Fox Street 3 (RF) Limited

(Registration Number : 2014/027637/06)

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 3 (RF) Limited
(Reg. No. 2014/027637/06)

Annual Financial Statements
for the year ended 31 March 2021

Contents	*Page*

Fox Street 3 (RF) Limited

Company information

for the year ended 31 March 2021

Directors	P Madala (Independent Non-Executive Director) (Appointed 01 July 2021) 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)
Date of incorporation	7 February 2014
Registration number	2014/027637/06
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 Proprietary Limited (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 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 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 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 Maitland board of directors on 30 June 2021 and the directorate was subsequently amended on the 01 July 2021 and was signed on 25 August 2021 on their behalf by the new members:

(DA Lorimer) (30 June 2021)
Director

Director **Director**

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 2021, all such returns as are required in terms of the Act and that all such returns are true, correct and up to date.

INVESTEC
GROUP DATA PROPRIETARY LIMITED
AS SECRETARIES

AUTHORISED SIGNATORIES

COMPANY SECRETARY
Date: 25 August 2021

Fox Street 3 (RF) Limited

Directors' 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.

Authorised and issued 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 P Madala, 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.

Fox Street 3 (RF) Limited

Directors' report

for the year ended 31 March 2021 (continued)

Going concern

The COVID-19 coronavirus outbreak has caused a significant deterioration in economic conditions worldwide. Management has concluded that there are no material uncertainties regarding the ability of Fox Street 3 (RF) Limited to operate as a going concern because the company has been set up as an insolvency remote special purpose vehicle. Secured creditors have agreed to certain subordination, non-petition, and enforcement clauses.

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.

Events after the reporting date

No material events have occurred between 31 March 2021 and the date of this report.

Director	**Director**

Fox Street 3 (RF) Limited

Audit Committee Report

for the year ended 31 March 2021

Members of the Audit Committee

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

PBE Coombe
BW Smith
DA Lorimer

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 2021 (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:

- Approved the Audit Committee's terms of reference
- Approved the external auditor's plan and fees for the 2021 audit;
- Approved any other services provided by the auditor and
- 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
08 July 2020	PBE Coombe BW Smith DA Lorimer
24 February 2021	PBE Coombe BW Smith DA Lorimer

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 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 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 2021 annual financial statements for approval by the Board on 30 June 2021.

On behalf of the Audit Committee:

BW Smith
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
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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

Opinion

We have audited the financial statements of Fox Street 3 (RF) Limited (the Company) set out on pages 11 to 38, 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 3 (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.

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 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.

KPMG Inc.

TMiddlemiss

Per TA Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director

27 August 2021

Fox Street 3 (RF) Limited

Statement of financial position
at 31 March 2021

	Notes	2021	2020
Assets		**R**	**R**
Deferred tax asset	5	**1,301,702**	-
Intercompany receivables	2	**734,095,910**	885,471,338
Derivative financial instruments	3	**-**	1,309,400
Trade and other receivable		**1,516,476**	3,449,486
Cash and cash equivalents	4	**109,801,867**	108,028,640
Total assets		**846,715,955**	998,258,864
Equity and liabilities			
Equity		**(2,425,012)**	850,384
Share capital	6	**101**	101
Accumulated loss		**(10,316)**	(92,485)
Cash flow hedge reserve		**(2,414,797)**	942,768
Liabilities		**849,140,967**	997,408,480
Deferred Tax Liability		**-**	35,851
Subordinated loan	8	**173,787,320**	173,787,320
Residential mortgaged backed securities	7	**644,235,429**	794,694,259
Derivative financial instruments	3	**3,353,885**	-
Deferred income		**240,421**	278,014
Accrued interest payable	9	**27,402,550**	28,141,366
Current tax liability		**61,340**	91,172
Trade and other payables	10	**60,022**	380,498
Total equity and liabilities		**846,715,955**	998,258,864

