# Grayston Drive Autos (RF) Limited

(Registration Number : 2018/315240/06)

Annual financial statements
for the year ended 31 March 2023
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 S 30(2)(b) of the Companies Act 71 of 2008 as amended.

# Grayston Drive Autos (RF) Limited
(Registration Number : 2018/315240/06)

## Annual financial statements
*for the year ended 31 March 2023*

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# Grayston Drive Autos (RF) Limited

## Company information

*for the year ended 31 March 2023*

| | |
|---|---|
| **Directors** | GT Sayers (Independent Non-Executive)<br>DP Towers (Independent Non-Executive)<br>H Tradonsky (Non-Executive)<br>KW van Staden (Independent Non-Executive)<br>W J Janse van Rensburg (Alternate Non-Executive) |
| **Date of incorporation** | 25 May 2018 |
| **Registration number** | 2018/315240/06 |
| **Period covered by financial statements** | 01 April 2022 to 31 March 2023 |
| **Nature of business and principal activities** | Pursuant to the Secured Note Programme: To issue debt instruments, and/or to use funds borrowed or raised from such debt instruments to acquire assets of any kind; and/or enter into hedging transactions to mitigate its credit, currency, interest and other risks; and/or collateralise its debt instruments in respect of each asset or hedging transaction. |
| **Secretary** | Investec Group Data (Pty) Ltd |
| **Independent Auditor** | KPMG Inc. |
| **Bankers** | Investec Bank Limited |
| **Registered Office** | c/o Company Secretarial<br>Investec Limited<br>100 Grayston Drive<br>Sandown<br>Sandton<br>2196 |
| **Postal address** | c/o Company Secretarial<br>Investec Limited<br>PO Box 785700<br>Sandton<br>2146 |

# Grayston Drive Autos (RF) Limited

## Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Grayston Drive Autos (RF) Limited, comprising the statement of financial position at 31 March 2023, and the statements of comprehensive income, changes in equity and cash flows for the period 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 Grayston Drive Autos (RF) Ltd, as identified in the first paragraph, were approved by the board of directors on 28 June 2023 and signed on their behalf by:

**Date:** 17 July 2023
**Director:** KW van Staden

**Date:** 17 July 2023
**Director:** HS Tradosnky

## Declaration by the Company Secretary

In terms of section 88(2)(e) of the South African Companies Act No 71 of 2008, as amended ("the Act"), 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 period ended 31 March 2023, all such returns as are required in terms of the Act and that all such returns are true, correct and up to date.

**Company Secretary Name: Patrisia le Roux**
**For and on behalf of Investec Group Data**

# Grayston Drive Autos (RF) Limited

## Directors' report

*for the year ended 31 March 2023*

The directors have pleasure in submitting their report on the activities of the company for the period 01 April 2022 to 31 March 2023.

**Nature of business**

To acquire the rights, title and interest in and to vehicle instalment loans using a securitisation structure, with funds being raised via the issue of debt instruments which are 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 period, and its financial position at 31 March 2023, are set out in the annual 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 GT Sayers, DP Towers, H Tradonsky, KW van Staden and W J Janse van Rensburg (Alt).

**Interest of the director and officers**

The directors and officers have no interests in the Company.

**Dividends**

No dividends were declared or paid during the current and prior periods.

**Going concern**

Grayston Drive Autos (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.

**Auditor**

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

**Director** | **Director**

# Grayston Drive Autos (RF) Limited

## Audit Committee Report

**Members of the Audit Committee**

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

GT Sayers
DP Towers
KW Van Staden

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

The 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 |
|---|---|
| 30 June 2022 | DP Towers<br>GT Sayers<br>KW van Staden |
| 16 February 2023 | DP Towers<br>GT Sayers<br>KW van Staden |

**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.

# Grayston Drive Autos (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 2023 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 committee of the annual financial statements of Grayston Drive Autos (RF) Limited for the year ended 31 March 2023 and based on the information provided to it, the committee considers that, in all material respects, the Company complies with the provisions of the Companies Act No 71 of 2008, as amended, International Financial Reporting Standards, and that the accounting policies applied are appropriate.

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

The committee recommended the Company’s 2022 annual financial statements for approval by the Board on 28 June 2023.

On behalf of the Audit Committee:

**Chairman: Audit Committee**

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Docex 472 Johannesburg
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# Independent Auditor's Report

**To the shareholder of Grayston Drive Autos (RF) Ltd**

Report on the audit of the financial statements

***Opinion***

We have audited the financial statements of Grayston Drive Autos (RF) Ltd (the Company) set out on pages 10 to 33, which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Grayston Drive Autos (RF) Ltd as at 31 March 2023, and its financial performance and cash flows for the year then ended then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS 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 "Grayston Drive Autos (RF) Ltd Annual Financial Statements for the year ended 31 March 2023", which includes the Directors' Report 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 as issued by the International Accounting Standards Board (IFRS 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.

