

# **Fox Street 3 (RF) Limited**

(Registration Number : 2014/027637/06)

Annual Financial Statements  
for the year ended 31 March 2022  
Audited

In terms of S 29(1)(e)(ii) of the Companies Act 71 of 2008 as amended, we confirm that the preparation of the following financial statements is the responsibility of Jayshree Pather, CA (SA), Transaction Manager.

The following financial statements have been audited in compliance with the requirements of S30(2)(b) of the Companies Act 71 of 2008, as amended.

# **Fox Street 3 (RF) Limited**

(Reg. No. 2014/027637/06)

## **Annual Financial Statements**

*for the year ended 31 March 2022*

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# Fox Street 3 (RF) Limited

## Company information

*for the year ended 31 March 2022*

<b>Directors</b>	WJ Janse Van Rensburg (( Alternate Non-Executive Director) (Appointed 01 December 20 DP Towers (Independent Non-Executive Director) (Appointed 01 July 2021) GT Sayers(Independent Non-Executive Director) (Appointed 01 July 2021) HS Tradonsky (Non-executive director) KW van Staden (Independent Non-Executive Director) (Appointed 01 July 2021)  PBE Coombe (Independent non-executive director) (Resigned 01 July 2021) DA Lorimer (Independent non-executive director) (Resigned 01 July 2021) BW Smith (Independent non-executive director) (Resigned 01 July 2021)
<b>Date of incorporation</b>	7 February 2014
<b>Registration number</b>	2014/027637/06
<b>Nature of business and principal activities</b>	To acquire the right, title and interest in and to residential home loan assets with funds raised directly or indirectly by issue of debt instruments, and to manage the assets so acquired.
<b>Secretary</b>	Investec Group Data Proprietary Limited (Reg. No. 1937/009329/07)
<b>Independent Auditor</b>	KPMG Inc.
<b>Bankers</b>	Investec Bank Limited
<b>Registered Office</b>	c/o Company Secretarial Investec Limited 100 Grayston Drive Sandown Sandton 2196
<b>Postal address</b>	c/o Company Secretarial Investec Limited PO Box 785700 Sandton 2146
<b>Service providers</b>	The servicer, administrator and interest rate swap counterparty is Investec Bank Limited.  The subordinated loan provider is Investec Bank Limited.

# Fox Street 3 (RF) Limited

## Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Fox Street 3 (RF) Limited, comprising the statement of financial position at 31 March 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the Directors' Report.

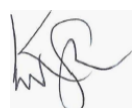
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

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

### Approval of annual financial statements

The annual financial statements of Fox Street 3 (RF) Limited, as identified in the first paragraph, were approved by the board of directors on 30 June 2022:



\_\_\_\_\_  
**Director :** Kurt Wade Van Staden

**Date:** 27 July 2022



\_\_\_\_\_  
**Director:** Willie Janse van Rensburg

**Date:** 27 July 2022

## Declaration by the Company Secretary

In terms of section 88(2)(e) of the South African Companies Act No 71 of 2008, as amended, I hereby certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2022, all such returns as are required in terms of the Act and that all such returns are true, correct and up to date.



\_\_\_\_\_  
**COMPANY SECRETARY**

**Name:** Patrisia le Roux

# **Fox Street 3 (RF) Limited**

## **Directors' report**

*for the year ended 31 March 2022*

The directors have pleasure in submitting their report on the activities of the company for the year ended 31 March 2022.

### **Nature of business**

To acquire the rights, title and interest in and to residential home loan assets using a securitisation structure, with funds being raised via the issue of debt instruments which are listed and unlisted, and to manage the assets so acquired. These assets provide the security for the debt instruments.

### **Operating results and financial position**

The results of the company's operations and cash flows for the year, and its financial position at 31 March 2022, are set out in the financial statements and require no further comment.

### **Authorised and issued share**

Details of authorised and issued share capital are disclosed in note 6 to the financial statements.

### **Directorate**

The directors of the Company at the date of this report are JW Janse Van Rensburg (Alt), DP Towers, GT Sayers, HS Tradonsky and KW van Staden.

### **Interest of the directors and officers**

None of the directors and officers have any interest in the issued share capital or any of the contracts entered into by the Company.

### **Dividends**

No dividends were declared or paid during the year.

### **Controlled entity**

In accordance with the requirements of IFRS 10, *Consolidated Financial Statements*, Investec Bank Limited consolidates Fox Street 3 (RF) Limited. This is because Investec Bank Limited is exposed to variability of returns from Fox Street 3 (RF) Limited.

### **Going concern**

The Issuer has been set up as an insolvency remote special purpose vehicle by incorporating ring-fencing provisions into its memorandum of incorporation. In addition, secured creditors have agreed to certain subordination, non-petition, and limited recourse clauses. If the net proceeds of the enforcement of the transaction security (including the Issuer's assets) are not sufficient to make all payments, then due in respect of the Notes in issue, the obligations of the Issuer will be limited to such net proceeds and no other assets will be available to meet any shortfall. Please refer to Note 21 for further detail.

### **Events after the reporting date**

No material events have occurred between 31 March 2022 and the date of this report.



\_\_\_\_\_  
**Authorised Director**



\_\_\_\_\_  
**Authorised Director**

# **Fox Street 3 (RF) Limited**

## **Audit Committee Report**

*for the year ended 31 March 2022*

### **Members of the Audit Committee**

The members of the Audit Committee were all independent non-executive directors and comprised:

GT Sayers  
DP Towers  
KW van Staden

The chairman of the Board serves on the Audit Committee, but another independent non-executive director acts as chairman thereof. Given that the Company is a special purpose vehicle incorporated as an Issuer in a securitisation scheme (as regulatory defined), the afore-going is considered acceptable and reasonable.

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act No. 71 of 2008 as amended and Regulation 42 of the Companies Regulation, 2011.

### **Meetings held by the Audit Committee**

The Audit Committee performs the duties laid upon it by Section 94(7) of the Companies Act No. 71 of 2008 as amended, by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditor.

### **Expertise and experience of the finance function**

The servicing, accounting and administration of the Company's assets are performed and prepared by Investec Bank Limited (jointly hereinafter Management). The Internal Audit function does not directly report to the Audit Committee, but highlights any matters relevant to the Company's annual financial statements via the Servicer and the Administrator to the Audit Committee.

The on-going secretarial administration of the Company's statutory records is done by Investec Group Data Proprietary Limited.

### **Independence of the external auditor**

The Company's auditor is KPMG Inc.

The committee satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act No. 71 of 2008, as amended, and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided in terms of the Companies Act No. 71 of 2008, as amended, that internal governance processes within the firm support and demonstrate the claim to independence.

The Audit Committee, in consultation with the Servicer and the Administrator, agreed to the terms of the external auditor's engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as parallel interaction with the Servicer, timing of the audit, the extent of the work required and the scope.

Fees paid to the auditor are disclosed in Note 13 in the financial statements.

# **Fox Street 3 (RF) Limited**

## **Audit Committee Report**

*for the year ended 31 March 2022 (continued)*

### **Discharge of responsibilities**

The committee is satisfied that, in respect of the financial year under review, it has discharged its duties and responsibilities in accordance with its terms of reference and in terms of the Companies Act No. 71 of 2008 as amended. The Board concurred with the assessment.

The committee performed the following activities during the year under review:

- o Approved the Audit Committee's terms of reference
- o Approved the external auditor's plan and fees for the 2022 audit;
- o Approved any other services provided by the auditor and
- o Considered the independence and objectivity of the external auditor.

### **Meetings**

The Audit Committee met during the current financial year on the following dates:

Date	Attendees
30 June 2021	PBE Coombe BW Smith DA Lorimer
24 March 2022	GT Sayers DP Towers KW van Staden

### **Annual Financial Statements**

Following the review by the committee of the annual financial statements of Fox Street 3 (RF) Limited for the year ended 31 March 2022 and based on the information provided to it, the committee considers that, in all material respects, the Company complies with the provisions of the Companies Act No. 71 of 2008, as amended, International Financial Reporting Standards, and that the accounting policies applied are appropriate.

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

The committee recommended the Company's 2022 annual financial statements for approval by the Board on 30 June 2022.

