Richefond Circle (RF) Limited

(Registration Number : 2021/662982/06)

Annual financial statements
for the period ended 31 March 2024
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 Abigail Mailula CA(SA), Transaction Manager.
The following financial statements have been audited in compliance with the requirements of the Companies Act 71 of 2008 as amended S 30(2)(b).

Richefond Circle (RF) Limited
(Registration Number : 2021/662982/06)

Annual financial statements
for the period ended 31 March 2024

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Company information

for the period ended 31 March 2024

Directors	B Dube (Independent Non-Executive) -Appointed 25 October 2021 H Tradonsky (Non-Executive) Alt - Appointed 01 August 2023 K Heydenrych (Non-Executive) - Appointed 01 August 2023 M Klopper (Independent Non-Executive) - Appointed 07 December 2022 N Clarke (Independent Non-Executive) - Appointed 12 October 2022
Date of incorporation	04 June 2021
Registration number	2021/662982/06
Period covered by financial statements	01 April 2023 to 31 March 2024
Nature of business and principal activities	To acquire the right, title and interest in and to commercial property loans with funds raised directly or indirectly by issue of debt instruments, and to manage the assets so acquired.
Secretary	Investec Group Data (Pty) Ltd
Independent Auditor	PricewaterhouseCoopers 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

Richefond Circle (RF) Limited

Directors' responsibility statement

for the period ended 31 March 2024

The directors are responsible for the preparation and fair presentation of the annual financial statements of Richefond Circle (RF) Limited, comprising the statement of financial position at 31 March 2024, 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 as issued by the International Accounting Standards Board (IFRS® Accounting Standards), 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 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 annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of annual financial statements

The annual financial statements of Richefond Circle (RF) Ltd, as identified in the first paragraph from pages 3-7 and 16-34 were approved by the board of directors on 26 July 2024 and signed on their behalf by:

Kim Heydenrych

Director
Name:

Director
Name: Bongiwe Majozi (*nee* Dube)

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 2024, 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: Gregory Windle
Reporesentative of Investec Group Data (Pty) Ltd

Richefond Circle (RF) Limited

Directors' report

for the period ended 31 March 2024

The directors have pleasure in submitting their report on the activities of the company for the period 1 April 2023 to 31 March 2024.

Nature of business

To acquire the rights, title and interest in and to commercial property loans using a securitisation structure, with funds being raised via the issue of debt instruments which are listed, 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 2024, 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 during the year and to the date of this report are as follows:

Directors	Directorate Type	Appointment	Resigned
B Dube	Independent Non-Executive	08 March 2021	
NR Clarke	Independent Non-Executive	12 October 2022	
M Klopper	Independent Non-Executive	07 December 2022	
K Heydenrych	Non-executive	01 August 2023	
HS Tradonsky	Alternate Non-Executive	01 August 2023	
WJ Janse van Rensburg	Alternate Non-Executive	24 June 2019	07 August 2023

Interest of the director and officers

None of the directors and officers have any interest in the issued share capital or any of the contracts entered into by the Company. Directors emoluments are disclosed in Note 17.2.

Dividends

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

Controlled entities

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

Going concern

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

Furthermore, in accordance with the transaction documents, when all assets have been expunged, all secured creditors will waive their claims against the Company. Because of this legal set-up, the Company's outgoing cash flows are limited to both its assets and the yield on these assets and it therefore continues to operate as a going concern.

Events after the reporting date

No material events have occurred between 31 March 2024 and the date of this report.

Change of auditors

As announced on SENS on 12 December 2023, PricewaterhouseCoopers Incorporated ("PwC") was appointed as the Company's external auditor, for the financial year ending 31 March 2024, replacing KPMG Incorporated ("KPMG"). The appointment of PwC complies with paragraphs 6.22 and 6.23 of the Debt Listings Requirements. The change in audit firm was initiated by the (subsequently repealed) rule on mandatory audit firm rotation.

Auditor

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

Kim Heydenrych

Director

Director

Richefond Circle (RF) Limited

Audit Committee Report

for the period ended 31 March 2024

Members of the Audit Committee

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

B Majozi (nee Dube)
N Clarke
M Klopper

The chairman of the Board serves on the Audit Committee, any other independent non-executive director can 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 in the current year.

Date	Attendees
29 June 2023	B Majozi (nee Dube) N Clarke M Klopper (Chair)
15 February 2024	B Majozi (nee Dube) N Clarke M Klopper (Chair)

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 PricewaterhouseCoopers 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.

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

Richefond Circle (RF) Limited

Audit Committee Report
Richefond Circle (RF) Limited

Audit Committee Report

for the period ended 31 March 2024

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;
- Considered and approved the external auditor's fees for the 2024 audit;
- Considered and approved any other services provided by the auditors, including but not limited to Commercial Paper Compliance Certificate in terms of a separate engagement letter; 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 Richefond Circle (RF) Limited for the year ended 31 March 2024 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 as issued by the International Accounting Standards Board (IFRS® Accounting 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 2024 annual financial statements for approval by the Board on 26 July 2024

On behalf of the Audit Committee:

Chairman: Audit Committee

Independent auditor's report

To the Shareholder of Richefond Circle (RF) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Richefond Circle (RF) Limited (the Company) as at 31 March 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Richefond Circle (RF) Limited's financial statements set out on pages 16 to 34 comprise:

- the statement of financial position as at 31 March 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policy information.

