Fox Street 6 (RF) Limited

(Registration Number : 2016/383458/06)

Annual Financial Statements

for the year ended 31 March 2021
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 6 (RF) Limited

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Company information

for the year ended 31 March 2021

Directors	PM Madala (Independent Non-Executive) DP Towers (Independent Non-Executive) H Tradonsky (Non-Executive) KW van Staden (Independent Non-Executive)
Date of incorporation	02 September 2016
Registration number	2016/383458/06
Nature of business and principal activities	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.
Secretary	Investec Group Data (Pty) Ltd (Reg. No. 1937/009329/07)
Independent Auditor	KPMG Inc.
Bankers	Investec Bank Limited
Registered Office	c/o Company Secretarial Investec Limited 100 Grayston Drive Sandown Sandton 2196
Postal address	c/o Company Secretarial Investec Limited PO Box 785700 Sandton 2146
Service providers	The servicer, administrator and interest rate swap counterparty is Investec Bank Limited The subordinated loan provider is Investec Bank Limited

Fox Street 6 (RF) Limited

Director's responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Fox Street 6 (RF) Limited, comprising the statement of financial position at 31 March 2021, 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 auditor is responsible for the reporting on whether the annual 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 6 (RF) Ltd, as identified in the first paragraph, were approved by the board of directors on 29 July 2021 and signed on their behalf by:

Director
Name: KW van Staden

Director
Name: HS Tradonsky

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 year ended 31 March 2021, 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: PC Le Roux

Fox Street 6 (RF) Limited

Director's report

for the year ended 31 March 2021

The directors have pleasure in submitting their report on the activities of the company for the year ended 31 March 2021.

Nature of business

To acquire the rights, title and interest in and to residential home loans 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 2021, are set out in the financial statements and require no further comment.

Share capital

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 PM Madala, DP Towers, HS Tradonsky and KW van Staden.

Interest of the director 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 current and prior year.

Controlled entities

In accordance with the requirements of IFRS 10, *Consolidated Financial Statements*, Investec Bank Limited consolidates Fox Street 6 (RF) Limited. This is because Investec Bank Limited is exposed to variability of returns from Fox Street 6 (RF) Limited and has the ability to affect these returns through the power it has.

Fox Street 6 (RF) Limited

Director's report

for the year ended 31 March 2021

Going concern

Fox Street 6 (RF) Limited has been set up as an insolvency-remote special purpose vehicle. Secured creditors have agreed to certain subordination, non-petition, and enforcement clauses. Please refer to note 21 for further detail. Interest is accrued on the subordinated credit enhancement loan but limited in terms of (1) the transaction documents and the insolvency remote legal set-up and (2) the available cash in accordance with the Priority of Payments. In the event that there is insufficient cash available for the payment of any unpaid claims/liabilities at the end of the company's life, the unpaid portions are forfeited by those secured creditors. Any losses do not therefore amount to an act of insolvency.

Furthermore, in accordance with the transaction documents, when all assets have been expunged, all secured creditors will waive their claims against the Company. Because of this 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.

Events after the reporting date

No material events have occurred between 31 March 2021 and the date of this report with the exception of the Covid-19 implications as stated in the Going Concerns statement in Note 21.

Auditor

KPMG Inc is the appointed auditor in accordance with section 90 of the Companies Act of South Africa.

Authorised Director

Authorised Director

Fox Street 6 (RF) Limited

Audit Committee Report

Members of the Audit Committee

The members of the Audit Committee are all independent non-executive directors and comprises:

KW van Staden
DP Towers
PM Madala

The chairman of the Board of directors (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 Audit 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 auditors. The committee has met on the following dates during the year:

Date	Attendees
29 June 2020	KW van Staden DP Towers PM Madala
23-Feb-21	KW van Staden PM Madala

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 Audit 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.

Fox Street 6 (RF) Limited

Audit Committee Report

Discharge of responsibilities

The Audit 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 Audit Committee performed the following activities during the year under review:

- Approved the contents of the Audit Committee's terms of reference approval
- Approved the external auditor's fees for the 2021 audit;
- Approved any other services provided by the auditors and
- Considered the independence and objectivity of the external auditor.

Annual Financial Statements

Following the review by the Audit Committee of the annual financial statements of Fox Street 6 (RF) Limited for the year ended 31 March 2021 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 Audit 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 Audit Committee recommended the Company's 2021 annual financial statements for approval by the Board on 29 July 2021.