KPMG

- 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.

KPMG Inc.

TMiddlemiss

Per TA Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director
17 July 2023

# Grayston Drive Autos (RF) Limited

## Statement of Financial Position

*as at 31 March 2023*

| | *Notes* | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | **R** | **R** |
| Cash and cash equivalents | *3* | 5,100,088 | 439,276,693 |
| Trade and other receivables | | - | - |
| Derivative financial instruments | *4* | - | - |
| Intercompany receivable | *2* | - | 2,053,287,821 |
| Taxation receivable | | 244,460 | - |
| Deferred tax asset | *5* | - | 6,522,734 |
| **Total assets** | | **5,344,548** | **2,499,087,248** |
| **Equity and liabilities** | | | |
| **Equity** | | **5,032,156** | **(12,269,866)** |
| Share capital | *6* | 100 | 100 |
| Accumulated profit/ (loss) | | 5,032,056 | (2,901,844) |
| Cash flow hedge reserve | | - | (9,368,122) |
| **Liabilities** | | **312,392** | **2,511,357,114** |
| Trade and other payables | *10* | 312,392 | 2,767,171 |
| Taxation payable | | - | 127,201 |
| Accrued interest payable | *9* | - | 11,032,673 |
| Deferred income | | - | 4,910,365 |
| Derivative financial instruments | *4* | - | 274,057,764 |
| Instalment sales backed securities | *7* | - | 2,136,604,790 |
| Credit enhancement loan | *8* | - | 81,857,150 |
| **Total equity and liabilities** | | **5,344,548** | **2,499,087,248** |

# Grayston Drive Autos (RF) Limited

## Statement of Comprehensive Income

*for the year ended 31 March 2023*

| | Notes | 2023<br>R | 2022<br>R |
|---|---|---|---|
| Interest income calculated using the effective interest rate method | *11* | 13,721,715 | 157,950,667 |
| Interest expense | *12* | (12,913,564) | (154,103,787) |
| **Net interest income** | | **808,151** | **3,846,880** |
| Other income | | 299,207 | 3,443,443 |
| Expected credit loss impairment charge | *2* | 10,724,597 | (5,445,077) |
| Other operating expenses | *13* | (963,598) | (2,600,951) |
| **Profit/(Loss) before taxation** | | **10,868,357** | **(755,705)** |
| Taxation | *14* | (2,934,457) | (78,735) |
| **Profit/(Loss) for the year** | | **7,933,900** | **(834,440)** |
| **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* | (7,998,615) | (347,576,402) |
| Cash flow hedges- reclassified to profit or loss | *4* | 7,998,615 | 338,208,280 |
| | | **-** | **(9,368,122)** |
| Total comprehensive income for the year | | **7,933,900** | **(10,202,562)** |

# Grayston Drive Autos (RF) Limited

## Statement of Changes in Equity

*for the year ended 31 March 2023*

| | Note | Ordinary share capital | Preference share capital | Retained earnings | Cash flow hedge reserve | Total |
|---|---|---|---|---|---|---|
| | | R | R | R | R | R |
| **Balance at 31 March 2021** | | **100** | **-** | **(2,067,404)** | **4,636,886** | **2,569,582** |
| **Total comprehensive income for the period** | | | | | | |
| - Loss for the year | | - | - | (834,440) | - | **(834,440)** |
| - Cash flow hedges- effective portion of changes in fair value | 4 | - | - | - | (84,013,805) | **(84,013,805)** |
| - Cash flow hedges- reclassified to profit or loss | | | | | 70,008,797 | **70,008,797** |
| **Balance at 31 March 2022** | | **100** | **-** | **(2,901,844)** | **(9,368,122)** | **(12,269,866)** |
| **Total comprehensive income for the period** | | | | | | |
| - Profit for the year | | - | - | 7,933,900 | - | **7 933 900** |
| - Cash flow hedges- effective portion of changes in fair value | 4 | - | - | - | 339,577,787 | **339 577 787** |
| - Cash flow hedges- reclassified to profit or loss | | | | | (330,209,665) | **(330 209 665)** |
| **Balance at 31 March 2023** | | **100** | **-** | **5,032,056** | **-** | **5,032,156** |