Fox Street 3 (RF) Limited

Statement of Comprehensive Income

for the year ended 31 March 2021

	Notes	**2021**	**2020**
		R	**R**
Interest income calculated using the effective interest rate method	*11*	**52,612,260**	93,422,306
Other interest income	*11*	**930,724**	889,331
Interest expense	*12*	**(51,368,314)**	(91,379,562)
Net interest income		**2,174,670**	2,932,075
Other income		**127,686**	192,766
Total operating income before expected credit losses		2,302,356	3,124,841
Expected credit loss impairment charge	*2*	(265,354)	(40,076)
Other operating expenses	*13*	**(1,931,618)**	(2,768,801)
Profit before taxation		**105,384**	315,964
Taxation	*14*	**(23,215)**	(88,470)
Profit for the year		**82,169**	227,494
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss	*3*		
Cash flow hedges- effective portion of changes in fair value	*11*	(2,793,473)	(5,173,340)
Cash flow hedges- reclassified to profit or loss		(930,724)	(889,331)
		(3,724,197)	(6,062,671)
Total comprehensive loss for the year		**(3,642,028)**	**(5,835,177)**

Fox Street 3 (RF) Limited

Statement of Changes in Equity

for the year ended 31 March 2020

	Notes	Ordinary share capital R	Preference share capital	Accumulated loss R	Cash flow hedge reserve	Total R
Balance at 31 March 2019		100	1	(319,979)	7,005,439	6 685 561
Total comprehensive income for the year						
- Profit for the year		-	-	227,494	-	**227,494**
Other comprehensive income						
Derivative financial instruments	5	-	-	-	(366,632)	**(366,632)**
Cash flow hedges – movement in fair value	3	-	-	-	(4,806,708)	**(4,806,708)**
Realised Interest on swap	11	-	-	-	(889,331)	**(889,331)**
Balance at 31 March 2020		100	1	(92,485)	942,768	850,384
Total comprehensive income for the year						
- Profit for the year		-	-	82,169	-	**82,169**
Other comprehensive income						
Cash flow hedges – movement in fair value	3	-	-	-	(2,793,473)	**(2,793,473)**
Realised Interest on swap	11	-	-	-	(930,724)	**(930,724)**
Prior Year Cash Flow Hedge Reserve Deferred Tax		-	-	-	366,632	**366,632**
Balance at 31 March 2021		100	1	(10 316)	(2,414,797)	(2,425,012)

Fox Street 3 (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		**105,384**	315,964
Adjusted for:			
Taxation paid		**(84,880)**	-
Expected credit loss impairment charge		**265,354**	40,076
Changes in working capital:			
Decrease/(Increase) in trade and other receivables		**1,933,010**	(2,704,511)
Decrease in trade and other payables		**(320,476)**	(155,320)
Decrease in deferred income		**(37,593)**	(84,578)
(Decrease)/Increase in accrued interest		**(738,816)**	1,417,133
Cash utilised in operations		**1,121,983**	(1,171,236)
Taxation (paid)		**-**	(168,362)
Net cash utilised in operating activities		**1,121,983**	(1,339,598)
Cash flows from investing activities			
Repayment of intercompany receivables		**151,110,074**	165,598,386
Net cash flows from investing activities		**151,110,074**	**165,598,386**
Cash flows from financing activities			
Capital redemption of residential mortgage backed securities	*7*	**(150,458,830)**	(215,241,726)
Net cash flows from financing activities		**(150,458,830)**	(215,241,726)
Net increase/(decrease) in cash and cash equivalents for the year		**1,773,227**	(50 982 938)
Cash and cash equivalents at beginning of the year		**108,028,640**	159,011,578
Cash and cash equivalents at end of the year	*4*	**109,801,867**	108 028 640

Fox Street 3 (RF) Limited

Notes to the financial statements

for the year ended 31 March 2021

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 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.

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 3 (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.