On behalf of the Audit Committee:

Chairman: Audit Committee

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Independent Auditor's Report

To the shareholder of Fox Street 6 (RF) Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Fox Street 6 (RF) Limited (the Company) set out on pages 12 to 35, which comprise the statement of financial position as at 31 March 2021, 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 6 (RF) Limited as at 31 March 2021, 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 6 (RF) Limited Annual Financial Statements for the year ended 31 March 2021", 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.

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 6 (RF) Limited for five years.

KPMG Inc.

Per TA Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director

30 July 2021

Fox Street 6 (RF) Limited

Statement of Financial Position

as at 31 March 2021

	Notes	2021	2020
Assets		**R**	**R**
Deferred tax asset	*5*	1,862,545	580,016
Taxation receivable		-	49,988
Intercompany receivable	*2*	865,821,452	1,049,759,597
Trade and other receivables		119,931	1,028,473
Cash and cash equivalents	*3*	76,978,892	93,329,801
Total assets		**944,782,820**	**1,144,747,875**
Equity and liabilities			
Equity		**10,922,149**	**9,630,828**
Share capital	*6*	101	101
Retained earnings		14,964,245	10,348,640
Cash flow hedge reserve		(4,042,198)	(717,914)
Preference share capital	*6*	1	1
Liabilities		**933,860,671**	**1,135,117,047**
Subordinated loan	*8*	20,039,716	20,039,716
Residential mortgaged backed securities	*7*	901,728,563	1,102,893,747
Derivative financial instruments	*4*	5,614,164	997,103
Deferred income		236,136	219,794
Accrued interest payable	*9*	5,385,060	10,167,899
Taxation payable		51,079	-
Trade and other payables	*10*	805,953	798,788
Total equity and liabilities		**944,782,820**	**1,144,747,875**

Fox Street 6 (RF) Limited

Statement of Comprehensive Income

for the year ended 31 March 2021

	Notes	2021 R	2020 R
Interest income	*11*	66,318,024	112,299,462
Other interest income	*11*	245,007	455,752
Interest expense	*12*	(57,976,134)	(101,152,387)
Net interest income		**8,586,897**	**11,602,827**
Other income		150,213	177,396
Total operating income before expected credit losses/ impairment losses		8,737,110	11,780,223
Expected credit loss impairment charge	*2*	(401,146)	(1,011,281)
Other operating expenses	*13*	(1,925,402)	(2,169,484)
Profit before taxation		**6,410,562**	**8,599,458**
Taxation	*14*	(1,794,957)	(2,407,848)
Profit for the year		**4,615,605**	**6,191,610**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges- effective portion of changes in fair value	*4*	(2,800,088)	(5,087,427)
Cash flow hedges- reclassified to profit or loss	*11*	(245,007)	(455,752)
		(3,045,095)	**(5,543,179)**
Total comprehensive income for the year		**1,570,510**	**648,431**

Fox Street 6 (RF) Limited

Statement of Changes in Equity

for the year ended 31 March 2021

	Note	Ordinary share capital	Preference share capital	Retained earnings	Cash flow hedge reserve	Total
		R	R	R	R	R
Balance at 31 March 2019		**101**	**1**	**4,157,030**	**4,825,265**	**8,982,397**
Total comprehensive income for the period						
- Profit for the year		-	-	6,191,610	-	**6 191 610**
- Change in fair value of financial instrument	4	-	-	-	(5,087,427)	**(5 087 427)**
- Cash flow hedges- reclassified to profit or loss	11	-	-	-	(455,752)	**(455 752)**
Balance at 31 March 2020		**101**	**1**	**10,348,640**	**(717,914)**	**9,630,828**
Total comprehensive income for the period						
- Profit for the year		-	-	4,615,605	-	**4 615 605**
- Change in fair value of financial instrument	4	-	-	-	(2,800,088)	**(2 800 088)**
- Cash flow hedges- reclassified to profit or loss	11	-	-	-	(245,007)	**(245 007)**
- PY CF Hedge Reserve Deferred Tax					(279,189)	**(279,189)**
Balance at 31 March 2021		**101**	**1**	**14,964,245**	**(4,042,198)**	**10,922,149**