On behalf of the Audit Committee:



**Chairman: Audit Committee**



KPMG Inc  
KPMG Crescent  
85 Empire Road, Parktown, 2193,  
Private Bag 9, Parkview, 2122, South Africa  
Telephone +27 (0)11 647 7111  
Fax +27 (0)11 647 8000  
Docex 472 Johannesburg  
Web <http://www.kpmg.co.za>

## **Independent Auditor's Report**

### **To the shareholder of Fox Street 3 (RF) Limited**

#### **Report on the audit of the financial statements**

We have audited the financial statements of Fox Street 3 (RF) Limited (the Company) set out on pages 10 to 32, which comprise the statement of financial position at 31 March 2022, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fox Street 3 (RF) Limited at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### ***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 are independent of the Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

We have determined that there are no key audit matters to communicate in our report.

#### ***Other information***

The directors are responsible for the other information. The other information comprises the information included in the document titled "Fox Street 3 (RF) Limited Annual Financial Statements for the year ended 31 March 2022", which includes the Directors' Report, the Audit Committee Report and the Declaration by the Company Secretary as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

KPMG Incorporated is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Incorporated is a Registered Auditor, in public practice, in terms of the Auditing Profession Act 26 of 2005.

Registration number 1999/021543/21

Chairman: Prof W Nkuhlu  
Chief Executive: I Sehoole  
Directors: Full list on website

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown.





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 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 for the financial statements***

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

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

#### ***Auditor's responsibilities for the audit of the financial statements***

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

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

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



evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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, 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.

***Report on other legal and regulatory requirements***

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Fox Street 3 (RF) Limited for 8 years.

KPMG Inc.

A handwritten signature in black ink that reads 'TA Middlemiss'.

Per TA Middlemiss  
Chartered Accountant (SA)  
Registered Auditor  
Director

28 July 2022

# Fox Street 3 (RF) Limited

## Statement of financial position

as at 31 March 2022

	Notes	2022	2021
		R	R
<b>Assets</b>			
Deferred tax asset	5	1,089,270	1,301,702
Current tax receivable		440,272	-
Intercompany receivables	2	936,323,731	734,095,910
Trade and other receivable		234,708	1,516,476
Cash and cash equivalents	4	130,274,917	109,801,867
<b>Total assets</b>		<b>1,068,362,898</b>	<b>846,715,955</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
		(3,166,334)	(2,425,012)
Share capital	6	101	101
Accumulated loss		(1,284,502)	(10,316)
Cash flow hedge reserve		(1,881,933)	(2,414,797)
<b>Liabilities</b>			
		1,071,529,232	849,140,967
Subordinated loan	8	151,228,899	173,787,320
Residential mortgaged backed securities	7	906,112,429	644,235,429
Derivative financial instruments	3	2,577,990	3,353,885
Deferred income		399,962	240,421
Accrued interest payable	9	10,988,246	27,402,550
Current tax liability		-	61,340
Trade and other payables	10	221,706	60,022
<b>Total equity and liabilities</b>		<b>1,068,362,898</b>	<b>846,715,955</b>

## Fox Street 3 (RF) Limited

### Statement of Comprehensive Income

for the year ended 31 March 2022

	Notes	2022 R	Restated 2021 R
Interest income calculated using the effective interest rate method	11	56 313 724	52 612 260
Other interest income	11	(1 854 452)	930 724
Interest expense	12	(54 254 851)	(51 368 314)
<b>Net interest income</b>		<b>204,421</b>	<b>2,174,670</b>
Other income		147,900	127,686
<b>Total operating income before expected credit losses</b>		<b>352,321</b>	<b>2,302,356</b>
Expected credit loss impairment charge	2	(32,937)	(265,354)
Other operating expenses	13	(2,053,078)	(1,931,618)
<b>(Loss)/Profit before taxation</b>		<b>(1,733,694)</b>	<b>105,384</b>
Taxation	14	459,508	(23,215)
<b>(Loss)/Profit for the year</b>		<b>(1,274,186)</b>	<b>82,169</b>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Cash flow hedges- effective portion of changes in fair value *	3 & 22	(1,321,588)	(2,426,841)
Cash flow hedges- reclassified to profit or loss	11	1,854,452	(930,724)
		<b>532,865</b>	<b>(3,357,565)</b>
<b>Total comprehensive loss for the year</b>		<b>(741,322)</b>	<b>(3,275,396)</b>

\* Please refer to Note 22

## Fox Street 3 (RF) Limited

### Statement of Changes in Equity

for the year ended 31 March 2022

	Notes	Ordinary	Preference	Accumulated	Restated	Total
		share	share	loss	Cash flow	
		capital	capital		hedge reserve	
		R		R		R
<b>Balance at 31 March 2020</b>		<u>100</u>	<u>1</u>	<u>(92 485)</u>	<u>942,768</u>	<u>850 384</u>
<b>Total comprehensive income for the year</b>						
- Profit for the year		-	-	82,169	-	82 169
<b>Other comprehensive income</b>						
Cash flow hedges- effective portion of changes in fair value *	3 & 22	-	-	-	(2 426 841)	(2 426 841)
Cash flow hedges- reclassified to profit or loss	11	-	-	-	(930 724)	(930 724)
<b>Balance at 31 March 2021</b>		<u>100</u>	<u>1</u>	<u>(10 316)</u>	<u>(2,414,797)</u>	<u>(2 425 012)</u>
<b>Total comprehensive income for the year</b>						
- Profit for the year		-	-	(1,274,186)	-	(1 274 186)
<b>Other comprehensive income</b>						
Cash flow hedges- effective portion of changes in fair value	3	-	-	-	(1 321 588)	(1 321 588)
Cash flow hedges- reclassified to profit or loss	11	-	-	-	1 854 452	1 854 452
<b>Balance at 31 March 2022</b>		<u>100</u>	<u>1</u>	<u>(1 284 502)</u>	<u>(1,881,933)</u>	<u>(3 166 334)</u>

\* Please refer to Note 22

# Fox Street 3 (RF) Limited

## Statement of Cash Flows

for the year ended 31 March 2022

	<i>Notes</i>	<b>2022</b>	<b>2021</b>
		<b>R</b>	<b>R</b>
<b>Cash flows from operating activities</b>			
Profit before taxation		(1,733,694)	105,384
<i>Adjusted for:</i>			
Expected credit loss impairment charge		32,937	265,354
<i>Changes in working capital:</i>			
Decrease in trade and other receivables		1,281,768	1,933,010
Increase/(Decrease) in trade and other payables		161,684	(320,476)
Increase/ (Decrease) in deferred income		159,541	(37,593)
(Decrease) in accrued interest		(16,414,304)	(738,816)
		<u>(16,512,068)</u>	<u>1,206,863</u>
Taxation paid		(72,703)	(84,880)
<b>Net cash (outflow)/inflow from operating activities</b>		<u><b>(16,584,771)</b></u>	<u><b>1,121,983</b></u>
<b>Cash flows from investing activities</b>			
(Purchase)/Repayment of intercompany receivables		<u>(202,260,758)</u>	<u>151,110,074</u>
<b>Net cash (outflow)/inflow from investing activities</b>		<u><b>(202,260,758)</b></u>	<u><b>151,110,074</b></u>
<b>Cash flows from financing activities</b>			
Capital redemption of residential mortgage backed securities	7	(688,123,000)	(150,458,830)
Issuance of residential mortgage backed securities	7	950,000,000	-
Capital redemption of subordinated loan	8	(173,787,320)	-
Issuance of New subordinated loan	8	151,228,899	-
<b>Net cash inflow/(outflow) from financing activities</b>		<u><b>239,318,579</b></u>	<u><b>(150,458,830)</b></u>
<b>Net increase in cash and cash equivalents for the year</b>		<b>20,473,050</b>	1 773 227
<b>Cash and cash equivalents at beginning of the year</b>		<b>109,801,867</b>	108,028,640
<b>Cash and cash equivalents at end of the year</b>	4	<u><u><b>130,274,917</b></u></u>	<u><u><b>109 801 867</b></u></u>

# Fox Street 3 (RF) Limited

## Notes to the financial statements

for the year ended 31 March 2022

### 1. Significant accounting policies

#### 1.1 Reporting entity

Fox Street 3 (RF) Limited (the 'Company') is domiciled in South Africa. The Company's registered office is at 100 Grayston Drive, Sandown, Sandton, 2196. These financial statements comprise the Company's annual financial statements. The Company is primarily involved in acquiring the right, title and interest in and to residential homeloan assets with funds raised directly or indirectly by issue of debt instruments, and to manage the assets so acquired.