Basis for opinion

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

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

Independence

We are independent of the 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)*.

Our audit approach

Overview

Overall materiality • Overall materiality: R 24,718,747, which represents 1% of total assets
Key audit matters • Valuation of expected credit losses on loans and receivables

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

Materiality

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

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

Overall materiality	R 24,718,747
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the benchmark against which the position of the Company is most commonly measured by users, as the Company is asset driven. We chose 1% which is consistent with quantitative materiality thresholds used for entities with a public profile.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Valuation of expected credit losses on loans and receivables The disclosures with respect to this key audit matter are contained in the following notes to the financial statements: • Accounting policies, "*Identification and measurement of impairment"* and "*Use of estimates and judgement";* • Note 2, "*Intercompany receivables"*; and • Note 18, "*Risk management*". Loans and receivables and the related expected credit losses ('ECL') are material to the financial statements. The Company reported total gross loans and receivables ceded to the Company subject to ECL at 31 March 2024 amounting to R2,176,171,418 with a related ECL of R1,912,101. For the year ended 31 March 2024, the company recognised expected credit loss impairment charges on loans and receivables of R2,583. The valuation of ECL on loans and receivables has been determined to be a matter of most significance to the current year audit as a result of the subjectivity involved in its determination, and the consequent elevation in the risk of material misstatement. The determination of the ECL, and the related disclosures is subjective due to the factors mentioned below. • The modelling of ECL based on certain management assumptions and estimation of probabilities of default ("PD"), loss given default ("LGD") and exposures at default ("EAD");	Our audit procedures focused on key areas of significant judgement and estimation uncertainty in determining ECL on loans and receivables. In performing such procedures, we utilised our internal actuarial, quantitative and economic expertise. Our procedures comprised a combination of evaluating the key controls and performing substantive procedures as further explained relative to the key judgements below. **<u>Modelled ECL impairment losses</u>** • We obtained an understanding of management's data, methodologies and assumptions used in the ECL models; • We assessed the key controls over model governance, including the controls over the implementation of new ECL models (where relevant) and changes to current ECL models. No control deficiencies were identified; • For selected ECL models, we tested the key IT general controls, including change management controls and application controls relating to the IT systems that support the modelled ECL processes. No control deficiencies were identified; • We tested the completeness and accuracy of data inputs into the models by agreeing a sample of data inputs back to information sourced by management from internal systems and external data providers, or by testing data interface controls between these systems. No material exceptions were noted; • For selected ECL models, we independently

- Determination of the range of forward-looking probability weighted macro- economic scenarios;
- Assessment of the staging due to a significant increase in credit risk ("SICR");
- Adequacy of post model adjustments; and
- Assessment of ECL on Stage 3 exposures.

ECL models: Management applies significant levels of judgement in modelling ECL particularly as it relates to:

- The application of certain accounting policies, identifying modelling assumptions and selecting appropriate data used in the PD, LGD and EAD models; and

Identifying key model assumptions and techniques, including the determination of write-off points.

Multiple forward-looking macroeconomic scenarios: Judgement is applied in determining the appropriateness of the economic scenarios and incorporation of forward-looking information ('FLI') as well as the determination of probability weightings assigned to each of the scenarios and the identification of inputs and assumptions used to estimate their impact.

Staging/assessment of significant increase in credit risk: Allocation of assets recognised in stages 1, 2 and 3, including the determination of the triggers for an asset moving between stages.

Post model adjustments: Adequacy and completeness of post model adjustments recognised based on evolving risks and significant uncertainty faced with respect to the economic outlook.

Assessment of ECL raised on Stage 3 exposures: Where the measurement of the ECL on individual Stage 3 assets is dependent on the subjectivity and estimation of recoverable amounts based on various recovery strategies, the valuation of related collateral and timing of cash flows.

Credit risk disclosures: The disclosure associated

recalculated ECL estimates or benchmarked the model calculations for material portfolios and independently reperformed the PD, EAD and LGD parameters, to test the assumptions and appropriateness of the judgement applied in the ECL calculations. No material exceptions were noted;

- We evaluated the reasonableness of the write-off points applied relative to the requirements of IFRS 9 by comparing them to historical post write-off recoveries where applicable. No material exceptions were noted; and
- We evaluated whether post write-off recoveries have been excluded from the LGD calculation and therefore do not impact on the ECL.

Incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation

- We tested the key controls relating to management's review and approval of macroeconomic forecasts and variables incorporated within the models. No control deficiencies were identified;
- Using our economic expertise, we independently assessed the appropriateness of the macroeconomic scenario forecasts and the probability weightings applied by management by benchmarking these against third-party data. This assessment included developments related to the current uncertain geopolitical and economic outlook. No material exceptions were noted; and
- Using our financial modelling, actuarial and quantitative expertise, we assessed the correlation of the forecasted macroeconomic factors to the ECL and tested the impact of the macroeconomic changes on the ECL (under each macroeconomic scenario). This includes the impact of the macroeconomic scenarios on PDs, LGDs and SICR. No material exceptions were noted

Staging of loans

- We tested the key controls relating to the staging of loans and receivables – including:

with the ECL on exposures relies on credit data inputs and explains management judgements, estimates and assumptions used in determining the ECL.	- Controls over changes in the staging due to a significant increase or reduction in credit risk and over the monitoring of assets in each stage. No control deficiencies were identified; - Manual overrides to staging outcomes. No control deficiencies were identified; and - Data accuracy and completeness. No material exceptions were noted. - We assessed the appropriateness of the SICR methodologies and model calibrations with reference to IFRS 9 and tested the resultant stage allocations. No material exceptions were noted; and - We tested the performance of the SICR approach by considering historic volumes of accounts moving into arrears and the forward-looking view of default risk. No material exceptions were noted **Post model adjustments** - We obtained an understanding of the model limitations to evaluate the completeness and appropriateness of the related adjustments. No material exceptions were noted; - We assessed the governance processes that the company has put in place to review and approve post model adjustments. No control deficiencies were identified; and - We assessed the validity of management's rationale for releasing each component of the overlay and considered whether there were any material risks which the expected credit loss models did not cater for, and which would have required management to recognise an overlay. No material exceptions were noted **Assessment of ECL raised on Stage 3 exposures** - We tested management’s processes and key controls over judgements used to determine whether specific exposures are credit impaired. No control deficiencies were identified; and

	• For a sample of stage 3 exposures, we performed independent credit reviews and performed an independent assessment of management's probability weighted scenarios. We evaluated the reasonability of the estimate of the recoverable amount and timing of expected future cash flows used in measuring ECL based on independently determined collateral or exit values, cash flow assumptions and exit strategies. No material exceptions were noted **Disclosures related to credit risk** • We assessed the appropriateness of the ECL related disclosures for exposures in the financial statements in accordance with IFRS 7. No material exceptions were noted; and • We evaluated whether the credit risk disclosures are consistent with the ECL information tested as part of our audit procedures (which included the ECL data, models, estimates and macro-economic forecasts). No material exceptions were noted **Overall stand-back assessment** • We performed a stand-back assessment of the ECL provision and coverage at an overall level and by stage to determine if provision levels were reasonable by considering the overall credit quality of the portfolios, risk profile and the impacts of the current economic conditions. No material exceptions were noted; and • We performed peer benchmarking where available to assess overall staging and provision coverage levels. No material exceptions were noted

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Richefond Circle (RF) Limited annual financial statements for the year ended 31 March 2024 Audited", 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Richefond Circle (RF) Limited for 1 year.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: S Akoojee
Registered Auditor
Johannesburg, South Africa
30 July 2024

The examination of controls over the maintenance and integrity of the Company's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Richefond Circle (RF) Limited

Statement of Financial Position

As at 31 March 2024

	Notes	2024	2023
Assets		**R**	**R**
Cash and cash equivalents	3	640,283,477	303,977,958
Taxation receivable		3,837,615	-
Intercompany receivable	2	2,174,259,316	1,899,260,448
Deferred tax asset	5	2,307,440	6,841,184
Total assets		**2,820,687,848**	**2,210,079,590**
Equity and liabilities			
Equity		**32,937,178**	**3,404,464**
Share capital	6	101	101
Retained earnings		32,937,077	15,755,208
Cash flow hedge reserve		-	(12,350,845)
Liabilities		**2,787,750,670**	**2,206,675,126**
Trade and other payables	10	883,484	430,195
Taxation payable		-	2,203,502
Accrued interest payable	9	9,150,216	6,635,848
Deferred income		7,111,998	6,986,616
Derivative financial instruments	4	12,120,921	16,918,965
Commercial mortgaged backed securities	7	2,608,000,000	2,058,000,000
Subordinated loan	8	150,484,051	115,500,000
Total equity and liabilities		**2,820,687,848**	**2,210,079,590**

Richefond Circle (RF) Limited

Statement of Comprehensive Income
for the period ended 31 March 2024

	Notes	2024 R	2023 R
Interest income using effective interest method	*11*	278,474,520	159,331,643
Other interest expense	*12*	(6,797,177)	(7,107,049)
Interest expense	*12*	(237,628,757)	(130,718,914)
Net income		**34,048,586**	**21,505,680**
Other income	*11*	3,837,575	2,467,232
Fair value adjustment on derivatives	*13*	(12,120,921)	-
Expected credit loss impairment charge	*2*	(2,583)	(1,909,518)
Other operating expenses	*13*	(2,225,848)	(1,029,640)
Profit before taxation		**23,536,809**	**21,033,754**
Taxation	*14*	(6,354,939)	(5,679,157)
Profit for the year		**17,181,870**	**15,354,596**
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*	-	(13,198,613)
Cash flow hedges- reclassified to profit or loss	*12*	-	7,107,049
Release of prior year cash flow hedge	*4*	12,350,845	-
		12,350,845	**(6,091,564)**
Total comprehensive income for the year		**29,532,715**	**9,263,032**