Fox Street 6 (RF) Limited

Statement of Cash Flows

for the year ended 31 March 2021

	Notes	2021	2020
		R	**R**
Cash flows from operating activities			
Profit before taxation		6,410,562	8,599,458
Adjusted for:			
Taxation paid		(1,683,638)	(2,736,859)
Expected credit loss charge		401,146	1,011,281
Changes in working capital:			
Decrease/(increase) in trade and other receivables		908,542	(319,229)
(Decrease) in accrued interest payable		(4,782,839)	(2,987,687)
Increase in deferred income		16,342	144,032
Increase in trade and other payables		7,165	122,156
Net cash inflow from operating activities		**1,277,280**	**3,833,152**
Cash flows from investing activities			
Repayment of mortgage loans		183,536,995	157,042,932
Net cash inflow from investing activities		**183,536,995**	**157,042,932**
Cash flows from financing activities			
Capital redemption of residential mortgage backed securities	*7*	(201,165,184)	(174,166,625)
Net cash (outflow) from financing activities		**(201,165,184)**	**(174,166,625)**
Net (decrease) in cash and cash equivalents for the period		**(16,350,909)**	**(13,290,541)**
Cash and cash equivalents at beginning of the period		**93,329,801**	**106,620,342**
Cash and cash equivalents at end of the period	*3*	**76,978,892**	**93,329,801**

Fox Street 6 (RF) Limited

Notes to the financial statements

for the year ended 31 March 2021

1. Significant accounting policies

1.1 Reporting entity

Fox Street 6 (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 the 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.

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 6 (RF) Limited

Notes to the financial statements

for the period ended 31 March 2021 (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).

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 6 (RF) Limited

Notes to the financial statements

for the period ended 31 March 2021 (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.

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

The following new and amended standards, which have been issued but are not yet effective, are not expected to have a material impact on the company’s financial statements.
The company intends to comply with these standards from the effective dates.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Annual Improvements to IFRS Standards 2018-2020
- Classification of liabilities as current or non-current (Amendments to IAS 1)

Fox Street 6 (RF) Limited

Notes to the financial statements

for the year ended 31 March 2021

2. Intercompany receivables

During the prefunding period of 08 August 2018 to 01 November 2018, Investec Bank Limited (IBL) sold a portion of its residential mortgage assets to Fox Street 6 (RF) Limited (Fox Street 6). However, since IBL is also the provider of the subordinated loan, the substance of the transaction was 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.

	2021 R	2020 R
Loans and receivables ceded to Fox Street 6		
Gross amount outstanding	867,968,779	1,051,505,774
Expected credit loss	(2,147,327)	(1,746,181)
	865,821,452	**1,049,759,593**
Maturity analysis		
One month to three months	35,701,356	36,916,899
Three months to six months	34,232,885	35,620,799
Six months to one year	64,299,478	67,533,714
One year to five years	416,986,165	396,940,330
Greater than five years	316,748,894	514,494,036
	867,968,779	**1,051,505,778**
Reconciliation of expected credit loss		
Opening balance	**1,746,181**	734,900
Charged to the statement of comprehensive income	401,146	1,011,281
	2,147,327	**1,746,181**

3. Cash and cash equivalents

	2021 R	2020 R
Cash and cash equivalents consist of:		
Current account - Investec Bank Limited	76,978,790	93,329,699
Petty cash	102	102
	76,978,892	**93,329,801**

Interest on the current account is earned at the 3 month JIBAR rate which is reset every quarter.

4. Derivative financial instruments

Fox Street 6 (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 R 897 799 645 (2020: R1 051 505 778) 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 due to 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 interbank 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.

	2021 R	2020 R
Statement of financial position		
Derivative Financial Instrument	**(5,614,164)**	**(997,103)**
Statement of comprehensive income		
Cash flow hedges- effective portion of changes in fair value	(2,800,088)	(5,087,427)
Cash flow hedges- reclassified to profit or loss	(245,007)	(455,752)
Other comprehensive income	**(3,045,095)**	**(5,543,179)**

Cash flow hedges

The company is exposed to variability in cash flows on future liabilities arising from changes in base interest rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in other comprehensive income and reclassified to the income statement when the cash flow affects the income statement.