#### 1.2 Basis of preparation

The company's financial statements are prepared in accordance with IFRS as issued by the IASB, its interpretations adopted by the IASB, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Debt Listings Requirements, and the South African Companies Act.

The financial statements have been prepared in accordance with the going concern principle under the historical cost basis, except for the revaluation of financial instruments, classified as instruments at amortised cost and instruments held at fair value. The financial statements are presented in South African Rand, which is the Company's functional currency.

#### 1.3 Use of estimates and judgement

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the classification of financial instruments. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Key areas in which judgement is applied include:

The determination of impairments against assets that are carried at amortised cost involves the assessment of future cash flows which is judgmental in nature.

The fair value movements of the Swap are determined by assessment of future cash flows which is judgmental in nature.

Further information in relation to this can be found in Note 20.

#### 1.4 Financial assets and financial liabilities

##### 1.4.1 Recognition

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for items not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

# Fox Street 3 (RF) Limited

## Notes to the financial statements

for the year ended 31 March 2022 (continued)

### 1. Significant accounting policies (continued)

#### 1.4.2 Measurement

Financial instruments are initially measured at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Subsequent to initial recognition, these instruments are measured as set out below:

##### *Receivables*

Loans and advances are measured at amortised cost using the effective interest method.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, petty cash 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. Cash and cash equivalents are carried at amortised cost in the statement of financial position, which approximates fair value.

##### *Derivative financial instruments*

Derivative financial instruments are recognised on the statement of financial position at fair value. Change to fair value movements are subsequently recognised in profit or loss unless hedge accounting is being applied.

##### *Residential mortgage backed securities*

These financial liabilities are carried at amortised cost.

#### 1.4.3 Classification

The Company classifies its financial assets into one of the following categories:

- loans and receivables;
- at fair value through profit or loss, and within this category as:
  - held for trading; or
  - those designated to the category at inception.

The Company classifies its financial liabilities as measured at amortised cost or fair value through profit or loss.

#### 1.4.4 Derecognition

Financial instruments qualify for derecognition if they meet the derecognition criteria set out in IFS 9 Financial Instruments: Recognition and Measurement.

The Company derecognises a financial asset when, and only when:

- The contractual rights to the cash flows arising from the financial asset have expired or have been forfeited by the Company; or
- It transfers the financial asset including substantially all of the risks and rewards of ownership of the asset; or

It transfers the financial asset, neither retaining nor transferring substantially all of the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability is de-recognised when, and only when, the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired.

The difference between the carrying amount of a financial liability or financial asset (or part there-of) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.



# Fox Street 3 (RF) Limited

## Notes to the financial statements

for the year ended 31 March 2022 (continued)

### 1. Significant accounting policies (continued)

#### 1.4.5 Offsetting

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

#### 1.4.6 Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

#### 1.4.7 Fair value measurement

IFRS 13 Fair value measurement, defines fair value as being a market-based measurement and sets out in a single IFRS a framework for the measurement of fair value.

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Fair value measurements for financial assets and financial liabilities are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are identified as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Fox Street 3 (RF) Limited

## Notes to the financial statements

for the year ended 31 March 2022 (continued)

### 1. Significant accounting policies (continued)

#### 1.4.8 Identification and measurement of impairment

At each reporting date, each financial asset or portfolio of advances categorised at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is measured for ECL impairment. Loss allowances are forward-looking, based on 12-month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected credit losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, credit losses are rebased from 12-month to lifetime expectations. A change in credit risk is typically but not necessarily associated with a change in the expected cash flows.

The costs of loss allowances on assets held at amortised cost are presented as impairments in the income statement. Allowances in respect of financial guarantees and loan commitments are presented as other liabilities and charges recorded within income statement impairments. Financial assets held at amortised cost are presented net of allowances except where the asset has been wholly or partially written off.

In assessing collective impairment, the Company uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and any subsequent decrease in the impairment loss is reversed through profit or loss.

The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at fair value through other comprehensive income (FVOCI) involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgments relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios.

#### 1.5 Non-derivative financial liabilities

All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities. Non-trading financial liabilities, which include residential mortgage backed securities and trade and other payables, are measured at amortised cost using the effective interest method.

# Fox Street 3 (RF) Limited

## Notes to the financial statements

for the year ended 31 March 2022 (continued)

### 1. Significant accounting policies (continued)

#### 1.6 Hedge accounting

The company applies cash flow hedge accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the company ensures that all of the following conditions are met:

- At inception of the hedge, the company formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also, at the inception of the hedged relationship, a formal assessment is undertaken to ensure that the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

- For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting period for which the hedge was designated.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in other comprehensive income in the cash flow hedge reserve and is released to profit or loss in the same period during which the relevant financial asset or liability affects profit or loss. Any ineffective portion of the hedge is immediately recognised in profit or loss.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecast transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

#### 1.7 Intercompany receivable (loans and advances)

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans and advances include intercompany receivables (residential mortgage advances) and trade and other receivables.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

#### 1.8 Revenue

Revenue is measured at the fair value of the consideration received and represents amounts receivable for interest and fees earned.

##### *Interest income*

Interest income from loans and receivables is recognised on a time proportion basis, which takes into account the effective yield on the asset.

##### *Other fee income*

Fee income is recognised on the accrual basis when the service is rendered.

# **Fox Street 3 (RF) Limited**

## **Notes to the financial statements**

*for the year ended 31 March 2022 (continued)*

### **1. Significant accounting policies (continued)**

#### **1.9 Taxation**

Taxation expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

#### **1.10 Standards and interpretations issued but not yet effective**

There are no standards and interpretations issued but not yet effective which are expected to have a material impact on the Company.

## Fox Street 3 (RF) Limited

### Notes to the financial statements

for the year ended 31 March 2022 (continued)

#### 2. Intercompany receivables

During the new prefunding period of 13 October 2021 to 13 April 2022, Investec Bank Limited (IBL) legally has sold, and will continue to sell, a portion of its residential mortgage assets to Fox Street 3 (RF) Limited (Fox Street 3). However, since IBL is also the provider of the subordinated loan, the substance of the transaction is such that the accounting derecognition criteria to transfer the significant risks and rewards of ownership were not met. Thus an intercompany receivable is recognised for the consideration paid for these assets to IBL. The cash flows arising from these assets are directly attributable to the residential mortgages and thus the following disclosure is appropriate and useful to the users of these financial statements as the carrying amount of the receivable will fluctuate in line with the residential mortgage balances.

	2022 R	2021 R
<b>Loans and receivables ceded to Fox Street 3</b>		
Gross amount outstanding	938,293,882	736,033,124
Expected credit loss	<u>(1,970,151)</u>	<u>(1,937,214)</u>
	<b>936,323,731</b>	<b>734,095,910</b>
<b>Maturity analysis</b>		
One month to three months	54,403,178	34,046,260
Three months to six months	51,248,830	32,471,402
Six months to one year	93,755,579	60,506,249
One year to five years	454,746,202	323,559,327
Greater than five years	<u>284,140,093</u>	<u>285,449,886</u>
	<b>938,293,882</b>	<b>736,033,124</b>
<b>Reconciliation of allowances for expected credit loss</b>		
Opening balance	1,937,214	1,671,860
Charged to the statement of comprehensive income	<u>32,937</u>	<u>265,354</u>
	<b>1,970,151</b>	<b>1,937,214</b>

#### 3. Derivative financial instruments

Fox Street 3 (RF) Limited has entered into a JIBAR for Prime swap with IBL to mitigate the interest rate risk resulting from the mismatch of interest rates on the Prime rate linked loans and advances and the JIBAR linked notes payable. The notional value of the interest rate swap (i.e. fully performing loans) is R994 529 781 (2021: R750 216 626) as at the latest reset date prior to year end. The swap is effective in the current year. The fair value of derivatives can change significantly from year to year to due changes in economic conditions. Both the Prime and JIBAR rates have moved in the current year. This change in rates and consequently the change in the interest rate outlook (i.e. change in the Prime curve and JIBAR curve) combined with the long dated stream of cash flows that are present valued has resulted in a significant move in the fair value of the derivative.

