	1,284,173,865

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

6. CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2019	Notes	At fair value through profit or loss	At amortised cost	Total
Rand				
Assets				
Investments at fair value through profit or loss	1	1,634,379,596	-	1,634,379,596
Trade and other receivables	2	-	1,103,881	1,103,881
Cash and cash equivalents	3	-	13,104,272	13,104,272
Total assets		1,634,379,596	14,208,153	1,648,587,749
Liabilities				
Net assets attributable to participatory interest holders	4	-	1,648,088,684	1,648,088,684
Trade and other payables	5	-	499,065	499,065
Total liabilities		-	1,648,587,749	1,648,587,749

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

In terms of IFRS, the Portfolio measures its investments mandatorily at fair value. The Portfolio has established control frameworks and processes to independently validate its valuation techniques and inputs used to determine its fair value measurements. Technical teams are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement.

The Portfolio classifies fair value measurement using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If quoted prices are not available, fair value is measured using a valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The valuation techniques employed by the Portfolio include, *inter alia*, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques. The details per type of asset or liability are set out below. The Portfolio's fair value hierarchy has the following levels:

Level 1 – Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis.

Level 2 – Fair value is determined using inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3 – Fair value is determined using a valuation technique and inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following principal methods and assumptions are used to determine the fair value of financial instruments:

Listed securities – equity instruments

The fair value of listed equities is determined using unadjusted quoted closing the prices. The Portfolio therefore classifies the fair value measurement of the listed equities in the Level 1 category.

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7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the fair value measurements and fair value hierarchy of assets of Portfolio which are recognised at fair value on a recurring basis:

30 June 2020	Fair value	Level 1	Level 2	Level 3
Rand				
Instrument class				
Equity instruments - local	1,272,340,270	1,272,340,270	-	-
Total	1,272,340,270	1,272,340,270	-	-

30 June 2019	Fair value	Level 1	Level 2	Level 3
Rand				
Instrument class				
Equity instruments - local	1,634,379,596	1,634,379,596	-	-
Total	1,634,379,596	1,634,379,596	-	-

Financial instruments not recorded at fair value

For all financial instruments that are not carried at fair value, the carrying value is equal to or a reasonable approximation of the fair value.

Participatory interest holder's liability

The fair value of the participatory interest holder's liability is R 1,335,330,096 (2019: R 1,648,088,684) which is within 4% (2019: 0.1%) of the carrying value of the liability at amortised cost. The participatory interest holders' liability is considered to be Level 1 in the IFRS hierarchy based on the liquidity of the JSE traded price as at 30 June 2020.

Transfers in / out of levels

There were no transfers of financial instruments between Level 1, Level 2 and Level 3 during the current and prior reporting period.

8. FAIR VALUE GAINS OR LOSSES

Rand	2020	2019
Fair value (loss)/gains	(44,187,613)	72,303,832

Included in the total above is the following:

Dividend income - local	61,591,418	64,847,684
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9. OTHER INCOME

Rand	2020	2019
Securities lending income	429,729	531,251
Total other income	429,729	531,251

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10. OPERATING EXPENSES

Rand	2020	2019
Audit fees	98,854	77,625
Bank charges	5,946	5,496
Management fees	1,435,182	1,642,863
Trust and custody fees	191,341	322,064
Total operating expenses	1,731,323	2,048,048

The Manager is entitled to a management fee for the management of the Scheme, as determined by the Manager from time to time, based on the market value of the investments of the Portfolio.

An annual management fee of 10 basis points, which accrues daily, on the market value of the investments of the Portfolio, has been applied.