Fox Street 3 (RF) Limited

Notes to the financial statements

for the period ended 31 March 2021 (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

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 3 (RF) Limited

Notes to the financial statements

for the year ended 31 March 2021 (continued)

2. Intercompany receivables

During the prefunding period of 20 February 2015 to 20 May 2015, 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 receivables is recognised for the consideration paid for these assets to IBL. The cash flows arising from this asset 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 3		
Gross amount outstanding	736,033,124	887,143,198
Expected credit loss	(1,937,214)	(1,671,860)
	734,095,910	885,471,338
Allowances for impairment		
Expected credit loss	(1,937,214)	(1,671,860)
	(1,937,214)	(1,671,860)
Maturity analysis		
One month to three months	34,046,260	32,316,504
Three months to six months	32,471,402	31,139,291
Six months to one year	60,506,249	58,916,913
One year to five years	323,559,327	342,412,513
Greater than five years	285,449,886	420,686,117
	736,033,124	885,471,338
Reconciliation of allowances for expected credit loss		
Opening balance	1,671,860	1,631,784
Charged to the statement of comprehensive income	265,354	40,076
	1,937,214	1,671,860

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 R750,216,626 (2020: R888,290,420) 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 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	2020
Statement of financial position		
Fair value of swap	**(3,353,885)**	1,309,400
Statement of comprehensive income		
Cash flow hedges – effective portion of changes in fair value	(2,793,473)	(5,173,340)
Realised Interest on swap	(930,724)	(889,331)
Net other comprehensive income	**(3,724,197)**	(6 062 671)

3. Derivative financial instruments (continued)

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.

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 receivables	(3,353,885)	Three months
2020			
Interest rate swap	Intercompany receivables	1,309,400	Three months

There are cash flow hedges during the year to mitigate interest rate. 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 (R0.931 million) (2020: R0.889 million) are included in net interest income.

	2021 R	2020 R
4. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Current account - Investec Bank Limited	109,801,767	108,028,540
Petty cash	100	100
	109,801,867	108,028,640

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

5. Deferred tax asset/(liability)

The deferred tax balance comprises of:

	2021 R	2020 R
Expected credit loss	295,296	252,937
Derivative Financial Instruments	939,088	(366,632)
Deferred income	67,318	77,844
Deferred tax asset/(liability)	**1,301,702**	(35,851)

Reconciliation of deferred tax balance

	2021 R	2020 R
Opening balance	(35,851)	451,606
Expected credit loss	42,359	(97,143)
Deferred income	(10,526)	(23,682)
Recognised in OCI		
Derivative financial instruments	1,305,720	(366,632)
Closing balance	**1,301,702**	**(35,851)**

6. Share capital

Ordinary share capital

	2021 R	2020 R
Authorised		
1 000 ordinary shares at R1 each	**1 000**	1 000
Issued		
100 ordinary share at R1	**100**	100

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

Authorised
100 cumulative redeemable preference shares (no par value)

	2021 R	2020 R
Issued		
1 preference share at no par value	**1**	1

The issued shares are fully paid up. The unissued shares are under the control of the directors until the next annual general meeting.

	2021 R	2020 R
	101	**101**

Fox Street 3 (RF) Limited

Notes to the financial statements
for the year ended 31 March 2021 (continued)

7. Residential mortgage backed securities

	Class A Notes R	Class B Notes R	Class C Notes R	Class D Notes R	Total R
2021					
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	**359,235,429**	**155,000,000**	**40,000,000**	**90,000,000**	**644,235,429**
2020					
Balance at the beginning of the period	724,935,985	155,000,000	40,000,000	90,000,000	1,009,935,985
Redemption of notes	(215,241,726)	-	-	-	(215,241,726)
Balance of notes outstanding at end of the year	509,694,259	155,000,000	40,000,000	90,000,000	794,694,259

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 were as follows:

2021	Spread over 3 Month Jibar	Interest expense R	Accrued interest R
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**
		40,513,836	**3,402,953**

Notes to the financial statements
for the year ended 31 March 2021 (continued)

7. Residential mortgage backed securities (continued)

2020	Spread over 3 Month Jibar	Interest expense R	Accrued interest R
Class A5	117 bps	49,275,347	4,375,019
Class B1	145 bps	13,004,593	1,403,387
Class C1	170 bps	3,464,819	381,918
Class D1	280 bps	8,792,376	970,521
		74,537,135	7,130,845

	2021 R	2020 R
8. Subordinated loan	**173,787,320**	**173,787,320**

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. Interest payable on the subordinated loan is payable on the quarterly payment dates in accordance with the Priority of Payments.