##### Statement of financial position

Fair value of swap	<u>(2,577,990)</u>	<u>(3,353,885)</u>
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##### Statement of comprehensive income

Cash flow hedges- effective portion of changes in fair value *	(1 321 588)	(2 426 841)
Cash flow hedges- reclassified to profit or loss	1,854,452	(930,724)
Net other comprehensive income	<u>532 865</u>	<u>(3 357 565)</u>

\* Please refer to Note 22

## Fox Street 3 (RF) Limited

### Notes to the financial statements

for the year ended 31 March 2022 (continued)

	2022 R	2021 R
<b>4. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Current account - Investec Bank Limited	130,274,817	109,801,767
Petty cash	100	100
	<u>130,274,917</u>	<u>109,801,867</u>
Interest on the current account is earned at the 3 Month JIBAR rate which is reset every quarter.		
<b>5. Deferred tax asset/(liability)</b>		
The deferred tax balance comprises of:		
Expected credit loss	285,223	295,296
Derivative Financial Instruments	696,057	939,088
Deferred income	107,990	67,318
<b>Deferred tax asset/(liability)</b>	<u>1,089,270</u>	<u>1,301,702</u>
Reconciliation of deferred tax balance		
Opening balance	1,301,702	(35,851)
Expected credit loss	(10,073)	42,359
Deferred income	40,672	(10,526)
<b>Recognised in OCI</b>		
Derivative financial instruments	(243,031)	1,305,720
<b>Closing balance</b>	<u>1,089,270</u>	<u>1,301,702</u>
During the year, the SA Government announced a decrease in the SA rate of corporation tax from 28% to 27% effective for years of assessment ending on/after 1 March 2023. As a result, the deferred tax balances at 31 March 2022 have been adjusted to reflect this substantively enacted rate change.		
<b>6. Share capital</b>		
Ordinary share capital		
<i>Authorised</i>		
1 000 ordinary shares at R1 each	<u>1 000</u>	<u>1 000</u>
<i>Issued</i>		
100 ordinary share at R1	<u>100</u>	<u>100</u>
All of the issued shares are fully paid up and held by Fox Street 3 Owner Trust. The unissued shares are under the control of the directors until the next annual general meeting.		
Preference share capital		
<i>Authorised</i>		
100 cumulative redeemable preference shares (no par value)		
<i>Issued</i>		
1 preference share at no par value	<u>1</u>	<u>1</u>
The issued shares are fully paid up. The unissued shares are under the control of the directors until the next annual general meeting.		
	<u>101</u>	<u>101</u>

## Fox Street 3 (RF) Limited

### Notes to the financial statements for the year ended 31 March 2022 (continued)

#### 7. Residential mortgage backed securities

	Class A Notes R	Class B Notes R	Class C Notes R	Class D Notes R	Total R
<b>2022</b>					
Balance at the beginning of the period	359,235,429	155,000,000	40,000,000	90,000,000	644,235,429
Redemption of Old Notes	(359,235,429)	(155,000,000)	(40,000,000)	(90,000,000)	(644,235,429)
Issuance of New Notes	80,000,000	165,000,000	445,000,000	260,000,000	950,000,000
Redemption of new Notes	(43,887,571)	-	-	-	(43,887,571)
Balance of notes outstanding at end of the year	<b>36,112,429</b>	<b>165,000,000</b>	<b>445,000,000</b>	<b>260,000,000</b>	<b>906,112,429</b>
<b>2021</b>					
Balance at the beginning of the period	509,694,259	155,000,000	40,000,000	90,000,000	794,694,259
Redemption of notes	(150,458,830)	-	-	-	(150,458,830)
Balance of notes outstanding at end of the year	<b>359,235,429</b>	<b>155,000,000</b>	<b>40,000,000</b>	<b>90,000,000</b>	<b>644,235,429</b>

The residential mortgage backed securities are measured at amortised cost. The notes bear interest at the 3 Month JIBAR rate plus the spread as determined in the Applicable Pricing Supplement for each class and tranche of notes. For as long as the notes are in issue, interest on the floating rate notes is payable quarterly in arrears on the 20th of January, April, July and October. The interest rate, charge and accrued balance per tranche of notes were as follows:

	Spread over 3 Month		
	Jibar	Interest expense R	Accrued interest R
<b>2022</b>			
Class A5 Old	117 bps	8,402,107	-
Class B1 Old	145 bps	4,237,055	-
Class C1 Old	170 bps	1,146,858	-
Class D1 Old	280 bps	3,109,335	-
Class A1 New	57 bps	1,236,281	313,438
Class A2 New	80 bps	3,512,235	1,505,939
Class A3 New	110 bps	10,094,173	4,321,157
Class A4 New	125 bps	6,079,363	2,600,584
		<b>37,817,407</b>	<b>8,741,118</b>
<b>2021</b>			
Class A5	117 bps	23,458,227	1,755,190
Class B1	145 bps	8,575,743	821,695
Class C1	170 bps	2,304,574	222,461
Class D1	280 bps	6,175,292	603,607
		<b>40,513,836</b>	<b>3,402,953</b>
		<b>2022 R</b>	<b>2021 R</b>
<b>8. Subordinated loan</b>		<b>151,228,899</b>	<b>173,787,320</b>

Fox Street 3 (RF) Limited entered into an agreement with Investec Bank Limited, whereby IBL would provide the subordinated loan to the residential mortgage backed security notes issues.

The principal amount of R173 787 320 subordinated loan was advanced by IBL on 20 February 2015 and was repaid in full on the 13 October 2021. A new advance was made by IBL of R151 228 899 on the same day. Interest payable on the subordinated loan is payable on the quarterly payment dates in accordance with the Priority of Payments.

9. Accrued interest payable	2022 R	2021 R
Subordinated loan	2 247 128	23 999 597
Residential mortgage backed securities	8 741 118	3 402 953
	<b>10,988,246</b>	<b>27,402,550</b>

## Fox Street 3 (RF) Limited

### Notes to the financial statements

for the year ended 31 March 2022 (continued)

	2022 R	2021 R
<b>10. Trade and other payables</b>		
Accrued expenses	215,272	55,148
Vat Payable	6,434	4,874
	<b>221,706</b>	<b>60,022</b>
<b>11. Interest income</b>		
<u>Interest income calculated using the effective interest rate method:</u>		
Mortgage advances	45,389,191	48,151,310
Current account - Investec Bank Limited	10,924,533	4,460,950
	<b>56,313,724</b>	<b>52,612,260</b>
<u>Other interest income</u>		
Cash flow hedges- reclassified to profit or loss	(1,854,452)	930,724
	<b>(1,854,452)</b>	<b>930,724</b>
<b>12. Interest expense</b>		
Residential mortgage backed securities		
- Class A	29,324,159	23,458,227
- Class B	4,237,055	8,575,743
- Class C	1,146,858	2,304,574
- Class D	3,109,335	6,175,292
Subordinated loan	16,437,444	10,854,478
	<b>54,254,851</b>	<b>51,368,314</b>
<b>13. Other operating expenses</b>		
Other operating expenses include the following:		
Servicing fee - Investec Bank Limited	869,344	1,128,737
Administration fee - Investec Bank Limited	242,760	402,500
Auditor's remuneration	349,558	316,070
Sundry expenses	591,416	84,311
	<b>2,053,078</b>	<b>1,931,618</b>
<b>14. Taxation</b>		
South African normal tax		
-current tax	(440,272)	61,340
-deferred tax	(45,162)	(38,125)
- change in rate	14,563	-
<b>Net taxation</b>	<b>(470,871)</b>	<b>23,215</b>
-interest and penalties (SARS)	11,363	-
<b>Net taxation after interest and penalties</b>	<b>(459,508)</b>	<b>23,215</b>
<b>Reconciliation of effective tax rate</b>		
	2022 R	2021 R
Income before taxation	(1 733 694)	105,384
Tax using the corporation tax rate	<b>28.00%</b> ( 485 434)	<b>23,215</b>
Change in tax rate	<b>-0.84%</b> 14 563	-
Total Tax Charge	<b>27.16%</b> <b>(470,871)</b>	<b>23,215</b>

During the year, the SA Government announced a decrease in the SA rate of corporation tax from 28% to 27% effective for years of assessment ending on/after 1 March 2023. As a result, the deferred tax balances at 31 March 2022 have been adjusted to reflect this substantively enacted rate change. The taxation effect to the SOCI relating to the movement of these balances is R14 563 which decreases the overall taxation charge to 27.16%.