11. DISTRIBUTIONS

	Number of participatory interests 2020	Distribution 2020	Number of participatory interests 2019	Distribution 2019
Rand				
Declared 30 September 2019 and paid 1 October 2019 (Declared 30 September 2018 and paid 2 October 2018)				
Class A: 66.93 cents per participatory interest (2019: 61.09 cents per participatory interest)	29,088,332	19,470,171	34,388,332	21,008,752
Declared 31 December 2019 and paid 2 January 2020 (Declared 31 December 2018 and paid 2 January 2019)				
Class A: 17.12 cents per participatory interest (2019: 23.37 cents per participatory interest)	29,838,332	5,107,666	38,388,332	8,970,988
Declared 31 March 2020 and paid 1 April 2020 (Declared 31 March 2019 and paid 3 April 2019)				
Class A: 26.17 cents per participatory interest (2019: 30.2 cents per participatory interest)	28,338,332	7,417,222	34,888,332	10,537,881
Declared 30 June 2020 and paid 1 July 2020 (Declared 30 June 2019 and paid 2 July 2019)				
Class A: 44.55 cents per participatory interest (2019: 41.56 cents per participatory interest)	25,338,332	11,289,382	31,288,332	13,003,981
Total		43,284,440		53,521,602

The Portfolio effects quarterly distributions made out of income received by the Portfolio.

Included in the liability to participatory interest holders is the distribution payable as at 30 June.

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12. QUARTERLY REVIEW OF PORTFOLIO PARTICIPATORY INTEREST

Rand	High	Low	Close
2020			
Quarter ended			
30 September 2019	52.94	48.22	49.52
30 December 2019	51.67	48.47	51.05
31 March 2020	52.97	34.61	41.16
30 June 2020	51.66	40.63	50.66
2019			
Quarter ended			
30 September 2018	54.18	49.68	50.15
30 December 2018	50.22	44.66	47.00
31 March 2019	50.81	45.59	50.69
30 June 2019	53.89	48.71	52.67

13. CASH UTILISED BY OPERATIONS

Rand	2020	2,019
(Loss)/profit before taxation	(45,122,340)	71,323,685
Adjusted for:		
Interest income	(366,867)	(536,650)
Fair value loss/(gains)	44,187,613	(72,303,832)
Changes in working capital		
Trade and other receivables	(16,336)	49,653,184
Trade and other payables	(90,269)	(48,827,823)
Total cash utilised by operations	(1,408,199)	(691,436)

14. SECURITIES LENDING

The Manager of the Portfolio may at its discretion engage in securities lending in respect of investments held by the Portfolio, subject to the following limitations:

- Not more than 50% of market value of all investments held in the portfolio can be lent;
- Securities that may be lent to one borrower are limited in accordance with the limits determined by the Registrar for the inclusion of money market instruments in a portfolio;
- Collateral security for the securities loaned must have an aggregated value that exceeds the market value of the securities loaned by not less than 5%;
- Collateral may consist of cash, other securities, or a combination of cash and other securities. Securities may not be lent for a period longer than 12 months; and
- Collateral required will be placed with a securities lending intermediary. For the financial year, this consisted of cash collateral.

FirstRand Bank Limited acted as the securities lending agent for the Portfolio.

The table below analyses the Portfolio's securities lending activities for the year:

Rand	Security out on loan	Average balance lent	Collateral held	Fees earned
2020	306,628,764	246,237,918	353,939,391	429,729
2019	185,847,072	106,303,906	213,337,286	531,251

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT

Exposure to investment, index, credit, secondary trading, market and operational risks arise in the normal course of investment activities in listed securities. The Portfolio's acceptance of risk is directly attributable to the risks associated with any investment in securities.

The objectives for managing the risks associated with financial instruments held for investment purposes, as well as a brief description of the relevant risks and methods adopted to mitigate these risks are outlined in more detail below. The Portfolio is regulated in terms of the Cisca. In terms of the Act, the Manager must appoint a trustee. The assets of the Portfolio are held under the control of the trustee. Management monitors compliance in terms of the Cisca requirements and reports are submitted to the Financial Sector Conduct Authority ("FSCA") on a quarterly basis.

Daily pricing of the Portfolio is publicly available.

The Manager's investment committee oversees management's compliance with the Portfolio's risk management framework in relation to the risks faced by the Portfolio.