# Grayston Drive Autos (RF) Limited

## Statement of Cash Flows

*for the year ended 31 March 2023*

| | Notes | 2023 | 2022 |
|---|---|---|---|
| | | R | R |
| **Cash flows from operating activities** | | | |
| Profit/(Loss) before taxation | | 10,868,357 | (755,705) |
| *Adjusted for:* | | | |
| Expected credit loss impairment charge | | (10,724,597) | 5,445,077 |
| *Changes in working capital:* | | | |
| Decrease in trade and other receivables | | - | 17,873 |
| (Decrease)/Increase in accrued interest payable | | (26,523,946) | 1,114,443 |
| (Decrease) in deferred income | | (4,910,365) | (540,815) |
| (Decrease)/Increase in trade and other payables | | (2,454,779) | 1,283,266 |
| | | (33,745,330) | 6,564,139 |
| Taxation paid | | (426,543) | (1,494,137) |
| **Net cash (outflow)/inflow in operating activities** | | **(34,171,873)** | **5,070,002** |
| Instalment sale loans sold | | 2,064,012,418 | 47,872,289 |
| **Net cash inflow from investing activities** | | **2,064,012,418** | **47,872,289** |
| **Cash flows from financing activities** | | | |
| Repayment of instalment sales backed securities | | (2,136,604,790) | - |
| Repayment towards swap | | (245,555,210) | - |
| Credit enhancement loan repaid | *8* | (81,857,150) | - |
| **Net cash outflow from financing activities** | | **(2,464,017,150)** | **-** |
| **Net (decrease)/increase in cash and cash equivalents for the period** | | **(434,176,605)** | **52,942,291** |
| **Cash and cash equivalents at beginning of the period** | | **439,276,693** | **386,334,402** |
| **Cash and cash equivalents at end of the period** | *3* | **5,100,088** | **439,276,693** |

**1. Significant accounting policies**

1.1 Reporting entity

Grayston Drive Autos (RF) Limited (the 'Company') is domiciled in South Africa. The Company's registered office is at 100 Grayston Drive, Sandown, Sandton, 2196. These financial statements comprise the Company's annual financial statements. The Company is primarily involved in acquiring the right, title and interest in and to vehicle instalment loan 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.

The financial numbers for the Company have been rounded to the nearest Rand for the purposes of the financial statements.

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.

# Grayston Drive Autos (RF) Limited

## Notes to the financial statements

*for the year ended 31 March 2023 (continued)*

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

*1.4.2 Measurement*

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

*Receivables*

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

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, petty cash and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost in the statement of financial position, which approximates fair value.

*Derivative financial instruments*

Derivative financial instruments are recognised on the statement of financial position at fair value. Change to fair value movements are subsequently recognised in profit or loss unless hedge accounting is being applied. The notional amount is the sum of the absolute value of all contracts for both derivative assets and liabilities. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the company's participation in derivative contracts

*Instalment sales 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 IFRS 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 instalment sales backed securities and trade and other payables, are measured at amortised cost using the effective interest method.

**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.

IBOR Reform
Following the financial crisis, the replacement of benchmark interest rates such as LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. Many uncertainties remain but the roadmap to replacement is becoming clearer. As the transition from LIBOR is market, not regulator driven and institutions and territories are preparing at different rates. Investec Bank Limited is currently working through the impact of this change via a change implementation task team with a view to ensure that all changes are effected accurately and timeously.

The Company is impacted by the above change as there is an exposure via the currency swap and the interest on the external USD note payable. However, the impact is not seen to be material as the currency swap is expected to offset the USD note interest payable at the exact same rate. Furthermore the legal have highlighted the possibility of this amendment and have catered for an agreed rate between Investec Bank Limited and J.P.Morgan.

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 (instalment sales 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.

# Grayston Drive Autos (RF) Limited

## Notes to the financial statements

*for the year ended 31 March 2023 (continued)*

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

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.

1.9 Taxation

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

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

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

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

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

1.10 Standards and interpretations issued but not yet effective

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

# Grayston Drive Autos (RF) Limited

## Notes to the financial statements

*for the year ended 31 March 2023 (continued)*

**2. Intercompany receivable**

At the funding date of 13 October 2020, Investec Bank Limited (IBL) sold a portion of its vehicle instalment loan assets to Grayston Drive Autos (RF) Limited (Grayston Drive Autos). 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 vehicle instalment loan assets 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 vehicle instalment loan balances. In April 2022, all the vehicle instalment loan assets were sold to Investec Bank Limited.