Richefond Circle (RF) Limited

Statement of Changes in Equity

for the period ended 31 March 2024

	Note	Ordinary share capital	Preference share capital	Retained earnings	Cash flow hedge reserve	Total
		R	**R**	**R**	**R**	**R**
Balance at 31 March 2022		100	1	400,612	(6,259,281)	**(5,858,568)**
Total comprehensive income for the period						
Profit for the year		-	-	15,354,596	-	**15 354 596**
Cash flow hedges- effective portion of changes in fair value		-	-	-	(13,198,613)	**(13 198 613)**
Cash flow hedges- reclassified to profit or loss	4	-	-	-	7,107,049	**7 107 049**
Balance at 31 March 2023		**100**	**1**	**15,755,208**	**(12,350,845)**	**3,404,465**
Total comprehensive income for the period						
Profit for the year		-	-	17,181,870	-	**17 181 870**
Release of prior year cash flow hedge	4	-	-	-	12,350,845	**12 350 845**
Balance at 31 March 2024		**100**	**1**	**32,937,077**	**-**	**32,937,179**

Richefond Circle (RF) Limited

Statement of Cash Flows

for the period ended 31 March 2024

	Notes	**2024**	****Re-presented 2023**
		R	**R**
Cash flows from operating activities			
Profit before taxation*		23,536,809	21,033,754
Adjusted for:			
Mark to Market on the Swap	*13*	12,120,921	-
Expected credit loss impairment charge	*2*	2,583	1,909,518
Changes in working capital:			
Increase in accrued interest payable		2,514,368	2,361,242
Increase in deferred income		125,382	6,986,616
Increase in trade and other payables		453,289	293,988
		3,093,039	9,641,846
Taxation paid	*14*	(12,430,432)	**(5,904,513)**
Net cash inflow from operating activities		**26,322,921**	**26,680,605**
Cash flows from investing activities			
Purchase of Intercompany receivable**		(627,208,516)	(1,943,700,468)
Receipt of capital on mortgage loans**		352,207,065	42,530,502
Net cash outflow from investing activities		**(275,001,452)**	**(1,901,169,966)**
Cash flows from financing activities			
Issue of Commercial mortgages backed securities	*7*	550,000,000	1,001,000,000
Proceeds from issue of share capital		-	1
Subordinated loan acquired	*8*	34,984,051	58,500,000
Net cash inflow from financing activities		**584,984,051**	**1,059,500,001**
Net increase/(decrease) in cash and cash equivalents for the period		336,305,520	(814,989,360)
Cash and cash equivalents at beginning of the period		303,977,958	1,118,967,319
Cash and cash equivalents at end of the period	*3*	**640,283,477**	**303,977,958**

** Profit before tax includes cash interest received on loans of R 223,684,551 (2023: R 101,530,907), Cash Interest received on the Transaction Account of R 54,789,969 (R 57,800,736) Cash Interest paid on the Notes of R 213,239,394 (2023: R 115,608,494), Cash Interest paid on the Subordinated Loan of R 15,239,147 (2023: R8,474,571).*

***Prior year figures have been re-presented to reflect cash outflows on the purchase of intercompany receivables and cash inflows of capital from mortgage loans separately, on a gross basis.*

1. Significant accounting policies

1.1 Reporting entity

Richefond Circle (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 Commercial 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 International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS® Accounting Standards), 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, financial instruments held 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® Accounting Standards 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 nature of any assumptions made, when calculating carrying amounts relating to any estimated tax which could be payable as a result of decisions by tax authorities in respect of any such transactions and events whose treatment for tax purposes is uncertain.

The Company recognises an Intercompany Receivable, however, the determination of Expected Credit Losses ("ECL") is assessed using the look through approach against the underlying assets that are carried at amortised cost. This involves the assessment of future cash flows that is judgmental in nature.

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

Further information in relation to impairments and expected credit losses can be found in Note 18. Derivative financial instrument is further explained 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 obligations of the instrument.

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:

Intercompany Receivables
Intercompany receivables are measured at amortised cost using the effective interest method. Fair value of these financial assets approximates carrying amount

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and petty 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. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Change to fair value movements are subsequently recognised in profit or loss.

Commercial mortgage backed securities
These financial liabilities are carried at amortised cost. Fair value of these financial liabilities approximates carrying amount.

Subordinated loan
The Subordinated loan is carried at amortised cost. Fair value of this financial liability approximates carrying amount.

1. Significant accounting policies (continued)

1.4.3 Classification

The Company classifies its financial assets into one of the following categories:
● amortised cost;
● 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 Commercial Mortgage Backed securities as measured at amortised cost and Derivative Financial Instruments at 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.