The investment policy of the Portfolio is to track the Index as closely as possible, by buying only FTSE/JSE Top40 securities in the weighting in which they are included in the Index, and selling only securities which are excluded from the Index from time to time as a result of quarterly Index reviews or corporate actions, or which are required to be sold to ensure that the Portfolio holds FTSE/JSE Top40 securities in the same weighting as they are included in the Index. However, the Portfolio is also entitled, at its discretion and only on a temporary basis, to employ such other investment techniques and instruments as will most effectively give effect to the object or the investment policies of the Portfolio.

The Portfolio is not to be managed according to traditional methods of active management, which involve buying and selling of securities based on economic, financial and market analysis and investing judgement. The Portfolio will not buy or sell securities for trading purposes or for any purpose other than to track the Index as closely as possible. As a further objective, the securities held by the Portfolio will be managed to generate income for the benefit of investors, for instance income is generated from scrip lending, which is applied to reduce expense and related tracking error.

The Portfolio will be adjusted as determined by the stipulations of the JSE's Index calculation methodology to conform to changes in the basket of securities comprising the Portfolio's basket of assets so as to substantially reflect the composition and weighting of the securities comprising the Index at all times.

It is recorded that the Portfolio's ability to replicate the price and yield performance of the Index will be affected by the costs and expenses incurred by the Portfolio. Costs and expenses may result in the Index not being replicated perfectly by the Portfolio.

The Portfolio is exposed to the following risks from its use of financial instruments:

- a. Liquidity risk;
- b. Interest rate risk;
- c. Credit risk;
- d. Operational risk;
- e. Market risk;
- f. Investment risk;
- g. Index risk;
- h. Tracking risk; and
- i. Secondary trading risk.

The above-mentioned risks are addressed below in more detail.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT (CONTINUED)

15.1 Liquidity risk

Liquidity risk is the risk that the Portfolio will not be able to meet its financial obligations towards participatory interest holders when they fall due. Net assets attributable to participatory interest holders are payable on demand.

The approach to managing liquidity risk is to ensure that the Portfolio would be able to pay suitable distributions to participatory interest holders on a quarterly basis. All distributions are calculated and approved by the Manager.

The Portfolio participatory interests are listed instruments that are bought and sold on the JSE through a JSE member. The participatory interest holders may exchange their interests for the underlying assets which the participatory interests represent; or may sell their interests on the JSE.

Market makers will attempt to maintain a high degree of liquidity through continuously offering to buy and sell the Portfolio participatory interest at prices around the net asset value ("NAV") of the Portfolio securities, thereby ensuring tight buy and sell spreads. Under normal circumstances and conditions, the participatory interest holders will be able to buy or sell the Portfolio participatory interest from market makers.

Liquidity risk may arise upon realisation or rebalancing of the Portfolio, in line with the Index, where one or more securities within the Index does not trade in sufficient volume.

The table below analyses the Portfolio's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts are undiscounted.

30 June 2020	Term to maturity				
	Call to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Rand					
Net assets attributable to participatory interest holders	1,283,765,069	-	-	-	1,283,765,069
Trade and other payables	408,796	-	-	-	408,796
Total	1,284,173,865	-	-	-	1,284,173,865

30 June 2019	Term to maturity				
	Call to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Rand					
Net assets attributable to participatory interest holders	1,648,088,684	-	-	-	1,648,088,684
Trade and other payables	499,065	-	-	-	499,065
Total	1,648,587,749	-	-	-	1,648,587,749

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT (CONTINUED)

15.2 Interest rate

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The table below provides a split of interest-bearing assets that are exposed to cash flow interest rate risk.

Rand	Cash flow interest rate risk	Fair value interest rate risk	Total
30 June 2020			
Cash and cash equivalents	11,792,892	-	11,792,892
Total	11,792,892	-	11,792,892

Rand	Cash flow interest rate risk	Fair value interest rate risk	Total
30 June 2019			
Cash and cash equivalents	13,104,272	-	13,104,272
Total	13,104,272	-	13,104,272

At the reporting date the interest rate profile of the Portfolio's interest-bearing financial instruments was:

Rand	2020	2019
Variable rate instruments		
Cash and cash equivalents	11,792,892	13,104,272
Total	11,792,892	13,104,272

Sensitivity Analysis

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased / (decreased) profits by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative information.