| | 2023<br>R | 2022<br>R |
|---|---|---|
| **Loans and receivables ceded to Grayston Drive Autos** | | |
| Gross amount outstanding | - | 2,064,012,418 |
| Impairment allowance | - | (10,724,597) |
| | **-** | **2,053,287,821** |
| **Expected credit loss** | | |
| Specific allowance for expected credit loss | - | 1,881,835 |
| Portfolio allowance for expected credit loss | - | 8,842,762 |
| | **-** | **10,724,597** |
| **Maturity analysis** | | |
| One month to three months | - | 169,660,981 |
| Three months to six months | - | 164,916,862 |
| Six months to one year | - | 318,761,490 |
| One year to five years | - | 1,410,673,085 |
| Greater than five years | - | - |
| | **-** | **2,064,012,418** |
| **Reconciliation of allowances for impairment** | | |
| Opening balance | **10,724,597** | **5,279,520** |
| Charged to the statement of comprehensive income | (10,724,597) | 5,445,077 |
| | **-** | **10,724,597** |

**3. Cash and cash equivalents**

| | 2023<br>R | 2022<br>R |
|---|---|---|
| Cash and cash equivalents consist of: | | |
| Current account - Investec Bank Limited | 5,099,988 | 439,276,593 |
| Petty cash | 100 | 100 |
| | **5,100,088** | **439,276,693** |

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

**4. Derivative financial instruments**

Grayston Drive Autos (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 is R0 (2022: R2 371 075 543.08). The swap was effective in the prior year. In addition, Grayston Drive Autos (RF) Limited has also entered into a currency swap to mitigate the currency and foreign interest rate risk linked to the interest payable on the USD note. The notional amounts on the swap was USD 124 000 000 and R2 057 160 000 for the prior year. The swap was effective in the prior year.

| | 2023<br>R | 2022<br>R |
|---|---|---|
| **Statement of financial position** | | |
| Fair value of interest rate swap | - | (7 477 950) |
| Fair value of currency swap | - | (266 579 814) |
| Fair value of swap | **-** | **(274,057,764)** |
| **Statement of comprehensive income** | | |
| Cash flow hedges- effective portion of changes in fair value | (7 998 615) | (347,576,402) |
| Cash flow hedges- reclassified to profit or loss | 7,998,615 | 338,208,280 |
| Other comprehensive income | **-** | **(9,368,122)** |
| **Reconciliation of cashflow hedge reserve:** | | |
| <u>Effective portion of changes in fair value:</u> | | |
| Interest rate risk | (7 998 615) | (98,508,146) |
| USD foreign currency risk | - | (266,579,814) |
| <u>Net amount reclassified to profit or loss:</u> | | |
| Interest rate risk | 7 998 615 | 92,653,070 |
| USD foreign currency risk | - | 266,579,814 |
| Related tax | - | (3,513,046) |
| **Closing balance** | **-** | **(9,368,122)** |

**5. Deferred tax asset**

| | 2023<br>R | 2022<br>R |
|---|---|---|
| The deferred tax balance arises due to temporary differences associated with: | | |
| Expected credit loss | - | 1,553,776 |
| Deferred income | - | 1,325,799 |
| Derivative Financial Instruments | - | 3,643,159 |
| **Deferred tax asset** | **-** | **6,522,734** |
| Reconciliation of deferred tax balance | | |
| Opening balance | 6,522,734 | 782,449 |
| **Recognised in profit or loss** | | |
| Expected credit loss | (1,553,776) | 494,423 |
| Deferred income | (1,325,799) | (200,532) |
| **Recognised in OCI** | | |
| Derivative Financial Instruments | (3,643,159) | 5,446,393 |
| **Closing balance** | **-** | **6,522,734** |

| | 2023 | 2022 |
|---|---|---|
| | R | R |
| **6. Share capital** | | |
| Ordinary share capital | | |
| *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 held by Grayston Drive Autos Owner Trust.

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

**7. Instalment sales backed securities**

| | Class A1 Notes | Class B Notes | Total |
|---|---|---|---|
| | R | R | R |
| **2023** | | | |
| Balance at the beginning of the period | 1,811,604,790 | 325,000,000 | **2,136,604,790** |
| Redemption of notes | (1,811,604,790) | (325,000,000) | (2,136,604,790) |
| Balance of notes outstanding at end of the year | **-** | **-** | **-** |
| **2022** | | | |
| Balance at the beginning of the period | - | - | **-** |
| Notes issued to Investors | 1,811,604,790 | 325,000,000 | **2,136,604,790** |
| Redemption of notes | - | - | **-** |
| Balance of notes outstanding at end of the year | **1,811,604,790** | **325,000,000** | **2,136,604,790** |