1.4.5 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 for financial liabilities, 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.

The financial liabilities shown on the face of the SOFP have been disaggregated into the capital and accrued interest expense portions in order to more accurately reflect the liquidity profile of the company's payment structure. The accrued interest expense is shown in its individual components in Note 9.

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® Accounting Standards 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).

Richefond Circle (RF) Limited

Notes to the annual financial statements

for the period ended 31 March 2024

1. Significant accounting policies (continued)

1.4.8 Identification and measurement of impairment

Intercompany Receivable

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group or financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment for loans and receivables at both a specific and a collective level. Loans and receivables are first assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

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.

Cash and Cash Equivalent

Cash and cash equivalents are held with Investec Bank which is considered to be a reputable bank with a high credit rating and no history of default. Hence, the ECL on cash and cash equivalents is determined to be immaterial. The National Scale Deposit Ratings of Investec Bank Limited are as follows: Fitch: F1+(zaf), Moodys: P-1.za, S&P: za.A-1+, GCR: A1+(ZA)

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 commercial mortgage backed securities and trade and other payables, are measured at amortised cost using the effective interest method.

1.6 Hedge accounting

The company no longer applies hedge accounting.

In the current year, the entity chose to release the Cash Flow Hedge Reserve balance to Profit and Loss following a re-assessment of the treatment of the derivative. No restatement was performed for prior years as this balance is considered to be immaterial.

1. Significant accounting policies (continued)

1.7 Income

Other fee income

Fee income comprise of lending fees charged to clients and is recognised on the accrual basis when the service is rendered. Lending fees are within the scope of IFRS 15, these are fees that are not an integral part of the effective interest rate of the loan as they are received overtime.

1.8 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 adjustments 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 by the Company in accordance with the applicable accounting standards. The recognition of these assets is based on the probability of future taxable income being available to utilise the deferred tax asset.

The Company's management uses its judgement to determine the recognition of deferred tax assets ,considering factors such as future taxable profits and reversals of existing deductible temporary differences.

Management has assessed the Company's ability to generate sufficient taxable profits in the near future and is satisfied that the Company will be able to utilise the full deferred tax asset raised against the expected future taxable profit. The company will continue to monitor the relevant factors that affect the recognition and measurement of the deferred tax assets and will adjust as necessary.

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.

1.9 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 Richefond Circle.

IFRS 18 Presentation and Disclosure in Financial Statements
IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals.It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes. These new requirements are expected to impact all reporting entities. IFRS 18 and the consequential amendments to other standards is effective for reporting periods beginning on or after 1 January 2027

Amendments to IFRS 9 Amendments to Classification and Measurement of Financial Instruments and IFRS 7 disclosures
The amendments clarify that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice to derecognise financial liabilities settled using an electronic payment system before the settlement date. The amendments are effective for annual periods starting on or after 1 January 2026

1.10 Operating Segments

The board of directors has been identified by the Company as the Chief Operating Decision Maker ("CODM"), who are responsible for assessing the performance and allocation of resources of the Company

The Company reports a single operating segment with the purpose of acquiring the right, title, and interest in residential home loan assets using funds raised directly or indirectly through the issuance of debt instruments and to manage the assets acquired. To raise funds, the Company has issued tranches of Commercial Mortgage Backed Securities into the market

The CODM regularly reviews the operating results of the Company as presented in the statement of comprehensive income to manage performance and allocate resources across the segment. Resource allocation is limited to cash available in the statement of financial position and statement of cash flows results to service payments as defined by the legal agreements.

2. Intercompany receivable

Investec Bank Limited (IBL) sold a portion of its commercial mortgage assets to Richefond Circle (RF) Limited, of which more loans are still in the process of being transferred. 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 commercial 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 commercial mortgage balances.

		2024	2023
		R	R
Loans and receivables ceded to Richefond Circle			
Gross amount outstanding		2,176,171,418	1,901,169,966
Expected credit loss		(1,912,101)	(1,909,518)
		2,174,259,316	**1,899,260,448**
Expected credit loss			
Expected credit loss		(1,912,101)	(1,909,518)
		(1,912,101)	**(1,909,518)**
Reconciliation of allowances for impairment			
Opening balance		(1,909,518)	-
Charged to the statement of comprehensive income		(2,583)	(1,909,518)
Transfers in		(331,718)	(1,909,518)
Transfers out		69,902	
Remeasurement		259,887	
Not classified		(655)	
		(1,912,101)	**(1,909,518)**
Stage 1	Note 18	(2,583)	(1,909,518)

3. Cash and cash equivalents

	2024	2023
	R	R
Cash and cash equivalents consist of:		
Current account - Investec Bank Limited	640,283,376	303,977,857
Petty cash	101	101
	640,283,477	**303,977,958**

Interest on the current account is earned at Prime Rate.