Rand	2020	2019
Cash and cash equivalents	117,929	131,043
Total	117,929	131,043

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect to the amounts shown above. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative information.

15.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Portfolio by failing to discharge an obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT (CONTINUED)

15.3 Credit risk (continued)

Credit risk is considered to be low.

Credit risk is only applicable to the financial assets of the Portfolio. The carrying amounts of financial assets represent the maximum credit exposure. None of the Portfolio's financial assets are considered past due or impaired.

In terms of CISCA, the Manager may, subject to the requirements of section 85 of the Act, lend or offer to lend assets included in the Portfolio within the limits or on the conditions determined by the supplemental trust deed. The Trustee of the Portfolio gives authority to the Manager to lend or offer to lend securities with a value not exceeding 50% of the market value of all securities included in the Portfolio. The Manager engaged in securities lending activities, in respect of the securities held by the Portfolio, during the reporting period.

In terms of the supplemental trust deed, the Manager may engage in securities lending under section 85 of the Act, subject to the following limits and conditions:

- The securities lending must be beneficial to all participatory interest holders;
- The Manager may lend or offer to lend securities with a value not exceeding 50 per cent of the market value of all securities included in the Portfolio;
- The securities that may be lent to one borrower are limited in accordance with the limits determined by the Registrar for the inclusion of the money market instruments in a portfolio; and
- Collateral security for the securities loaned must have an aggregate value that exceeds the market value of the securities loaned by not less than five per cent at all times and may only consist of:
 - Cash; or
 - Other securities; or
 - A combination of cash and other securities.
 - Securities may not be lent for a period longer than 12 months; and
 - Securities may not be lent unless subject to a right of recall.

In terms of the securities lending agreements, it is the duty of the agent to take delivery of the collateral assets, any appropriate instruments of transfer or instrument of title in respect of a service level agreement. Collateral assets and instruments of transfer of title are held on behalf of, and for the benefit of, the principal as represented by the Portfolio.

The Portfolio could be exposed to credit risk to the extent that inadequate collateral is held on the underlying assets. As at 30 June 2020, collateral held exceeded the securities out on loan and therefore the Portfolio has no exposure to residual credit risk related to this, refer to Note 14. If a borrower fails to perform its obligations, the Portfolio may be unable to recover the loaned investment. However, the Manager only engages in securities lending with highly rated financial institutions.

Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on the lifetime ECL as any such impairment would be insignificant to the Portfolio. All trade receivables are due to be settled within three months.

The maximum exposure to credit risk at the reporting date was as follows:

Rand	2020	2019
Trade and other receivables	40,703	1,103,881
Cash and cash equivalents - local	11,792,892	13,104,272
Total	11,833,595	14,208,153

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT (CONTINUED)

15.3 Credit risk (continued)

The credit quality of assets exposed to credit risk can be assessed by reference to Moody's national credit ratings as notated in the Standard & Poor's rating scale as shown in the table below:

Credit rating	2020 %	2019 %
Trade and other receivables No credit rating allocated	0,34%	7,77%
Cash and cash equivalents - local AA (zaf)	99,66%	92,23%
Total	100,00%	100,00%

15.4 Operational risk

If shares in the underlying companies are suspended or cease trading for any reason, the suspended shares will not be delivered to a holder exercising its right to take delivery of the underlying shares until the suspension on the trading in respect of those shares is lifted.

If the computer facilities or other facilities of the JSE malfunction, calculation and trading in the Portfolio securities may be suspended for a period of time.

Operational risk arises in rebalancing the underlying basket of securities in the Portfolio to the underlying securities constituting the Index, thereby impacting the value of the Portfolio's securities and in the determination of the distributions around distribution dates in order to minimise tracking error.