# Fox Street 3 (RF) Limited

## Notes to the financial statements

for the year ended 31 March 2022 (continued)

### 15. Servicing and administration fees - Investec Bank Limited

Investec Bank Limited has been appointed under the terms of a servicing agreement and an administration agreement as servicer and administrator respectively for Fox Street 3 (RF) Limited.

Investec Bank Limited charges fees for its services under the servicing agreement to the extent permitted by and in accordance with the Priority of Payments. Such fees are charged at 0.075% (exclusive of VAT) of the outstanding principal balance of the assets as at each monthly determination date.

Investec Bank Limited charges fees for its administrative services under the administration agreement to the extent permitted by and in accordance with the Priority of Payments. The administration fee is charged at R50 000 (exclusive of VAT) per annum.

In the event that insufficient cash is available for payment for all or part of any servicer or administration fee, Fox Street 3 (RF) Limited incurs no obligation to pay that portion of the fee in respect of which no cash is available.

### 16. Contingencies and commitments

Fox Street 3 (RF) Limited has indemnified Fox Street 3 Security SPV (RF) Proprietary Limited (Security SPV) in respect of any claims made against the Security SPV arising out of a guarantee provided by the Security SPV to the secured creditors of Fox Street 3 (RF) Limited.

#### *Cession and pledge*

Fox Street 3 (RF) Limited has ceded and pledged its right, title and interest in and to the residential home loan assets held to the Security SPV as security for the guarantee provided by the Security SPV.

### 17. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company, in the ordinary course of business, enters into various transactions with related parties.

#### 17.1 Investec Bank Limited

Investec Bank Limited is a related party as Fox Street 3 (RF) Limited is a Special Purpose Entity, established to issue limited recourse, secured, registered notes under a residential mortgage backed securities programme sponsored by Investec Bank Limited.

The following transactions took place between Investec Bank Limited and Fox Street 3 (RF) Limited:

#### *Servicing and administration fees*

Investec Bank Limited is the appointed servicing and administration agent to Fox Street 3 (RF) Limited, details of which are set out in Note 15 above. Fees payable to Investec Bank Limited under these agreements during the year amounted to:

	<b>2022</b>	<b>2021</b>
	<b>R</b>	<b>R</b>
Servicing fee	<b>869 344</b>	1 128 737
Administration fee	<b>242 760</b>	402 500

At year-end the following assets were invested with Investec Bank Limited (see Note 4 above):

#### *Current account*

Investec Bank Limited (through its ICIB division) is the designated banker for Fox Street 3 (RF) Limited.

- Petty cash	<b>100</b>	100
- Bank current account	<b>130 274 817</b>	110 978 140

## Fox Street 3 (RF) Limited

### Notes to the financial statements

for the year ended 31 March 2022 (continued)

#### 17. Related party transactions (continued)

##### *Subordinated Loan*

Investec Bank Limited (through its ICIB division) has provided the subordinated loan to Fox Street 3 (RF) Limited (refer to Note 8) which serves as a subordinated loan to the notes. Interest is payable on quarterly payment dates, in accordance with the Priority of Payments. Interest for the year amounted to R16 437 444 (2021: R10 854 478).

##### *Investment in notes*

On 20 February 2015, Fox Street 3 (RF) Limited issued and listed R1.95bn of notes on the Interest Rate Market of the JSE. Investec Bank Limited as Debt Sponsor facilitated the listing of all these notes which were listed on the 20th August 2017. On the 13th October 2021, Fox Street 3 (RF) Limited redeemed all the original notes issued and refinanced these with R950m of new notes on the Interest Rate Market of the JSE. The following balances relating to the investment in the notes were applicable at the end of the year:

- Residential mortgage backed securities	<b>906,112,429</b>	644,235,429
- Accrued interest on notes	<b>8,741,118</b>	3,402,953

#### 17.2 Other related party transactions

##### *Maitland Group South Africa Limited, TMF Corporate Services (South Africa) Proprietary Limited and Quadridge Trust Services Proprietary Limited*

Maitland Group South Africa Limited provided trust and fiduciary services to Fox Street 3 (RF) Limited during the 2021 Financial year end and were replaced by Quadridge Trust Services Proprietary Limited in August 2021. Quadridge Trust Services Proprietary Limited and TMF Corporate Services (South Africa) Proprietary Limited are external service providers that provide, trust and fiduciary services. Trust and fiduciary fees were charged by Quadridge Trust Services Proprietary Limited and TMF Corporate Services (South Africa) Proprietary Limited, the trustees of Fox Street 3 Owner Trust and Fox Street 3 Security SPV Owner Trust respectively, as follows:

	<b>2022</b>	<b>2021</b>
	<b>R</b>	<b>R</b>
Maitland Group South Africa Limited (including directors fees)	<b>45,000</b>	90,000
TMF Corporate Services (South Africa) Proprietary Limited	<b>179,434</b>	112,850
Quadridge Trust Services Proprietary Limited	<b>92,000</b>	-

##### *Fox Street 3 Owner Trust*

The trust was established solely to be a beneficial shareholder of all of the ordinary shares in Fox Street 3 (RF) Limited. The trust is managed by Quadridge Trust Services Proprietary Limited. No payments were made to Fox Street 3 Owner Trust during the current or prior year.

##### *Fox Street 3 Security SPV*

In terms of IFRS 10, Fox Street 3 Security SPV is a controlled entity of Fox Street 3 (RF) Limited. No payments were made to the Security SPV during the current or prior year.

##### *Fox Street 3 Security SPV Owner Trust*

Fox Street 3 Security SPV Owner Trust is the sole beneficial shareholder of all the ordinary shares of Fox Street 3 Security SPV. No payments were made to Fox Street 3 Owner Trust during the current or prior year.

## Fox Street 3 (RF) Limited

### Notes to the financial statements

for the year ended 31 March 2022 (continued)

#### 18. Risk management

In common with all other businesses, the Company is exposed to financial risks. These risks are managed as part of the normal operations of the Company and the Board of Directors oversees the effectiveness of the risk management processes carried out by Investec Bank Limited.

The collectability of amounts due is subject to credit, liquidity and interest rate risks and will generally fluctuate in response to, amongst other things, market interest rates, general economic conditions and the financial standing of borrowers.

The more important financial risks to which the Company is exposed are described below:

##### Liquidity risk

Liquidity risk is the risk that the Company may have insufficient cash to meet its financial obligations, specifically in the short-term.

Cash flows are monitored regularly to ensure that cash resources are adequate to meet the Company's requirements.

##### Maturities of financial liabilities

	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
	R	R	R	R	R	R
<b>2022</b>						
Residential mortgage backed securities **	-	64,813,733	173,744,817	558,793,600	289,785,859	1,087,138,010
Subordinated loan instruments	-	-	-	-	151,228,899	151,228,899
Current tax & Vat payable	-	6,434	-	-	-	6,434
Accrued interest payable	-	2,247,128	-	-	-	2,247,128
Deferred income payable	-	-	-	-	399,962	399,962
Trade and other payables	-	215,272	-	-	-	215,272
	<b>-</b>	<b>67,282,567</b>	<b>173,744,817</b>	<b>558,793,600</b>	<b>443,992,710</b>	<b>1,243,813,695</b>
<b>2021 revised *</b>						
Residential mortgage backed securities **	-	38,108,753	104,628,531	374,215,880	263,968,461	780,921,624
Subordinated loan instruments	-	-	-	-	173,787,320	173,787,320
Current tax & Vat payable	-	66,214	-	-	-	66,214
Accrued interest payable	-	3,402,953	23,999,597	-	-	27,402,550
Deferred income payable	-	-	-	-	240,421	240,421
Trade and other payables	-	55,148	-	-	-	55,148
	<b>-</b>	<b>41,633,068</b>	<b>128,628,128</b>	<b>374,215,880</b>	<b>441,350,087</b>	<b>985,827,162</b>

The maturity analysis for financial liabilities represents the basis for effective management of exposure to structural liquidity risk. The table above shows the undiscounted cash flows (including interest) for all financial liabilities on a contractual basis on the earliest date on which the Company can be required to pay.