The instalment sales securities are measured at amortised cost. The notes bear interest at the 3 Month USD Libor rate plus a spread on the Class A Note and 3 Month JIBAR rate plus the spread on the Class B Note as determined in the applicable legal agreements for each class and tranche of notes. The Class A Notes is Mark to Marketed in line with the change in currency where needed. For as long as the notes are in issue, interest on the floating rate notes is payable quarterly in arrears on the 27th of January, April, July and October. The interest rate, charge and accrued balance per tranche of notes was as follows:

| **2023** | | **Spread over 3 Month USD Libor/Jibar** | **Interest expense** | **Accrued interest** |
|---|---|---|---|---|
| | | | **R** | **R** |
| Class A1 | 3M USD Libor | 175 bps | 2,913,506 | - |
| Class B1 | 3M Jibar | 220 bps | 1,522,643 | - |
| | | | **4,436,149** | **-** |

| **2022** | | **Spread over 3 Month USD Libor/Jibar** | **Interest expense** | **Accrued interest** |
|---|---|---|---|---|
| | | | **R** | **R** |
| Class A1 | 3M USD Libor | 175 bps | 35,919,604 | 6,471,080 |
| Class B1 | 3M Jibar | 220 bps | 19,213,479 | 3,426,511 |
| | | | **55,133,083** | **9,897,591** |

**8. Credit Enhancement Loan**

Grayston Drive Autos (RF) Limited entered into an agreement with Investec Bank Limited, whereby IBL would provide the credit enhancement to the instalment sales backed securities notes issues. The loan bears interest at 3m Jibar (in line with the Class B notes) plus 4% 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 27 July 2030. In April 2022, all the notes and subordinated loan was repaid in full.

The principal amount of R81 857 150 credit enhancement was advanced by Investec Private Bank on 13 October 2020. Interest payable on the credit enhancement loan is payable on quarterly payment dates in accordance with the Priority of Payments.

| | 2023 | 2022 |
|---|---|---|
| | R | R |
| | **-** | **81,857,150** |

**9. Accrued interest payable**

| | | |
|---|---|---|
| Credit enhancement loan | - | 1,135,082 |
| Instalment sales backed securities | - | 9,897,591 |
| | **-** | **11,032,673** |

# Grayston Drive Autos (RF) Limited

## Notes to the financial statements

*for the year ended 31 March 2023 (continued)*

| | | 2023<br>R | 2022<br>R |
|---|---|---|---|
| **10.** | **Trade and other payables** | | |
| | Accrued expenses | 329 769 | 1,076,333 |
| | Swap Payable - Interest Rate Derivative | - | 1,700,436 |
| | VAT liability | ( 17 377) | (9,598) |
| | | **312,392** | **2,767,171** |
| **11.** | **Interest income** | | |
| | Interest income calculated using the effective interest rate method: | | |
| | Instalment Sales Advances | 8,166,510 | 134,566,961 |
| | Current account - Investec Bank Limited | 5,555,205 | 23,383,706 |
| | | **13,721,715** | **157,950,667** |
| **12.** | **Interest expense** | | |
| | Instalment sales backed securities | | |
| | - Class A | 2,913,506 | 35,919,604 |
| | - Class B | 1,522,643 | 19,213,479 |
| | Credit enhancement loan | 478,800 | 6,317,634 |
| | Cash flow hedges- reclassified to profit or loss | 7,998,615 | 92,653,070 |
| | | **12,913,564** | **154,103,787** |
| **13.** | **Other operating expenses** | | |
| | Other operating expenses include the following: | | |
| | Servicing fee - Investec Bank Limited (Refer to Note 15) | 123,908 | 1,868,674 |
| | Administration fee - Investec Bank Limited (Refer to Note 15) | 61,911 | 57,500 |
| | Auditor's fee | 517,328 | 468,492 |
| | Sundry expenses | 260,451 | 206,285 |
| | | **963,598** | **2,600,951** |
| **14.** | **Taxation** | | |
| | South African normal tax | | |
| | -current tax | 54,882 | 188,945 |
| | -deferred tax | 2,879,575 | (400,542) |
| | -change in rate | - | 106,651 |
| | **Net taxation charge** | **2,934,457** | **(104,946)** |
| | -interest and penalties (SARS) | - | 183,681 |
| | **Net taxation charge after penalities and interest** | **2,934,457** | **78,735** |

**Reconciliation of effective tax rate**

| | % | 2023<br>R | 2022<br>R |
|---|---|---|---|
| Income before taxation | | **10 868 357** | **(755,705.00)** |
| Tax using the corporation tax rate | 27.0% | **2,934,457** | **(211,597)** |
| Change in tax rate | 0.0% | - | 106,650.91 |
| **Total Tax Charge** | **27.00%** | **2,934,457** | **(104,946)** |

### 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 Grayston Drive Autos (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, Grayston Drive Autos (RF) Limited incurs no obligation to pay that portion of the fee in respect of which no cash is available.