Notes to the financial statements

for the year ended 31 March 2021 (continued)

4. Derivative financial instruments (continued)

At 31 March R	Description of financial instrument being hedged	Fair value of hedging instrument	Period cash flows are expected to occur and affect income statement
2021			
Interest rate swap	Intercompany receivable	(5 614 164)	Three months
2020			
Interest rate swap	Intercompany receivable	(997 103)	Three months

There are cash flow hedges during the year to mitigate interest rate risk. A reconciliation of the cash flow hedge reserve can be found in the statement of changes in equity. There was no ineffective portion recognised in the income statement.

Realisations to the income statement for cash flow hedges of R0.245 million (2020: R0.455 million) are included in net interest income.

5. Deferred tax asset	**2021 R**	**2020 R**
The deferred tax balance arises due to temporary differences associated with:		
Expected credit loss	224,461	239,285
Deferred income	66,118	61,542
Derivative Financial Instruments	1,571,966	279,189
Deferred tax asset	**1,862,545**	580,016
Reconciliation of deferred tax balance		
Opening balance	580,016	170,508
Expected credit loss	(14,824)	89,990
Deferred income	4,576	40,329
Recognised in OCI		
Derivative financial instruments	1,292,777	279,189
Closing balance	**1,862,545**	**580,016**

6. Share capital

Ordinary share capital		
Authorised		
1 000 ordinary shares at R1 each	**1 000**	**1 000**
Issued		
100 ordinary share at R1	101	101
All of the issued shares are held by Fox Street 6 Owner Trust and are fully paid up.		
Preference share capital		
Authorised		
100 cumulative redeemable preference shares (no par value)		
Issued		
1 preference share at no par value	1	1
The unissued shares are under the control of the Directors until the next annual general meeting and are fully paid up.		
	102	**102**

7. Residential mortgage backed securities

	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Total
	R	R	R	R	R	R
2021						
Balance at the beginning of the period	767,893,747	150,000,000	50,000,000	35,000,000	100,000,000	**1,102,893,747**
Redemption of notes	(201,165,184)	-	-	-	-	**(201,165,184)**
Balance of notes outstanding at end of the year	**566,728,563**	**150,000,000**	**50,000,000**	**35,000,000**	**100,000,000**	**901,728,563**
2020						
Balance at the beginning of the period	942,060,372	150,000,000	50,000,000	35,000,000	100,000,000	**1,277,060,372**
Notes issued to investors	-	-	-	-	-	**-**
Redemption of notes	(174,166,625)	-	-	-	-	**(174,166,625)**
Balance of notes outstanding at end of the year	**767,893,747**	**150,000,000**	**50,000,000**	**35,000,000**	**100,000,000**	**1,102,893,747**

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 February, May, August and November. The interest rate, charge and accrued balance per tranche of notes was as follows:

2021	Spread over 3 Month Jibar	Interest expense	Accrued interest
		R	R
Class A1	69 bps	-	-
Class A2	105 bps	14,916,762	814,216
Class A3	124 bps	21,316,230	2,031,211
Class B1	138 bps	8,203,586	892,297
Class C1	185 bps	2,969,529	285,655
Class D1	225 bps	2,218,670	214,534
Class E1	280 bps	6,889,058	670,214
		56,513,835	**4,908,127**

2020	Spread over 3 Month Jibar	Interest expense	Accrued interest
		R	R
Class A1	69 bps	4,771,517	-
Class A2	105 bps	31,681,767	3,140,704
Class A3	124 bps	32,717,940	3,500,164
Class B1	138 bps	12,588,532	1,444,880
Class C1	185 bps	4,395,578	471,781
Class D1	225 bps	3,217,288	345,973
Class E1	280 bps	9,743,759	1,050,274
		99,116,381	**9,953,776**

	2021	2020
	R	R
8. Subordinated Loan	**20,039,716**	**20,039,716**

Fox Street 6 (RF) Limited entered into an agreement with Investec Balance Sheet Funding (IBSF), whereby IBSF would provide the subordinated loan to the residential mortgage backed security notes issues. The loan bears interest at 3m Jibar (in line with the notes) plus 3.2% and is payable quarterly to extent that there is available funds. All unpaid interest is rolled forward to the following quarterly payment date. The final legal maturity of the credit enhancement is 20 May 2047.

The principal amount of R20 039 716 subordinated loan was advanced by IBSF on 08 August 2018. Interest payable on the subordinated loan is payable on quarterly payment dates in accordance with the Priority of Payments.