Cash flows are monitored on a monthly basis through the Priority of Payments to ensure that cash resources are adequate to meet the necessary requirements.

##### Maturities of financial liabilities table revised \*

The residential mortgage backed securities as presented in Note 18 in the 31 March 2021 Annual Financial Statements was revised to include all future dated expected interest payments. Kindly refer to Note 22.2 for further information.

##### Residential mortgage backed securities \*\*

The maturity analysis incorporates, on an undiscounted basis, all cash flows relating to principal and future coupon payments. Payments to the secured creditors are made in accordance with the Priority of Payments, thus, not fixed. The principal and interest repayment amounts disclosed are determined by reference to the conditions existing at the end of the reporting period including forecasted repayments using historic data.

The table below provides a disaggregation of the residential mortgage back securities 1 to 5 year bucketing as reported in the Maturities of Financial Liabilities tables.

Residential mortgage backed securities	1-2 years	2-3 years	3-5 years	Total
2022	191 017 256	150 525 058	217 251 286	558 793 600
2021	119 933 403	99 600 067	154 682 410	374 215 880

Amounts relating to the Subordinated Loan have been shown net of future dated interest. This is as a result of how the deal has been structured with interest on the credit enhancement loan being serviced as one of the last items on the priority of payments. Should there not be sufficient cash as at each priority of payment date, the interest on the subordinated loan will not be paid.

Derivative financial instruments are reported in the more than 5 year bucket due to the variables used to calculate the MTM on the Cashflow Hedge Reserve being based on the Final Redemption Date of the deal which is 20 April 2049. This is the current MTM on the Cashflow Hedge Reserve as calculated at the 31 March 2022 using IBL agreed variables.

# Fox Street 3 (RF) Limited

## Notes to the financial statements

for the year ended 31 March 2022 (continued)

### 18. Risk management (continued)

#### *Interest rate risk*

Interest rate risk arises when potential changes in relevant interest paid to investors and the rates earned on loans to borrowers and investments, occur at different times, at different rates and with varying degrees of uncertainty. Due to the Company's assets being linked to the prime rate, and the notes linked to the 3 Month Jibar rate, the Company is exposed to interest rate risk. This exposure is mitigated through the interest rate swap entered into with Investec Bank Limited, as derivative counterparty.

The interest rate swap is a Level 2 financial instrument as the swap is not listed in an active market, however the fair value is calculated on directly observable market inputs.

There were no transfers between any of the fair value hierarchy levels during the current year.

As the instrument is classified as a cash flow hedge, any movements in fair value are recognised in other comprehensive income, as far as hedge effectiveness is met. As at year end the hedge was effective.

#### *Operational risk*

Operational risk is the risk of direct or indirect losses arising from inadequate or failed internal processes, personnel, technology and other external causes.

Prime responsibility for managing this risk is outsourced in terms of the Servicing Agreement and Administration Agreement to Investec Bank Limited. The Directors of the Company and the trustees are responsible for monitoring the performance of Investec Bank Limited in this regard.

#### *Credit risk*

Credit risk represents the financial risk to the Company as a result of a default by the counterparty, that is, failure of counterparty to comply with its obligations to service the outstanding debt. Credit risk is defined in terms of Investec Bank Limited's credit policies and procedures manual, which establishes sound credit risk management processes. The procedures and processes of Fox Street 3 (RF) limited have been outsourced to Investec Bank Limited as part of the Servicing Agreement and are monitored by the Credit Committee of Investec Bank Limited. This encompasses the Sensitivity Analysis which is performed at a Banking Industry Level. Further disclosure on this is available as part of the Investec Bank Limited AFS for 31 March 2022 as published.

The obligations of each borrower to Fox Street 3 (RF) Limited in respect of repayment of a loan are secured by mortgage bonds registered in favour of Fox Street 3 (RF) Limited over the property of such borrowers. The collateral of the loans is represented by these properties. As at 31 March 2022, the value of the collateral held was R3 525 942 684 (2021: R2 798 993 207), subject to per loan collateral value.

IFRS 9 requirements have been embedded into our company credit risk classification and provisioning policy. A framework has been established to incorporate both quantitative and qualitative measures. Policies for financial assets at amortised cost and at fair value through other comprehensive income (FVOCI), in accordance with IFRS 9, have been developed as described below:

#### **Definition of default**

The company has aligned the IFRS 9 and regulatory definitions of default, credit impaired and non-performing exposure. Assets that are more than 90 days past due, or considered by management as unlikely to pay their obligations in full without realisation of collateral are considered as exposures in default.

#### **Stage 1**

All assets that are considered performing and have not had a significant increase in credit risk will be reported as Stage 1 assets. Under IFRS 9 these Stage 1 financial assets have loss allowances measured at an amount equal to a 12-month ECL.

#### **Stage 2**

Financial assets are considered to be in Stage 2 when their credit risk has increased significantly since initial recognition. The company is required to hold a loss allowance equivalent to a lifetime ECL in terms of IFRS 9.

The company's primary indicator for Stage 2 assets are distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision from Watchlist committees and are under management review. This comprises exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements or idiosyncratic financial distress, or private clients who have undergone a significant deterioration in financial circumstances.

Assets that have been subject to forbearance are considered to be, at a minimum, Stage 2. Forbearance measures refer to concessions such as modification of the terms and conditions or refinancing that has been granted to a debtor in financial difficulties. These exposures are assessed on a case by case basis to determine whether the proposed modifications will be considered as forbearance. Where the credit committee considers it likely that the client will be able to return to perform against the original contractual obligations within a reasonable timeframe these assets will be considered performing and in Stage 2. Forbearance is distinguished from commercial renegotiations which take place as part of normal business activity and standard banking practice.

In addition to loans under management review, an asset may also move from Stage 1 to Stage 2 if the model calculated probability of default (PD) has significantly increased since origination. This is tested as both a relative and absolute measure, to further inform whether a significant deterioration in lifetime risk of default has occurred.

As a backstop, the company does not rebut the presumption in IFRS 9 that all financial assets that are more than 30 days past due have experienced a significant increase in credit risk.

Exposures move back to Stage 1 once they no longer meet the criteria above for a significant increase in credit risk and as cure periods (specifically relating to forbore exposure) are met.

#### **Stage 3**

Financial assets will be included in Stage 3 when there is objective evidence of credit impairment. Under IFRS 9, the company assesses a loan as Stage 3 when contractual payments of either principal or interest are past due for more than 90 days, the debtor is assessed as unlikely to pay and credit impaired, or the loan is otherwise considered to be in default, for example due to the appointment of an administrator or in receivership. The company's policy is not to rebut the presumption in IFRS 9 that loans which are more than 90 days past due are in default.

# Fox Street 3 (RF) Limited

## Notes to the financial statements

for the year ended 31 March 2022 (continued)

### 18. Risk management (continued)

#### *Credit risk (continued)*

##### ECL

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking and resulting impairment charge may be more volatile. IFRS 9 will result in an increase in the total level of impairment allowances, since all financial assets if not measured at fair value through profit or loss (FVPL) will be assessed for at least 12-month ECL.

Investec management addressed the COVID-19 impact on the Private Bank portfolio (Fox Street 3 is managed as part of this portfolio) as follows:

- The ECL as at March 2022 was calculated using revised macroeconomic variable forecasts and scenario weightings.
- Accounts that were up to date prior to the relief measure and the account is expected to remain in up-to-date status once the relief period ends, all other factors remaining constant, will be classified as Stage 1 IFRS 9 purposes with a 12-month ECL.
- Additional staging rule to assess impacted accounts which require COVID-19 relief measures (i.e. payment holidays, restructured credit exposures and loan modifications), where the impact is not considered temporary these accounts are migrated to Stage 2 for IFRS 9 purposes with a lifetime ECL.

##### Write-offs

The company's policy on when financial assets are written off has not significantly changed on adoption of IFRS 9. A loan or advance is normally written off, in full, against the related allowance when the proceeds from realising any available security have been received or there is a reasonable amount of certainty that the exposure will not be recovered. Similarly the treatment and recognition of recoveries is unaffected by the implementation of IFRS 9. Any recoveries of amounts previously written off decrease the amount of impairment losses.