The Manager purely executes and administers trades. Daily participatory interest reconciliations are prepared. Weekly reconciliations are prepared between the Portfolio administrators and the custodian. The Manager reviews all the reconciliations performed with necessary follow ups. A reconciliation is prepared and reviewed monthly by the Manager and is considered the most appropriate control for internal risk management. Assets are held in custody at The Standard Chartered Bank. Trades are all in listed equity instruments.

15.5 Market risk

Market risk exists where significant changes in security prices will affect the value of the Portfolio's financial instruments. The investment mandates indicate that the Portfolio's assets are passively managed and as a result the management of the market risk is not possible.

There is no guarantee that the Portfolio will achieve its investment objective of perfectly tracking the Index.

The value of Portfolio securities and distributions payable by the Portfolio will rise and fall as the capital values of the underlying securities housed in the Portfolio and the income flowing there-from fluctuates. Prospective participatory interest holders should be prepared for the possibility that they may sustain a loss. The Portfolio may not be able to perfectly replicate the performance of the Index because:

- The Portfolio is liable for certain costs and expenses not taken into account in the calculation of the Index; or
- Certain Index constituents may become temporarily unavailable; or
- Other extraordinary circumstances may result in a deviation from precise Index weightings.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT (CONTINUED)

15.6 Investment risk

There can be no assurance that the Portfolio will achieve its investment objectives of replicating the price and yield performance of the Index.

The following factors could impact negatively on the investment performance of the Portfolio:

- Certain costs and expenses incurred by the Portfolio could cause the underlying portfolio of assets not to achieve its objective;
- Temporary unavailability of securities in the secondary market or other extraordinary circumstances could cause deviations from the Portfolio's objective;
- In circumstances where securities comprising the Index are suspended from trading or other market disruptions occur, it may be impossible to rebalance the portfolio of securities held by the Portfolio and this may lead to a tracking error; or
- Misinterpretation of information in the calculation of the Index could result in miss-tracking of the Index.

The investment mandates indicate that the Portfolio's assets are passively managed and as a result the management of the market risk is not possible.

Sensitivity analysis

All the Portfolio's underlying investments are listed on the JSE. The price of the Portfolio participatory interest is closely correlated to the movements in the Index. Any movement or adjustment in the Index, or the underlying constituents of the Index, will have an impact on the price of the participatory interest.

At any point in time, the market value of a Portfolio participatory interest is expected to reflect 1/1000th of the Index level, plus an amount which reflects a pro-rata portion of any accrued distribution amount within the Portfolio's portfolio. Therefore, a 100-point movement in the Index would result in a R0.10 movement in the NAV per participatory interest of the Portfolio.

Actual market values may be affected by supply and demand and other market factors, but the ability of a participatory interest holder to switch out of the Portfolio's participatory interest by redeeming them in specie for one or more baskets of constituent securities, subject to a minimum of 1 million portfolio participatory interests being delivered, should operate to substantially avoid or minimise any differential which may otherwise arise between the relevant basket and/or Index level and the value at which the Portfolio participatory interests trade from time to time.

The movement in the value of the Portfolio's basket of assets should the portfolio's security price increase / decrease by 10%, is summarised in the table below:

	+10%	Fair value per the statement of financial position	-10%
Rand			
30 June 2020			
Investments at fair value through profit or loss	1,399,574,297	1,272,340,270	1,145,106,243
30 June 2019			
Investments at fair value through profit or loss	1,797,817,556	1,634,379,596	1,470,941,636

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT (CONTINUED)

15.7 Index risk

There is no assurance that the Index will continue to be calculated and published on the same or similar basis indefinitely. The Index was created by the JSE as a measure of market performance and not for the purposes of trading Portfolio Index securities. The past performance of the Index is not necessarily a guide to its future performance.

The Index may be adjusted from time to time as a result of mergers, re-organisations, Schemes of arrangement or other corporate activity involving constituent companies. Any adjustments to the Index will be implemented as determined from time to time in terms of the relevant Index stipulations, for example, if a constituent company pays a special dividend.

The adjustments may require the removal of a constituent company from the Index and the substitution thereof with a new constituent company while at the same time, if necessary, adjusting the base level. The adjustments to the portfolio will be made in such a way that the portfolio will remain substantially aligned with the Index level at all times.