9. Accrued interest payable

	2021	2020
Subordinated loan	476 933	214,123
Residential mortgage backed securities	4 908 127	9,953,776
	5,385,060	**10,167,899**

Fox Street 6 (RF) Limited

Notes to the financial statements

for the year ended 31 March 2021 (continued)

		2021 R	2020 R
10.	**Trade and other payables**		
	Accrued expenses	812 683	808,223
	VAT liability	(6 730)	(9,435)
		805,953	**798,788**
11.	**Interest income**		
	Interest income		
	Instalment Sales Advances	61,903,605	104,066,700
	Current account - Investec Bank Limited	4,414,419	8,232,762
		66,318,024	**112,299,462**
	Other interest income		
	Realised interest on swap	245,007	455,752
		245,007	**455,752**
12.	**Interest expense**		
	Residential mortgage backed securities		
	- Class A	36,232,992	69,171,224
	- Class B	8,203,586	12,588,532
	- Class C	2,969,529	4,395,578
	- Class D	2,218,670	3,217,288
	- Class E	6,889,058	9,743,759
	Subordinated loan	1,462,299	2,036,006
		57,976,134	**101,152,387**
13.	**Other operating expenses**		
	Other operating expenses include the following:		
	Servicing fee	843,091	986,800
	Administration fee	57,500	57,500
	Auditor's fee	365,412	492,033
	Sundry expenses	659,399	633,151
		1,925,402	**2,169,484**
14.	**Taxation**		
	South African normal tax		
	-current	1,784,706	2,538,168
	-deferred tax	10,251	(130,320)
	Net taxation charge	**1,794,957**	**2,407,848**

Reconciliation of effective tax rate

2021

	%	R
Income before taxation		6 410 562
Tax using the corporation tax rate	**28.0%**	1 794 957
Total income tax expense	**28.0%**	**1 794 957**

2020

	%	R
Income before taxation		8 599 458
Tax using the corporation tax rate	**28.0%**	2 407 848
Total income tax expense	**28.0%**	**2 407 848**

Notes to the financial statements

for the year ended 31 March 2021 (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 6 (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 it's 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 6 (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 6 (RF) Limited has indemnified Fox Street 6 Security SPV (Security SPV)(RF) Proprietary Limited 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 6 (RF) Limited.

Cession and pledge

Fox Street 6 (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.

Fox Street 6 (RF) Limited

Notes to the financial statements

for the year ended 31 March 2021 (continued)

17. Related party transactions

17.1 Investec Bank Limited

Investec Bank Limited is the Parent entity of Fox Street 6 (RF) Limited. In accordance with the requirements of IFRS 10, Consolidated Financial Statements, Investec Bank Limited consolidates Fox Street 6 (RF) Limited. This is because Investec Bank Limited is exposed to variability of returns from Fox Street 6 (RF) Limited and has the ability to affect these returns through the power it has.

The following transactions took place between Investec Bank Limited and Fox Street 6 (RF) Limited.

Servicing and administration fees

Investec Bank Limited is the appointed servicing and administration agent to Fox Street 6 (RF) Limited, details of which are set out in Note 15 above. Fees payable to Investec Bank Limited under these agreements during the period amounted to:

	2021	**2020**
	R	**R**
Servicing fee	843 091	986,800
Administration fee	57 500	57,500

Investec Bank Limited (through its ICIB division) is the designated banker for Fox Street 6 (RF) Limited.

- Petty cash	102	102
- Bank current account	76,978,790	93,329,699

Subordinated loan

Investec Bank Limited (through its ICIB division) has provided the subordinated loan to Fox Street 6 (RF) Limited (refer to Note 8) which serves as credit enhancement to the notes. Interest is charged on the subordinated loan in accordance with the Priority of Payments. Interest for the period amounted to R1 461 982 (2020: R2 036 006).

Investment in notes

On 20 August 2018, Fox Street 6 (RF) Limited issued and listed R1.335bn of notes on the Interest Rate Market of the JSE. A portion of these notes were invested by Investec Bank Limited. The following balances relating to the investment in the notes were applicable at the end of the period:

	2021	**2020**
	R	**R**
- Residential mortgage backed securities	901,728,563	1,102,893,747
- Accrued interest on notes	4,908,127	9,953,776

17. Related party transactions (continued)

17.2 Other related party transactions

Quadridge Trust Services Proprietary Limited

Quadridge Trust Services Proprietary Limited are external service providers that provide, trust and fiduciary services. Trust and fiduciary fees were charged by Quadridge Trust Services Proprietary Limited, the trustees of Fox Street 6 Owner Trust and Fox Street 6 Security SPV Owner Trust respectively, as follows:

	2021 **R**	**2020** **R**
Quadridge Trust Services Proprietary Limited	152 084	151,867

Fox Street 6 Owner Trust

The Trust was established solely to be a beneficial shareholder of all of the ordinary shares in Fox Street 6 (RF) Limited. The Trust is managed by Quadridge Trust Services Proprietary Limited. No payments were made to Fox Street 6 Owner Trust during the current year.