#### *Internal credit rating models and ECL methodology*

Internal credit rating models cover all material asset classes. These internal credit rating models are also used for IFRS 9 modelling after adjusting for appropriate differences. Internal credit models calculate through the economic cycle losses whereas IFRS 9 requires 12-month or lifetime point-in-time losses based on conditions at the reporting date and multiple economic scenario forecasts of the future conditions over the expected lives.

#### *Key drivers of measurement uncertainty – subjective elements and inputs*

The measurement of ECL under IFRS 9 has a continued reliance on expert credit judgement. Key judgemental areas under the implementation of IFRS 9 are highlighted in this document and are subject to robust governance processes. Key drivers of measurement uncertainty include:

- the assessment of a significant increase in credit risk;
- the introduction of a range of forward-looking probability weighted macro-economic scenarios; and
- estimations of probabilities of default, loss given default and exposures at default using models.

In addition to these drivers, some initial judgements and assumptions were required in the design and build of IBL's ECL methodology, which are not considered to have a material impact. This includes the use of income recognition effective interest rates (EIRs) and used as the discount factor in the ECL calculation as well as the use of contractual maturity to assess behavioural lives. In addition where we have experienced limitations on the availability of probability of default origination data for the historic book, a portfolio average has been used in some instances.

ECLs are calculated using three main components:

- a probability of default (PD);
- a loss given default (LGD); and
- the exposure at default (EAD).

Under IFRS 9, the 12-month and lifetime PDs represent the probability of a default occurring over the next 12 months or the lifetime of the financial exposures, respectively, based on conditions existing at the balance sheet date and future forecast macro-economic conditions that affect credit risk.

The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The forecast value for the collateral is also affected by the range of forward-looking probability weighted macro-economic scenarios.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a committed facility.

The calculation of the 12-month ECL is based on the 12-month PD and LGD along with the EAD and effective interest rate (EIR) for the asset. Lifetime ECL is calculated using the lifetime PD curve, and the appropriate LGDs and EADs and discount rates derived from the EIR based on the remaining life of the financial asset.

Expert judgement models have also been utilised for certain portfolios where the ECL is found to be minimal, either due to the portfolio's small relative size or the low default nature of these portfolios, such as cash and balances held at central banks.

Management adjustments are made to modelled output to account for situations where additional information and known or expected risk factors have not been captured in the modelling process.

#### *Forward-looking macro-economic scenarios*

The measurement of ECL also requires the use of multiple economic scenarios to calculate a probability weighted forward-looking estimate. These scenarios are updated at least twice a year, or more frequently if there is a macro-economic shock or significant shift in expectations. The weighting of these scenarios for IFRS 9 as well as the scenarios themselves are discussed and approved by Investec Bank Limited's capital committee, which forms part of the principal governance framework for macro-economic scenarios.

A number of forecast economic scenarios are considered for capital planning, stress testing (including IBL specific stress scenarios) and IFRS 9.

For the company, five macro-economic scenarios are used in the measurement of ECL under IFRS 9. These scenarios incorporate a base case, two upside cases and a two downside cases. The aim of this economic scenario generation process is to provide a view of the current and projected state of the South African economy and the different economic scenarios that could occur in various stressed or improved environments over the next five years for a number of identified variables/risk drivers.

## Fox Street 3 (RF) Limited

### Notes to the financial statements

for the year ended 31 March 2022 (continued)

#### 18. Risk management (continued)

Credit risk (continued)

##### An analysis of credit quality by internal rating grade

The banks uses a 25-grade internal rating scale which measures the risk of default to an exposure without taking into account any credit mitigation, such as collateral. This internal rating scale allows the group to measure credit risk consistently across portfolios. The internal rating scale is derived from a mapping to PDs and can also be mapped to external rating agency scales. The below information replaces the Overall asset quality information previously provided which showed the breakdown as per IAS39. There is no correlation between the current table and the table previously reported.

PD range	Investec internal rating scale	Indicative external rating scale
less than 0.538%	IB01 – IB12	AAA to BBB-
0.538% – 6.089%	IB13 – IB19	BB+ to B-
greater than 6.089%	IB20 – IB25	B- and below
	Stage 3	D

The internal credit rating distribution below is based on the 12-month PD at 31 March 2022 for gross core loans subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

#### 2022

	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	Total
<b>Gross core loans and advances subject to ECL</b>	<b>759,968,352</b>	<b>159,547,766</b>	<b>16,809,680</b>	<b>1,968,084</b>	<b>938,293,882</b>
Core loans Stage 1	758,357,016	131,891,392	555,267	-	890,803,675
Core loans Stage 2	1,611,336	27,656,374	16,254,413	-	45,522,123
Core loans Stage 3	-	-	-	1,968,084	1,968,084
<b>ECL</b>	<b>(68,466)</b>	<b>(655,001)</b>	<b>(898,291)</b>	<b>(348,393)</b>	<b>(1,970,150)</b>
Core loans Stage 1 ECL	(68,279)	(135,337)	(3,497)	-	(207,113)
Core loans Stage 2 ECL	(187)	(519,664)	(894,794)	-	(1,414,645)
Core loans Stage 3 ECL	-	-	-	(348,393)	(348,393)
<b>Coverage Ratio</b>	<b>0.01%</b>	<b>0.41%</b>	<b>5.34%</b>	<b>17.70%</b>	<b>0.21%</b>

#### 2021

	IB01-IB12	IB13-IB19	IB20-IB20	Stage 3	Total
<b>Gross core loans and advances subject to ECL</b>	<b>450,206,945</b>	<b>266,322,779</b>	<b>17,183,487</b>	<b>2,114,213</b>	<b>735,827,424</b>
Core loans Stage 1	449,022,871	250,218,938	6,261,393	-	705,503,202
Core loans Stage 2	1,184,074	16,103,841	10,922,094	-	28,210,009
Core loans Stage 3	-	-	-	2,114,213	2,114,213
<b>ECL</b>	<b>(37,391)</b>	<b>(667,793)</b>	<b>(817,174)</b>	<b>(414,856)</b>	<b>(1,937,213)</b>
Core loans Stage 1 ECL	(34,425)	(424,927)	(67,223)	-	(526,575)
Core loans Stage 2 ECL	(2,966)	(242,866)	(749,951)	-	(995,783)
Core loans Stage 3 ECL	-	-	-	(414,856)	(414,856)
<b>Coverage Ratio</b>	<b>0.01%</b>	<b>0.25%</b>	<b>4.76%</b>	<b>19.62%</b>	<b>0.26%</b>

#### Credit quality analysis

2022	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL
Intercompany receivables	207,113	1,414,645	348,393	1,970,150
2021	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL
Intercompany receivables	526,575	995,783	414,856	1,937,213

## Fox Street 3 (RF) Limited

### Notes to the financial statements

for the year ended 31 March 2022 (continued)

#### 19. Financial assets and liabilities

Analysis of assets and liabilities by measurement basis

2022	Amortised cost R	Designated at fair value R	Liabilities at amortised cost R	Non-financial instruments/financial instrument excluded from IFRS 9 R	Total R
<i>Assets</i>					
Loans and advances	936,323,731	-	-	-	936,323,731
Cash and cash equivalents*	130,274,917	-	-	-	130,274,917
Deferred tax asset	-	-	-	1,089,270	1,089,270
Accrued interest receivable*	234,708	-	-	-	234,708
	<b>1,066,833,356</b>	-	-	<b>1,089,270</b>	<b>1,067,922,626</b>
<i>Liabilities</i>					
Residential mortgage backed securities	-	-	906,112,429	-	906,112,429
Subordinated loan	-	-	151,228,899	-	151,228,899
Derivative financial instruments	-	2,577,990	-	-	2,577,990
Accrued interest payable*	-	-	10,988,246	-	10,988,246
Deferred income payable	-	-	399,962	-	399,962
Trade and other payables*	-	-	215,272	-	215,272
Current tax	-	-	-	-	-
Vat payable	-	-	-	6,434	6,434
	-	<b>2,577,990</b>	<b>1,068,944,808</b>	<b>6,434</b>	<b>1,071,529,232</b>
<i>2021</i>					
2021	Amortised cost R	Designated at fair value R	Liabilities at amortised cost R	Non-financial instruments/financial instrument excluded from IFRS 9 R	Total R
<i>Assets</i>					
Loans and advances	734,095,910	-	-	-	734,095,910
Cash and cash equivalents*	109,801,867	-	-	-	109,801,867
Deferred tax asset	-	-	-	1,301,702	1,301,702
Accrued interest receivable*	1,516,476	-	-	-	1,516,476
Derivative financial instruments	-	-	-	-	-
	<b>845,414,253</b>	-	-	<b>1,301,702</b>	<b>846,715,955</b>
<i>Liabilities</i>					
Residential mortgage backed securities	-	-	644,235,429	-	644,235,429
Subordinated loan	-	-	173,787,320	-	173,787,320
Derivative financial instruments	-	3,353,885	-	-	3,353,885
Accrued interest payable*	-	-	27,402,550	-	27,402,550
Deferred income payable	-	-	240,421	-	240,421
Trade and other payables*	-	-	55,148	-	55,148
Current tax	-	-	-	61,340	61,340
Vat payable	-	-	-	4,874	4,874
	-	<b>3,353,885</b>	<b>845,720,868</b>	<b>66,214</b>	<b>849,140,967</b>