15.8 Tracking risk

The risk that the Index may not be appropriately tracked is managed in the following manner:

- Announcements made on the JSE website are checked for any events that may change the Index and a rebalance performed, if necessary;
- The corporate actions schedule is checked for any events that may change the Index and a rebalance, if necessary;
- The positions report is compared to what theoretically should be held with the ETF trading application and a rebalance performed, if necessary; and
- During the daily net asset value (NAV) calculation process, a check is done to ensure that the Ashburton Top 40 ex-closing price is equal to 1/1000th of the Top 40 JSE Index ex-closing level, i.e. a reasonability check is performed.

15.9 Secondary trading risk

There can be no guarantee that the Portfolio participatory interests will remain listed on the JSE. Any termination of a listing would be subject to the JSE listing requirements. Despite the presence of market makers, the liquidity of the Portfolio participatory interests cannot be guaranteed.

The participatory interests may trade at a discount or premium to their NAV.

16. RELATED PARTIES

Management company	Ashburton Management Company (RF) Proprietary Limited
Ultimate holding company of the management company	First Rand Limited
Subsidiary of the FirstRand Limited Group	FirstRand Bank Limited RMB Securities Proprietary Limited

The Portfolio defines related parties as:

- j. The ultimate parent of the management company which is FirstRand Limited;
- k. Any subsidiary of the FirstRand Limited group; and
- l. Key management personnel.

Key management includes the directors and prescribed officers of the Manager.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

16. RELATED PARTIES (CONTINUED)

16.1 Related party balances

Rand	2020	2019
Investments at fair value through profit or loss		
FirstRand Bank Limited	38,025,670	55,814,644

The Portfolio holds investments in the above group company.

Rand	2020	2019
Management fee payable		
Ashburton Management Company (RF) Proprietary Limited	311,092	423,478

The above amount is for the management fees due and payable for management services rendered.

Rand	2020	2019
Holding in the fund		
RMB Securities Proprietary Limited	6,939,964	139,363,240

RMB Securities Proprietary Limited holds 136,991 participatory interests, which represents 0.5% of the Portfolio participatory interest (2019: 2,645,970 participatory interests, which represents 8.46% of the Portfolio participatory interest).

Rand	30 June 2020	30 June 2019
Securities out on loan		
First Rand Limited	306,628,764	185,847,072

Securities out on loan at 30 June.

16.2 Related party transactions

Rand	2020	2019
Management fee		
Ashburton Management Company (RF) Proprietary Limited	1,435,182	1,642,863

Management fees are paid for management services rendered.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

16. RELATED PARTIES (CONTINUED)

16.2 Related party transactions (continued)

Rand	2020	2019
Dividend received		
FirstRand Bank Limited	2,348,641	2,582,755

Dividends received from investments in group entity.

Rand	2020	2019
Distributions paid		
RMB Securities Proprietary Limited	2,556,739	2,376,855

Distributions were made to RMB Securities Proprietary Limited as holder of participatory interests in the Portfolio. Income derived from security lending activities.

Rand	2020	2019
Securities lending income		
FirstRand Bank Limited	429,729	531,251

17. OPERATING SEGMENT

The Portfolio offers only one product, being units in the Portfolio, tracking the FTSE/JSE Top 40 Companies Index. Information regarding the results of the reportable segment is disclosed in the financial statements as currently set out, thus no further IFRS 8 disclosure is required.

18. EVENTS AFTER THE REPORTING PERIOD

No matter which material to the financial affairs of the Portfolio has occurred between the reporting date and the date of approval of the annual financial statements.

19. COVID-19 IMPACT

Due to the coronavirus (COVID-19) pandemic, governments across the world have declared national lockdowns, which have resulted in extensive travel restrictions and quarantine measures being implemented. Businesses globally have had to limit or suspend their operations and as such, the COVID-19 measures implemented by governments globally have severely impacted a wide range of industries, including the financial sector. Due to the global economic downturn, a significant increase in the volatility of the financial and commodities markets worldwide has been noted.