### 16. Contingencies and commitments

Grayston Drive Autos (RF) Limited has indemnified Grayston Drive Autos Security SPV (Security SPV) in respect of any claims made against the Security SPV arising out of a guarantee provided by Security SPV to the secured creditors of Grayston Drive Autos (RF) Limited.

*Cession and pledge*

Grayston Drive Autos (RF) Limited has ceded and pledged its right, title and interest in and to the vehicle instalment 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.

# Grayston Drive Autos (RF) Limited

## Notes to the financial statements

*for the year ended 31 March 2023 (continued)*

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

17.1 Investec Bank Limited

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

The following transactions took place and balances existed between Investec Bank Limited and Grayston Drive Autos (RF) Limited:

*Servicing and administration fees*

Investec Bank Limited is the appointed servicing and administration agent to Grayston Drive Autos (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:

| | **2023** | **2022** |
|---|---|---|
| | **R** | **R** |
| Servicing fee | 123 908 | 1,868,674 |
| Administration fee | 61 911 | 57,500 |
| | | |
| - Petty cash | 100 | 100 |
| - Bank current account | 5,099,988 | 439,276,592 |

*Credit enhancement loan*

Investec Bank Limited (through its ICIB division) has provided the subordinated loan to Grayston Drive Autos (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 R478 800.

*Investment in notes*

On the 13th October 2020, Grayston Drive Autos (RF) Limited, a SPV, entered into a $145m auto loans deal with J.P. Morgan via their sponsored conduit program (Chariot Funding LLC). The SPV issued senior notes for a value of USD124m and junior notes for a value of ZAR 325m. In addition, the SPV obtained a subordinated loan for a value of ZAR82m. Chariot Funding LLC invested in the senior notes whilst IBL invested in the junior notes and provided the subordinated loan. The senior notes are listed on the Vienna MTF which is operated by the Vienna Stock Exchange.The following balances relating to the investment in the notes were applicable at the end of the period:

| | **2023** | **2022** |
|---|---|---|
| | **R** | **R** |
| - Instalment sales backed securities | - | 2,136,604,790 |
| - Accrued interest on notes | - | 9,897,591 |

# Grayston Drive Autos (RF) Limited

## Notes to the financial statements

*for the year ended 31 March 2023 (continued)*

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

17.2 Other related party transactions

*Quadridge Trust Services Proprietary Limited*

Trust and fiduciary fees were charged by Quadridge Trust Services Proprietary Limited, an external service provider the trustees of Grayston Drive Autos Owner Trust and Grayston Drive Autos Security SPV Owner Trust respectively, as follows:

| | **2023** | **2022** |
|---|---|---|
| | **R** | **R** |
| Quadridge Trust Services Proprietary Limited | 223 861 | 202,526 |

*Grayston Drive Autos Owner Trust*

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

*Grayston Drive Autos Security SPV*

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

*Grayston Drive Autos Security SPV Owner Trust*

Grayston Drive Autos Security SPV Owner Trust is the sole beneficial shareholder of all the ordinary shares of Grayston Drive Autos Security SPV. No payments were made to the Security SPV during the current year.

# Grayston Drive Autos (RF) Limited

## Notes to the financial statements

*for the year ended 31 March 2023 (continued)*

**18. Risk management**

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

The collectability of amounts due is subject to credit, liquidity and interest rate risks and will generally fluctuate in response to, 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

| **2023** | **Less than 1 month**<br>**R** | **Between 1 and 3 months**<br>**R** | **Between 3 months and 1 year**<br>**R** | **Between 1 and 5 years**<br>**R** | **More than 5 years**<br>**R** | **Total**<br>**R** |
|---|---|---|---|---|---|---|
| Instalment Sales securities | - | - | | - | - | **-** |
| Credit enhancement loan | - | - | - | - | - | **-** |
| Derivative financial instruments | - | - | - | - | - | **-** |
| Trade and other payables | - | 312,392 | - | - | - | **312,392** |
| Deferred income | - | - | - | - | - | **-** |
| | **-** | **312,392** | **-** | **-** | **-** | **312,392** |