9. Accrued interest payable	2021 R	2020 R
Subordinated loan	23,999,597	21,010,521
Residential mortgage backed securities	3,402,953	7,130,845
	27,402,550	28,141,366

Fox Street 3 (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	55,148	374,076
	Vat Payable	4,874	6,422
		60,022	380,498
11.	**Interest income**		
	Interest income calculated using the effective interest rate method:		
	Mortgage advances	48,151,310	83,532,638
	Current account - Investec Bank Limited	4,460,950	9,889,668
		52,612,260	93,422,306
	Other interest income		
	Realised Interest on swap	930,724	889,331
		930,724	889,331
12.	**Interest expense**		
	Residential mortgage backed securities		
	- Class A	23,458,227	49,275,347
	- Class B	8,575,743	13,004,593
	- Class C	2,304,574	3,464,819
	- Class D	6,175,292	8,792,376
	Subordinated loan	10,854,478	16,842,427
		51,368,314	91,379,562
13.	**Other operating expenses**		
	Other operating expenses include the following:		
	Servicing fee - Investec Bank Limited	1,128,737	1,335,780
	Administration fee - Investec Bank Limited	402,500	403,603
	Auditor's remuneration	316,070	554,101
	Sundry expenses	84,311	475,317
		1,931,618	2,768,801
14.	**Taxation**		
	South African normal tax		
	-current tax	61,340	84,880
	-deferred tax	(38,125)	120,824
	-IFRS 9 transition adjustment	-	(117,234)
	Net taxation	**23,215**	88,470

The current tax charge equates to the statutory rate of 28%

Fox Street 3 (RF) Limited

Notes to the financial statements
for the year ended 31 March 2021 (continued)

Reconciliation of effective tax rate

2021

	%	**R**
Income before taxation		105,384
Tax using the corporation tax rate	**28%**	**29,508**
Adjustments	(6.0%)	(6 293)
- Prior year adjustment to deferred tax	(6.0%)	(6,292)
Total income tax expense	**22.0%**	**23,215**

2020

	%	**R**
Income before taxation		315,964
Tax using the corporation tax rate	**28.0%**	**88,470**
Temporary differences	(1.1%)	(3,590)
- Deferred income	(7.5%)	(23,681)
- Expected credit loss	6.4%	20,091
Total income tax expense	**26.9%**	**84,880**

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 0.12% (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 R350 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:

	2021	**2020**
	R	**R**
Servicing fee	**1,128,737**	1,335,780
Administration fee	**402,500**	403,603

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	**100**	100
- Bank current account	**110,978,140**	108,028,540

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 R10,854,478 (2020: R16,842,427).

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 faciliated the listing of all these notes which were listed on the 20th August 217. The following balances relating to the investment in the notes were applicable at the end of the year:

- Residential mortgage backed securities	**644,235,429**	794,694,259
- Accrued interest on notes	**3,402,953**	7,130,845

17.2 Other related party transactions

Maitland Group South Africa Limited and TMF Corporate Services (South Africa) Proprietary Limited

Maitland Group South Africa 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 Maitland Group South Africa 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:

	2021 **R**	**2020** **R**
Maitland Group South Africa Limited (including directors fees)	**90,000**	90,000
TMF Corporate Services (South Africa) Proprietary Limited	**112,850**	142,416

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 Maitland Group South Africa 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.

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
2021						
Residential mortgage backed securities	-	37,063,679	36,831,773	333,042,955	237,297,022	**644,235,429**
Subordinated loan	-	-	-	-	173,787,320	**173,787,320**
Derivative financial instruments		-	-	-	3,353,885	**3,353,885**
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**
	-	**40,587,994**	**60,831,370**	**333,042,955**	**414,678,648**	**849,140,967**
2020						
Residential mortgage backed securities	-	50,822,381	47,641,016	253,853,587	442,377,275	794,694,259
Subordinated loan	-	-	-	-	173,787,320	173,787,320
Derivative financial instruments		-	-	-	-	-
Current tax & Vat payable		97,594				97,594
Accrued interest payable	-	7,130,845	21,010,521	-	-	28,141,366
Deferred income payable	-	-	-	-	278,014	278,014
Trade and other payables	-	374,076	-	-	-	374,076
	-	61,687,184	97,558,918	382,741,984	455,384,543	997,372,629

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.