Due to the unprecedented nature of the COVID-19 pandemic, it is not possible to accurately predict the full extent and duration of its economic impact.

This Portfolio is a passively managed portfolio. Although the impact of Covid-19 can be seen in fluctuations in the market values of the underlying investments in the portfolio, the nature of business and conduct of the portfolio has remained unchanged. The objective of the portfolio remains to track the price and performance yield of the FTSE/JSE Top 40 Companies Index on the Johannesburg Stock Exchange as closely as possible regardless of the fluctuations in price or changes in the constituents of the Index.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

20. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following new and revised standards and interpretations are applicable to the business of the portfolio. The portfolio will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
IFRS 17	<p>Insurance Contracts</p> <p>IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities as well as the release of profits on these contracts to the income statement.</p> <p>IFRS 17 will not have an impact on the company's annual financial statements.</p>	Annual periods commencing on or after 1 January 2021
Conceptual framework	<p>The improvements to the conceptual framework include: revising the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements and the following concepts have been clarified; prudence, stewardship, measurement uncertainty and substance over form.</p> <p>This amendment is not expected to have a significant impact on the company.</p>	Annual periods commencing on or after 1 January 2020
IFRS 3	<p>Business Combinations - Amendments to clarify the definition of a business</p> <p>The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.</p> <p>The amendment is not expected to have a material impact on the company and the clarified requirements will be applied on a transaction by transaction basis.</p>	Annual periods commencing on or after 1 January 2020
IAS 1 and IAS 8	<p>Amendments regarding the definition of material</p> <p>The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved.</p> <p>The amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments will be applied prospectively. The amendment is not expected to have a significant impact on the annual financial statements.</p>	Annual periods commencing on or after 1 January 2020

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

20. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standard	Impact assessment	Effective date
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	<p>The IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 as part of the interest rate (IBOR) benchmark reform that has a direct impact on the hedging relationships. These impacts are –</p> <ul style="list-style-type: none"> - The highly probable requirement under IFRS 9 and IAS 39 - when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform. - Prospective assessments – When performing prospective assessments for effectiveness, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. <p>These amendments will not have an impact on the company as it does not apply hedge accounting.</p>	Annual periods commencing on or after 1 January 2020

PricewaterhouseCoopers Inc
4 Lisbon Lane
Waterfall City
Jukskei View
2090

7 August 2020

Attention: G Fraser

Ashburton Collective Investment Scheme in Securities (The Scheme) – Year End 30 June 2020

We, Standard Chartered Bank, Johannesburg Branch, in our capacity as trustee of the Scheme, are required in terms of Section 70(3) of the Collective Investments Scheme Control Act, 45 of 2002, as amended (the "Act"), to satisfy ourselves that every Statement of Financial Position, Statement of Comprehensive Income and other return prepared by the manager of the Scheme in terms of Section 90 of the Act (the "Accounts") fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the manager of the Scheme.

We note that responsibility for the Accounts rests with the manager of the scheme in terms of the Act and that they have the obligation to ensure that the Accounts have been properly drawn up in accordance with both International Financial Reporting Standards (IFRS) and the Act and that they fairly represent the financial position of each portfolio of the Scheme. Nothing in this report can be construed as us giving an accounting opinion in relation to the Accounts.


Based on our records, and the Accounts, we hereby report that nothing has come to our attention that would lead us to believe anything other than:

- (a) the fact that the Accounts fairly represent the assets and liabilities of every portfolio of the Scheme;
- (b) the fact that the Accounts fairly represent the income and distribution of income of every portfolio of the Scheme; and
- (c) the fact that the Manager has administered the scheme in accordance the provisions of the Act and the relevant deed.

Yours sincerely,



Chantell Kruger
Senior Manager, Trustee Services



Charl Steyn
Manager, Trustee Compliance

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Johannesburg Branch

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Incorporated in England with limited liability by Royal Charter 1853 Reference Number ZC18
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