Fox Street 6 Security SPV

The Security SPV was incorporated for the purposes of holding and realising security for the benefit of Secured Creditors, including Noteholders of Fox Street 6 (RF) Limited. No payments were made to the Security SPV during the current year.

Fox Street 6 Security SPV Owner Trust

Fox Street 6 Security SPV Owner Trust is the sole beneficial shareholder of all the ordinary shares of Fox Street 6 Security SPV. No payments were made to the Security SPV during the current year.

Fox Street 6 (RF) Limited

Notes to the financial statements

for the year ended 31 March 2021 (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 Fox Street 6 (RF) Limited.

The collectability of amounts due is subject to credit, liquidity and interest rate risks and will generally fluctuate in response to, among 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 R	Between 1 and 3 months R	Between 3 months and 1 year R	Between 1 and 5 years R	More than 5 years R	Total R
2021						
Residential mortgage backed securities	-	41,590,324	159,153,699	401,488,046	299,496,494	**901,728,563**
Subordinated loan	-	-	-	-	20,039,716	**20,039,716**
Accrued interest	-	5 385 060	-	-	-	**5,385,060**
Trade and other payables	-	805,953	-	-	-	**805,953**
Derivative Financial Instrument	-	5,614,164	-	-	-	**5,614,164**
	-	**53,395,501**	**159,153,699**	**401,488,046**	**319,536,210**	**933,573,456**

2020	Less than 1 month R	Between 1 and 3 months R	Between 3 months and 1 year R	Between 1 and 5 years R	More than 5 years R	Total R
Residential mortgage backed securities	-	63,862,685	87,644,925	438,224,624	513,161,513	1,102,893,747
Subordinated Loan	-	-	-	-	20,039,716	20,039,716
Accrued interest	-	10 167 899	-	-	-	10,167,899
Trade and other payables	-	798,788	-	-	-	798,788
Derivative Financial Instrument	-	997,103	-	-	-	
	-	**75,826,475**	**87,644,925**	**438,224,624**	**533,201,229**	**1,133,900,150**

The maturity analysis for financial liabilities represents the basis for effective management of exposure to structural liquidity risk.

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.

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 processed. These procedures and processes are monitored by the Credit Committee of Investec Bank Limited.

The obligations of each borrower to Fox Street 6 (RF) Limited in respect of repayment of a loan are secured by mortgage bonds registered in favour of Fox Street 6 (RF) Limited over the property of such borrowers. The collateral of the loans is represented by these properties. As at 31 March 2021, the value of the collateral held is R1 781 532 330 (2020: R1 996 657 987)

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 forborne exposure) are met.

18. Risk management (continued)

Credit risk (continued)

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.

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 6 is managed as part of this portfolio) as follows:
• The ECL as at March 2021 was calculated using revised macroeconomic variable forecasts and scenario weightings (dated 10 April 2021).
• 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 – and migrate them to Stage 2.

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.

18. Risk management (continued)

Credit risk (continued)

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.

Overall asset quality

2021

	Loans and advances that are neither past due nor impaired R	Loans and advances that are past due but not impaired R	Loans and advances that are impaired R	Total loans and advances R	Amount in arrears R
Current	860,093,896	-	-	860,093,896	27,989
Special mention	1,898,131	-	-	1,898,131	46,380
Sub-standard	-	-	-	-	-
Doubtful	-	-	5,976,752	5,976,752	289,068
Loss	-	-	-	-	-
Total	**861,992,027**	**-**	**5,976,752**	**867,968,779**	**363,436**

2020

	Loans and advances that are neither past due nor impaired R	Loans and advances that are past due but not impaired R	Loans and advances that are impaired R	Total loans and advances R	Amount in arrears R
Current	1,042,952,108	-	-	1,042,952,108	-
Special mention	3,634,734	-	-	3,634,734	78,442
Sub-standard	2,794,373	-	-	2,794,373	93,436
Doubtful	-	-	2,124,563	2,124,563	106,524
Loss	-	-	-	-	-
Total	**1,049,381,215**	**-**	**2,124,563**	**1,051,505,778**	**278,402**

The maximum exposure of the mortgage advances is the carrying value at year-end, before the deduction of collateral held.