| **2022** | **Less than 1 month**<br>**R** | **Between 1 and 3 months**<br>**R** | **Between 3 months and 1 year**<br>**R** | **Between 1 and 5 years**<br>**R** | **More than 5 years**<br>**R** | **Total**<br>**R** |
|---|---|---|---|---|---|---|
| Instalment Sales securities | 2,147,637,463 | - | | - | - | **2,147,637,463** |
| Credit enhancement loan | 81,857,150 | - | - | - | - | **81,857,150** |
| Accrued interest | - | 0 | - | - | - | **-** |
| Derivative financial instruments | 274,057,764 | - | - | - | - | **274,057,764** |
| Trade and other payables | - | 2,767,171 | - | - | - | **2,767,171** |
| Deferred income | 4,910,365.00 | - | - | - | - | **4,910,365** |
| | **2,508,462,742** | **2,767,171** | **-** | **-** | **-** | **2,511,229,913** |

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 and cross currency 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 USD Libor rate and 3 Month Jibar rate, the Company is exposed to both interest rate risk and currency risk. This exposure is mitigated through both the cross currency swap and interest rate swap entered into with J.P. Morgan A.G. and Investec Bank Limited respectively, as derivative counterparties.

The cross currency 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 and is provided to Grayston Drive Autos by J.P.Morgan A.G on a daily basis.

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

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

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

*Operational risk*

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

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

*Credit risk*

Credit risk represents the financial risk to the Company as a result of a default by the counterparty, that is, failure of counterparty to comply with its obligations to service the outstanding debt. Credit risk is defined in terms of Investec Bank Limited's credit policies and procedures manual, which establishes sound credit risk management processes. The procedures and processes of Grayston Drive (RF) limited have been outsourced to Investec Bank Limited as part of the Servicing Agreement and are monitored by the Credit Committee of Investec Bank Limited. This encompasses the Sensitivity Analysis which is performed at a Banking Industry Level. Further disclosure on this is available as part of the Investec Bank Limited AFS for 31 March 2023 as published.

The obligations of each borrower to Grayston Drive Autos (RF) Limited in respect of repayment of a loan are secured by vehicle sale instalements ceded in favour of Grayston Drive Autos (RF) Limited over the vehicles of such borrowers. The collateral of the loans is represented by these vehicles. As at 31 March 2023, the value of the collateral held is R0

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.

**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.

# Grayston Drive Autos (RF) Limited

## Notes to the financial statements

*for the year ended 31 March 2023 (continued)*

**18. Risk management (continued)**

*Credit risk (continued)*

**Expected Credit Loss ("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.

**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.

Measurement of ECL
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.

**18. Risk management (continued)**

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

The banks uses a 25-grade internal rating scale which measures the risk of default to an exposure without taking into account any credit mitigation, such as collateral. This internal rating scale allows the group to measure credit risk consistently across portfolios. The internal rating scale is derived from a mapping to PDs and can also be mapped to external rating agency scales. The below information replaces the Overall asset quality information previously provided which showed the breakdown as per IAS39.

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

The internal credit rating distribution below is based on the 12-month PD at 31 March 2023 for gross core loans subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

**2023**

| | IB01-IB12 | IB13-IB19 | IB20-IB25 | Stage 3 | Total |
|---|---|---|---|---|---|
| **Gross core loans and advances subject to ECL** | **-** | **-** | **-** | **-** | **-** |
| Core loans Stage 1 | - | - | - | - | - |
| Core loans Stage 2 | - | - | - | - | - |
| Core loans Stage 3 | - | - | - | - | - |
| **ECL** | **-** | **-** | **-** | **-** | **-** |
| Core loans Stage 1 ECL | - | - | - | - | - |
| Core loans Stage 2 ECL | - | - | - | - | - |
| Core loans Stage 3 ECL | - | - | - | - | - |
| **Coverge Ratio** | **0.00%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** |

**2022**

| | IB01-IB12 | IB13-IB19 | IB20-IB25 | Stage 3 | Total |
|---|---|---|---|---|---|
| **Gross core loans and advances subject to ECL** | **1,567,368,914** | **447,663,912** | **41,949,330** | **7,030,263** | **2,064,012,419** |
| Core loans Stage 1 | 1,566,592,660 | 443,023,479 | 30,027,997 | - | 2,039,644,136 |
| Core loans Stage 2 | 776,254 | 4,640,433 | 11,921,333 | - | 17,338,020 |
| Core loans Stage 3 | - | - | - | 7,030,263 | 7,030,263 |
| **ECL** | **(794,478)** | **(2,335,461)** | **(4,446,320)** | **(3,148,338)** | **(10,724,597)** |
| Core loans Stage 1 ECL | (790,783) | (2,108,676) | (2,012,007) | - | (4,911,466) |
| Core loans Stage 2 ECL | (3,695) | (226,785) | (2,434,314) | - | (2,664,793) |
| Core loans Stage 3 ECL | - | - | - | (3,148,338) | (3,148,338) |
| **Coverge Ratio** | **0.05%** | **0.52%** | **10.60%** | **44.78%** | **0.52%** |