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

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 2021, the value of the collateral held was R2,798,993,207 (2019: R3,159,410,923), 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 group was not required to hold specific impairments against these assets under IAS 39, however, a loss allowance equivalent to a lifetime ECL is now required to be held under 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.

18. Risk management (continued)

Credit risk (continued)

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 group 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.

Stage 3
Financial assets will be included in Stage 3 when there is objective evidence of credit impairment. Under IFRS 9, the group 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 than under IAS 39, 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 and loss (FVPL) will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

Write-offs
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;

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) that are calculated under IAS 39 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.

Fox Street 3 (RF) Limited

Notes to the financial statements

for the year ended 31 March 2021 (continued)

18. Risk management (continued)

Credit risk (continued)

Key drivers of measurement uncertainty – subjective elements and inputs (continued)

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 2021 (continued)

18. Risk management (continued)

Credit risk (continued)

Overall asset quality

2021

	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances	Amount in arrears
	R	**R**	**R**	**R**	**R**
Current	724,887,631	-	-	724,887,631	11,873
Special mention	9,031,280	-	-	9,031,280	60,602
Sub-standard	2,114,213	-	-	2,114,213	452,110
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total	**736,033,124**	**-**	**-**	**736,033,124**	**524,585**

2020

	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances	Amount in arrears
	R	**R**	**R**	**R**	**R**
Current	881,951,478	-	-	881,951,478	-
Special mention	-	2,007,978		2,007,978	
Sub-standard	1,189,929	-	-	1,189,929	21,252
Doubtful	1,993,813	-	-	1,993,813	176,783
Loss	-	-	-	-	-
	-	-	-	-	-
Total	**885,135,220**	**2,007,978**	-	**887,143,198**	198,035

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**	**Total ECL**
Intercompany receivables	526,575	995,783	414,856	**1,937,213**

2020	**Stage 1 ECL**	**Stage 2 ECL**	**Stage 3 ECL**	**Total ECL**
Intercompany receivables	697,911	519,604	454,344	**1,671,859**

Fox Street 3 (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**	**Designated at fair value R**	**Liabilities at amortised cost R**	**Non-financial instruments/financial instrument excluded from IFRS 9 R**	**Total R**
Assets					
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
	845,414,253	**-**	**-**	**1,301,702**	**846,715,955**
Liabilities					
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**
	-	**3,353,885**	**845,720,868**	**66,214**	**849,140,967**

* 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 2021 (continued)

19. Financial assets and liabilities (continued)

Analysis of assets and liabilities by measurement basis (continued)

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					
Loans and advances	885,471,338	-	-	-	885,471,338
Cash and cash equivalents*	108,028,640	-	-	-	108,028,640
Accrued interest receivable*	3,449,486	-	-	-	3,449,486
Derivative financial instruments	-	1,309,400	-	-	1,309,400
	996,949,464	**1,309,400**	**-**	**-**	**998,258,864**
Liabilities					
Residential mortgage backed securities	-	-	794,694,259	-	794,694,259
Subordinated loan	-	-	173,787,320	-	173,787,320
Derivative financial instruments	-	-	-	-	-
Accrued interest payable*	-	-	28,141,366	-	28,141,366
Deferred income payable*	-	-	278,014	-	278,014
Trade and other payables*	-	-	374,076	-	374,076
Current tax	-	-	-	91,172	91,172
Vat payable	-	-	-	6,422	6,422
	-	**-**	**997,275,035**	**97,594**	**997,372,629**

* 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 2021 (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
	2021
Cash flow hedge	**(3,353,885)**
	R
	2020
Cash flow hedge	1,309,400

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.

Notes to the financial statements

for the year ended 31 March 2021 (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.

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. Events after the reporting date

No material events have occurred between 31 March 2021 and the date of this report.

23. Approval of annual financial statements

The annual financial statements were approved by the board of directors on 25 August 2021.