4. Derivative financial instruments

On 09 March 2022, Richefond Circle (RF) Ltd 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 & advances and the JIBAR linked notes payable. The notional value of the interest rate swap is R 2 608 000 000. The notional amount is the sum of all fully performing loans and cannot be used to assess the market risk of the entity and should be used only as a means of assessing the company's participation in derivative contracts. The fair value of derivatives can change significantly from year to year due to changes in economic conditions. Both the Prime and JIBAR rates have moved in the current year . This change in rates and consequently, the change in the interest rate outlook (i.e. change in the prime curve and interbank JIBAR curve) combined with the long dated stream of cash flows that are present valued has resulted in a significant move in the fair value of the derivative and a negative reclassification to profit and loss.

The Financial Stability Board (FSB) is reforming major interest rate benchmarks used globally. The goal is to improve market efficiency and reduce systemic risk by replacing existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs). The South African Revenue Bank (SARB) plans to move away from JIBAR and adopt the South African Rand Overnight Index Average (ZARONIA) as the new reference rate. ZARONIA was published on 2 November 2022 for observation purposes, and 3 November 2023 SARB confirmed that the observation period for ZARONIA ended and that market participants can now use it in financial contracts. The Market Practitioners Group (MPG) has designated ZARONIA as the successor rate to JIBAR. The transition from JIBAR to ZARONIA is expected to take several years, and the MPG will provide more information about the timeline and process. IBL is currently evaluating the transition and is developing a strategy to ensure readiness and the company will adopt the approach executed by IBL.

	2024	2023
Statement of financial position	R	R
Derivative Financial Instrument	(12,120,921)	(16,918,965)
Statement of comprehensive income		
Cash flow hedges- effective portion of changes in fair value	-	(13,198,613)
Cash flow hedges- reclassified to profit or loss	-	7,107,049
Release of prior year cash flow hedge	12,350,845	
Other comprehensive income	**12,350,845**	**(6,091,564)**

5. Deferred tax asset

	2024	2023
	R	R
The deferred tax balance comprises of:		
Expected Credit Losses	387,201	386,677
Deferred income	1,920,239	1,886,386
Fair Value Movement on the SWAP (OCI)	-	4,568,121
Deferred tax asset	**2,307,440**	**6,841,184**

Richefond Circle (RF) Limited

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for the period ended 31 March 2024

	2024	2023
6. Share capital		
Ordinary share capital		
Authorised		
1 000 ordinary shares (no par)	1 000	1,000
Issued		
100 ordinary share at R1 (no par)	100	100
All of the issued shares are held by Richefond Circle Owner Trust and are fully paid up.		
Preference share capital		
Authorised		
100 cumulative redeemable preference shares (at no par value)		
Issued		
1 cumulative redeemable preference shares (at no par value)	1	1
The unissued shares are under the control of the Directors until the next annual general meeting and are fully paid up.		
	101	**101**

7. Commercial mortgage backed securities

	Class A Notes R	Class B Notes R	Class C Notes R	Class D Notes R	Total R
2024					
Balance at the beginning of the period	1,605,000,000	243,000,000	120,000,000	90,000,000	2,058,000,000
Notes issued to Investors	445,000,000	50,000,000	35,000,000	20,000,000	550,000,000
Redemption of notes	-	-	-	-	-
Balance of notes outstanding at end of the period	**2,050,000,000**	**293,000,000**	**155,000,000**	**110,000,000**	**2,608,000,000**
Related Accrued Interest (Note 9)	6,619,538	948,066	538,011	421,151	8,526,765
Amortised cost value	**2,056,619,538**	**293,948,066**	**155,538,011**	**110,421,151**	**2,616,526,765**
2023					
Balance at the beginning of the period	825,000,000	125,000,000	57,000,000	50,000,000	1,057,000,000
Notes issued to Investors	780,000,000	118,000,000	63,000,000	40,000,000	1,001,000,000
Redemption of notes	-	-	-	-	-
Balance of notes outstanding at end of the period	**1,605,000,000**	**243,000,000**	**120,000,000**	**90,000,000**	**2,058,000,000**
Related Accrued Interest (Note 9)	4,777,182	738,891	372,726	299,605	6,188,404
Amortised cost value	**1,609,777,182**	**243,738,891**	**120,372,726**	**90,299,605**	**2,064,188,404**

The Commercial mortgage backed securities are measured at amortised cost which equates to fair value. 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 March, June, September and December. The interest rate, charge and accrued balance per tranche of notes were as follows:

2024	**Final Maturity Date**	**Spread over 3 Month Jibar**	**Interest expense R**	**Accrued interest R**
Class A1	20 March 2034	152 bps	80,536,335	2,677,061
Class A2	20 March 2034	149 bps	75,901,117	2,523,353
Class A3	20 March 2034	135 bps	14,115,376	1,419,123
Class B1	20 March 2034	190 bps	12,648,449	390,904
Class B2	20 March 2034	180 bps	11,861,305	393,764
Class B3	20 March 2034	159 bps	1,625,121	163,397
Class C1	20 March 2034	235 bps	6,038,725	200,515
Class C2	20 March 2034	225 bps	6,626,328	219,551
Class C3	20 March 2034	190 bps	1,172,958	117,945
Class D1	20 March 2034	345 bps	5,848,634	193,973
Class D2	20 March 2034	335 bps	4,662,864	153,863
Class D3	20 March 2034	280 bps	728,947	73,315
			221,766,159	**8,526,765**