| **Credit quality analysis 2023** | **Stage 1 ECL** | **Stage 2 ECL** | **Stage 3 ECL** | **ECL** |
|---|---|---|---|---|
| Intercompany receivable | - | - | - | - |

| **Credit quality analysis 2022** | **Stage 1 ECL** | **Stage 2 ECL** | **Stage 3 ECL** | **ECL** |
|---|---|---|---|---|
| Intercompany receivable | 4,911,466 | 2,664,793 | 3,148,338 | 10,724,597 |

## Notes to the financial statements

*for the year ended 31 March 2023 (continued)*

### 19. Financial assets and liabilities

*Analysis of assets and liabilities by measurement basis*

| 2023 | Amorised Cost R | Mandatorily at fair value through profit or loss R | Liabilities at amortised cost R | Non-financial instruments/financial instrument excluded from IFRS9 R | Total R |
|---|---|---|---|---|---|
| *Assets* | | | | | |
| Intercompany receivable | - | - | - | - | **-** |
| Cash and cash equivalents* | 5,100,088 | - | - | - | **5,100,088** |
| Deferred tax asset | - | - | - | - | **-** |
| | **5,100,088** | **-** | **-** | **-** | **5,100,088** |
| *Liabilities* | | | | | |
| Instalment sales backed securities | - | - | - | - | **-** |
| Credit enhancement loan* | - | - | - | - | **-** |
| Derivative financial instruments | - | - | - | - | **-** |
| Accrued interest* | - | - | - | - | **-** |
| Deferred income | - | - | - | - | **-** |
| Current tax liability | - | - | - | - | **-** |
| Trade and other payables* | - | - | 312,392 | - | **312,392** |
| | **-** | **-** | **312,392** | **-** | **312,392** |

# Grayston Drive Autos (RF) Limited

## Notes to the financial statements

*for the year ended 31 March 2023 (continued)*

| **2022** | **Amorised Cost** R | **Mandatorily at fair value through profit or loss** R | **Liabilities at amortised cost** R | **Non-financial instruments/financial instrument excluded from IFRS9** R | **Total** R |
|---|---|---|---|---|---|
| *Assets* | | | | | |
| Intercompany receivable | 2,053,287,821 | - | - | - | **2,053,287,821** |
| Cash and cash equivalents* | 439,276,693 | - | - | - | **439,276,693** |
| Trade and other receivables* | - | - | - | - | **-** |
| Deferred tax asset | - | - | - | 6,522,734 | **6,522,734** |
| | **2,492,564,514** | **-** | **-** | **6,522,734** | **2,499,087,248** |
| *Liabilities* | | | | | |
| Instalment sales backed securities | - | - | 2,136,604,790 | - | **2,136,604,790** |
| Credit enhancement loan* | - | - | 81,857,150 | - | **81,857,150** |
| Derivative financial instruments | - | 274,057,764 | - | - | **274,057,764** |
| Accrued interest* | - | - | 11,032,673 | - | **11,032,673** |
| Deferred income | - | - | 4,910,365 | - | **4,910,365** |
| Current tax liability | - | - | - | 127,201 | **127,201** |
| Trade and other payables* | - | - | 2,767,171 | - | **2,767,171** |
| | **-** | **274,057,764** | **2,237,172,149** | **127,201** | **2,511,357,114** |

* 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.

# Grayston Drive Autos (RF) Limited

## Notes to the financial statements

*for the year ended 31 March 2023 (continued)*

**20. Fair values of financial instruments**

*Valuation models*

For more complex instruments, the Company uses proprietary valuation models, which are usually developed from recognised 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 instalment sales 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 vehicle 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. This framework includes a Product Control function, which is independent of front office management and reports to the Financial Director; and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

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

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

| | Level 2 | Level 2 |
|---|---|---|
| | **R** | **R** |
| | **2023** | **2022** |
| Cash flow hedge | - | **(274,057,764)** |

### 21. Going Concern

Grayston Drive Autos (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

On the 28th April 2022, Grayston Drive Autos (RF) Limited, redeemed all outstanding notes and subordinated loan facilities in line with the maturity date of the Class A Notes. Grayston Drive Autos (RF) Limited will issue new notes in the South African market during the year ending March 2024.