\* For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption also applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

# Fox Street 3 (RF) Limited

## Notes to the financial statements

for the year ended 31 March 2022 (continued)

### 20. Fair values of financial instruments Valuation models

For more complex instruments, the company uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the company believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the company entity and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa such as interest rate swaps, fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (OVA) when market participants take this into consideration in pricing the derivatives.

During the current year, low trading volumes continued and there has not been sufficient trading volume to establish an active market for certain asset-backed securities and so the company has determined the fair value for these asset-backed securities using other valuation techniques. These securities are backed primarily by static pools of residential mortgages and enjoy a senior claim on cash flows

The company's methodology for valuing these asset-backed securities uses a discounted cash flow technique that takes into account the probability of default and loss severity by considering the original underwriting criteria, vintage borrower attributes, LTV ratios, expected house price movements and expected prepayment rates. These features are used to estimate expected cash flows, which are then allocated using the 'waterfall' applicable to the security and discounted at a risk-adjusted rate. The discounted cash flow technique is often used by market participants to price asset-backed securities. However, this technique is subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results

#### Valuation framework

The company has an established control framework with respect to the measurement of fair values. Specific controls include:

- re-performance of model valuations;
- analysis and investigation of significant daily valuation movements.

#### Financial instruments measured at fair value - Fair value hierarchy

	Level 2	
	R	R
	2022	2021
Cash flow hedge	<u>(2,577,990)</u>	<u>(3,353,885)</u>

The interest rate swap is a Level 2 financial instrument as the swap is not listed in an active market, however the fair value is calculated on directly observable market inputs.

There were no transfers between any of the fair value hierarchy levels during the current year.



## Fox Street 3 (RF) Limited

### Notes to the financial statements

for the year ended 31 March 2022 (continued)

#### 21. Going Concern

The COVID-19 coronavirus outbreak has caused a significant deterioration in economic conditions worldwide. Management have made an assessment of the company's ability to continue as a going concern and there is no reason to believe that the company will not be a going concern in the year ahead.

Fox Street 3 (RF) Limited has been set up as an insolvency remote special purpose vehicle. Secured creditors have agreed to certain subordination, non-petition, and limited recourse conditions.

For avoidance of doubt, we reiterate the following provisions as set out in the Fox Street 3 (RF) Limited ZAR3,000,000,000 Secured Note Programme.

Each noteholder agrees that its claims against the Issuer and the Security SPV are subordinated for the benefit of other secured creditors in accordance with the priority of payments, as set out in the relevant transaction documents. The Issuer will not be obliged to make payment of, and noteholders will not be entitled to receive payment of, any amount due and payable by the Issuer under the notes, except in accordance with the priority of payments, unless and until all amounts required to be paid or provided for in terms of the priority of payments in priority thereto have been paid, provided for or discharged in full, and then only to the extent that there are available funds in the priority of payments for that purpose.

Once all the assets of the Issuer have been extinguished, each noteholder abandons all claims it may have against the Issuer in respect of amounts still owing to it but unpaid, and the Issuer's liability to the noteholders shall be completely discharged.

Each Noteholder agrees that only the Security SPV may enforce the security created in favour of the Security SPV by the Security Agreements in accordance with the provisions of the Security Agreements and the Transaction Documents.

The rights of Noteholders against the Issuer will be limited to the extent that the Noteholders will not be entitled to take any action or proceedings against the Issuer to recover any amounts payable by the Issuer to them under or in connection with the Notes.

Because of the legal set-up, the Company's outgoing cash flows are limited to both its assets and the yield on these assets and it therefore continues to operate as a going concern.

Secured Creditors contract with the Issuer on the basis that their claims against the Issuer will be subordinated in accordance with the Priority of Payments, they will not bring an application for the liquidation of the Issuer until 2 years after the payment of all amounts outstanding and owing by the Issuer under the Notes and the other Transaction Documents and agree not to sue the Issuer except through the Security SPV.

#### 22. Prior period restatement

##### 22.1 Presentation of OCI: Deferred tax on cash flow hedges

###### Other comprehensive income as shown on the Statement of Comprehensive Income Items that are or may be reclassified subsequently to profit or loss

During the 2022 financial year, the Company noted that the other comprehensive income amounts relating to the cash flow hedges, was not reflecting items net of tax as permitted by IAS 1.91(a) and the prior year deferred tax was presented as a separate line item in the SOCE when the deferred tax should be netted off against the change in fair value of financial instrument line item. The numbers have been restated on the face of the Statement of Comprehensive Income for the 31 March 2021 year as per below. There was no impact on the statement of financial position as at 31 March 2021 nor the statements of profit or loss, changes in equity and cash flows for the year ended 31 March 2021.

	As previously reported	Adjustments	As restated
Cash flow hedges- effective portion of changes in fair value	(2,793,473)	366,632	(2,426,841)
Cash flow hedges- reclassified to profit or loss	(930,724)	-	(930,724)
	<b>(3,724,197)</b>	<b>366,632</b>	<b>(3,357,565)</b>
<b>Total comprehensive income for the year</b>	<b>(3,642,028)</b>	<b>366,632</b>	<b>(3,275,396)</b>

Additionally, the Statement of Changes in Equity shows prior year deferred tax as a separate line item. There is nil net effect, however, the prior year deferred tax is now included as part of the change in fair value of financial instrument line.

	As previously reported	Adjustments	As restated
<b>Balance at 31 March 2020</b>	<b>942,768</b>	-	<b>942,768</b>
Change in fair value of financial instrument	(2,793,473)	366,632	(2,426,841)
Cash flow hedges- reclassified to profit or loss	(930,724)	-	(930,724)
PY CF Hedge Reserve Deferred Tax	366,632	(366,632)	-
<b>Balance at 31 March 2021</b>	<b>(2,414,797)</b>	-	<b>(2,414,797)</b>

##### 22.2 Liquidity Risk: Maturity Analysis undiscounted cash flows

Maturities of financial liabilities

The Company further noted that during the 2021 financial year, they had not disclosed the contractual undiscounted cash flows for other financial liabilities in the liquidity risk note as required by IFRS but disclosed the carrying amounts. This error has no impact on the rest of the financial statements. The error has been corrected by restating the affected disclosure note for 2021. The following table summarises the impact on the liquidity risk disclosures. The assumption has been made that all outstanding notes will be redeemed within the first year of the more than 5 year bucket period. There was no impact to the statement of financial position, statements of profit or loss, changes in equity and cash flows for the year ended 31 March 2021.

Residential mortgage backed securities	Between 3				Total
	Between 1 and 3 months	months and 1 year	Between 1 and 5 years	More than 5 years	
As previously reported	37,063,679	36,831,773	333,042,955	237,297,022	644,235,429
Adjustments	1,045,074	67,796,758	41,172,925	26,671,439	136,686,195
<b>As restated</b>	<b>38,108,753</b>	<b>104,628,531</b>	<b>374,215,880</b>	<b>263,968,461</b>	<b>780,921,624</b>

#### 23. Events after the reporting date

No material events have occurred between 31 March 2022 and the date of this report.