Credit quality analysis

2021	**Stage 1 ECL**	**Stage 2 ECL**	**Stage 3 ECL**	**ECL**
Intercompany receivable	455,647	458,107	1,233,573	**2,147,327**

2020	**Stage 1 ECL**	**Stage 2 ECL**	**Stage 3 ECL**	**ECL**
Intercompany receivable	694,405	391,156	660,620	**1,746,181**

Fox Street 6 (RF) Limited

Notes to the financial statements

for the year ended 31 March 2021 (continued)

19. Financial assets and liabilities

Analysis of assets and liabilities by measurement basis

2021	Amortised cost R	Mandatorily at fair value through profit or loss R	Liabilities at amortised cost R	Non-financial instruments/financial instrument excluded from IFRS 9 R	Total R
Assets					
Intercompany receivable	865,821,452	-	-	-	**865,821,452**
Cash and cash equivalents*	76,978,892	-	-	-	**76,978,892**
Trade and other receivables*	119,931	-	-	-	**119,931**
Deferred tax asset*	-	-	-	1,862,545	**1,862,545**
Taxation Receivable	-	-	-	-	**-**
	942,920,275	**-**	**-**	**1,862,545**	**944,782,820**
Liabilities					
Residential mortgage backed securities	-	-	901,728,563	-	**901,728,563**
Subordinated loan*	-	-	20,039,716	-	**20,039,716**
Derivative financial instruments	-	5,614,164	-	-	**5,614,164**
Accrued interest*	-	-	5,385,060	-	**5,385,060**
Deferred income*	-	-	236,136	-	**236,136**
Current tax liability	-	-	-	51,079	**51,079**
VAT liability*	-		-	(6,730)	**(6,730)**
Trade and other payables*	-	-	812,683	-	**812,683**
	-	**5,614,164**	**928,202,158**	**44,349**	**933,860,671**

2020	Amortised cost R	Mandatorily at fair value through profit or loss R	Liabilities at amortised cost R	Non-financial instruments/financial instrument excluded from IFRS 9 R	Total R
Assets					
Intercompany receivable	1,049,759,597	-	-	-	**1,049,759,597**
Derivative financial instruments	-		-	-	**-**
Cash and cash equivalents*	93,329,801	-	-	-	**93,329,801**
Trade and other receivables*	1,028,473	-	-	-	**1,028,473**
Deferred tax asset*	-	-	-	580,016	**580,016**
Taxation Receivable	-	-	-	49,988	**49,988**
	1,144,117,871	**-**	**-**	**630,004**	**1,144,747,875**
Liabilities					
Residential mortgage backed securities	-	-	1,102,893,747	-	**1,102,893,747**
Subordinated loan*	-	-	20,039,716	-	**20,039,716**
Deferred tax liability*	-	-	-	-	
Derivative financial instruments	-	997,103	-	-	**997,103**
Accrued interest*	-	-	10,167,899	-	**10,167,899**
Deferred income*	-	-	219,794	-	**219,794**
Current tax liability	-	-	-	-	**-**
VAT liability*	-		-	(9,435)	**(9,435)**
Trade and other payables*	-	-	808,223	-	**808,223**
	-	**997,103**	**1,134,129,379**	**(9,435)**	**1,135,117,047**

* 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.

The valuation method applied is as follows:
- Level 1 for the Cash on hand
- Level 2 for the loans and receivables

There were no transfers between level 1 and level 2 of the fair value hierarchy for the financial assets and liabilities which are recorded at fair value.

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.

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** **2021**
Cash flow hedge	**(5,614,164)**

	R **2020**
Cash flow hedge	**(997,103)**

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 6 (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.

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. 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. Events after the reporting date

No material events have occurred between 31 March 2021 and the date of this report with the exception of the Covid-19 implications as stated in the Going Concerns section above.

23. Approval of annual financial statements

The annual financial statements were approved by the board of directors on 29 July 2021.