2023	**Final Maturity Date**	**Spread over 3 Month Jibar**	**Interest expense R**	**Accrued interest R**
Class A1	20 March 2034	152 bps	59,494,275	2,455,561
Class A2	20 March 2034	149 bps	33,429,902	2,321,621
Class B1	20 March 2034	190 bps	9,489,284	387,671
Class B2	20 March 2034	180 bps	5,231,725	351,220
Class C1	20 March 2034	235 bps	4,583,614	185,211
Class C2	20 March 2034	225 bps	2,928,357	187,516
Class D1	20 March 2034	345 bps	4,570,714	180,548
Class D2	20 March 2034	335 bps	2,069,028	119,057
			121,796,899	**6,188,404**

Richefond Circle (RF) Limited

Notes to the financial statements

for the period ended 31 March 2024

		2024 R	2023 R
8.	Subordinated loan	150,484,051	115,500,000
	Accrued interest payable	623,451	447,444
	Amortised Cost Value	**151,107,502**	**115,947,444**

Richefond Circle (RF) Limited entered into an agreement with Investec Bank Limited (through its Investec Corporate and Institutional Banking -ICIB division), whereby ICIB would provide the Subordinated loan to the commercial mortgage backed security notes issues. Interest payable on the Subordinated loan is payable on quarterly payment dates based on a 3-month JIBAR plus 4.25% per annum in accordance with the Priority of Payments. The Subordinated loans are scheduled to mature on 20 March 2034.

The principal amount of R 150,484,051 Subordinated loan was advanced by Investec Bank Limited on 09 March 2022 (R57mn), 27 September 2022 (R58.5mn) and on 04 December 2023 (R34.98mn). Interest payable on the Subordinated loan is payable on quarterly payment dates in accordance with the Priority of Payments.

9. Accrued interest payable

Subordinated loan	623 451	447 444
Commercial mortgage backed securities	8 526 765	6 188 404
	9,150,216	**6,635,848**

		2024 R	2023 R
10.	**Trade and other payables**		
	Accrued expenses	701 810	362,710
	Accrued interest - SWAP	148,910	38,531
	VAT liability	32 764	28,950
		883,484	**430,191**

11. Interest income

Intercompany Receivables	223,684,551	101,530,907
Current account - Investec Bank Limited	54,789,969	57,800,736
	278,474,520	**159,331,643**
<u>Other income</u>		
Lending Fees - Services rendered overtime	3,837,575	2,467,232
	3,837,575	**2,467,232**

12. Interest expense

Commercial mortgage backed securities		
- Class A1	80,536,335	59,494,275
- Class A2	75,901,117	33,429,902
- Class A3	14,115,376	
- Class B1	12,648,449	9,489,284
- Class B2	11,861,305	5,231,725
- Class B3	1,625,121	
- Class C1	6,038,725	4,583,614
- Class C2	6,626,328	2,928,357
- Class C3	1,172,958	
- Class D1	5,848,634	4,570,714
- Class D2	4,662,864	2,069,028
- Class D3	728,947	
Subordinated loan	15,862,598	8,922,015
	237,628,757	**130,718,914**
Realised interest on swap	6,797,177	7,107,049
	244,425,934	**137,825,963**

Richefond Circle (RF) Limited

Notes to the financial statements
for the period ended 31 March 2024

13. Other operating expenses	**2024**	**2023**
	R	**R**
Servicing fee (refer to note 15)	1,692,113	920,983
Administration fee (refer to note 15)	86,486	87,983
Auditor's fee	826,586	396,750
Refund from Investec Bank Limited *	(1,077,794)	(1,077,561)
Sundry expenses	698,457	701,486
	2,225,848	**1,029,640**

*Refund from Investec Bank Limited include a recharge of R1mn that Richefond Circle passes on to IBL through Structured Property Finance. The primary objective of the Richefond Programme is to obtain exposure relief in respect of IBL's commercial property loan portfolio. Thus, it was agreed that the expenses incurred by this programme will be passed back to IBL (Structured Property Finance)

Fair Value Adjustment on Derivatives	12,120,921	-

14. Taxation	**2024**	**2023**
	R	**R**
South African normal tax		
-current (27%)	6,389,315	7,952,221
-deferred tax	(34,376)	(2,273,064)
Net taxation charge	**6,354,939**	**5,679,157**

Reconciliation of effective tax rate

	%	**2024 R**
Income before taxation		23 536 809
Tax using the corporation tax rate	27.0%	6,354,938
- SARS Penalties and Interest	0.0%	-
Total income tax expense	**27.0%**	**6,354,939**

	%	**2023 R**
Income before taxation		21 033 754
Tax using the corporation tax rate	27.0%	5,679,113
- SARS Penalties and Interest	0.0%	44
Total income tax expense	**27.0%**	**5,679,157**

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 Richefond Circle (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

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 R86 250 (inclusive of VAT) per annum.

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

16. Indemnities

Richefond Circle (RF) Limited has indemnified Richefond Circle 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 Richefond Circle (RF) Limited.

Cession and pledge

Richefond Circle (RF) Limited has ceded and pledged its right, title and interest in and to the commercial 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 the Parent entity of Richefond Circle (RF) Limited. In accordance with the requirements of IFRS 10, Consolidated Financial Statements , Investec Bank Limited consolidates Richefond Circle (RF) Limited. This is because Investec Bank Limited is exposed to variability of returns from Richefond Circle (RF) Limited as a result of the Subordinated Loan and the notes they hold. Furthermore, Investec Bank 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 Richefond Circle (RF) Limited:

Servicing and administration fees

Investec Bank Limited is the appointed servicing and administration agent to Richefond Circle (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:

	2024	**2023**
	R	**R**
Servicing fee	1 692 113	920 983
Administration fee	86 486	87 983
Petty cash	101	101
Bank current account	635,487,412	295,263,358

Subordinated loan

Investec Bank Limited (through its ICIB division) has provided the subordinated loan to Richefond Circle (RF) Limited (refer to Note 8) which serves as Subordinated to the notes. Interest payable on the Subordinated loan is payable on quarterly payment dates based on a 3-month JIBAR plus 4.25% per annum in accordance with the Priority of Payments. Interest for the period amounted to R 15,862,598 (2023: R 8,922,015) .

Richefond Circle (RF) Limited

Notes to the financial statements

for the period ended 31 March 2024

17. Related party transactions (Continued)

Investment in notes

On 09 March 2022, 27 September 2022 and 04 December 2023, Richefond Circle (RF) Limited issued and listed R1.057bn, R1.001bn and R550mn of notes respectively on the Interest Rate Market of the JSE. A portion of these notes (R150mn) are held by Investec Bank Limited. The following balances relating to the investment in the notes were applicable at the end of the period:

	2024	2023
	R	R
Commercial mortgage backed securities	150,000,000	46,000,000
Accrued interest on notes	485,190	141,315

Intercompany receivables

During the financial year, the entity purchased additional participating assets (commercial property loans) from Investec Bank Limited (Seller) for an amount of R627,208,516. The total balance of loans at year end is R 2,176,171,418 (refer to note 2) and capital receipts amounted to R352mn. The expected credit losses arising from these assets recognised in the current year is R1,912,101 (2023: R1,909,518)

	2024	2023
	R	R
Gross amount outstanding	2,176,171,418	1,901,169,966
Impairment allowance	(1,912,101)	(1,909,518)

Interest rate swap

Richefond Circle (RF) Ltd 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 & advances and the JIBAR linked notes payable. The swap required no initial investment. However, interest of R 6,797,177 (2023: R 7,107,049) was paid to Investec Bank Limited in the current year. (refer to note 12)

		2024	2023
		R	R
Refund from Investec Bank Limited	Note 13	(1 077 794)	(1 077 561)

17.2 Other related party transactions

TMF Corporate Services (South Africa) (Pty) Ltd

All the directors of the Company are employed by external companies and are remunerated by their respective employer on a separate basis. There were no remuneration or benefits paid directly to the directors of the Company, by the Company or any other Company within the same group of companies, as defined by the Companies Act during the current or prior years. Three directors are employees of, and remunerated by, TMF Corporate Services (South Africa) Proprietary Limited (third party service provider) on a separate basis. The Investec Bank Limited representative directors are not remunerated for their services by the Company.

The Trustee Services are assigned to TMF Corporate Services (South Africa) Proprietary Limited for the financial year ended 31 March 2024 and in prior periods. The trustees fees of Richefond Circle over the past two financial years are as follows:

	2024	2023
	R	R
TMF Corporate Services (South Africa) (Pty) Ltd - Director/Trustee Fees	246 100	246 100

Richefond Circle Owner Trust

The Trust was established solely to be a beneficial shareholder of all of the ordinary shares in Richefond Circle (RF) Limited. The Trust is managed by TMF Corporate Services (South Africa) (Pty) Ltd. No payments were made to Richefond Circle Owner Trust during the current and prior year.

Richefond Circle Security SPV

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

Richefond Circle Security SPV Owner Trust

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

Richefond Circle (RF) Limited

Notes to the annual financial statements

for the period ended 31 March 2024

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

2024	Less than 1 month R	Between 1 and 3 months R	Between 3 months and 1 year R	Between 1 and 5 years R	More than 5 years R	Total R
Commercial mortgage backed securities **	-	64,891,352	195,615,337	1,041,114,000	3,901,548,490	**5,203,169,180**
Derivative financial instruments	-	-	-	-	12,120,921	**12,120,921**
Subordinated loan	-	-	-	-	150,484,051	**150,484,051**
Accrued interest	-	9 150 216	-	-	-	**9,150,216**
Trade and other payables	-	883,484	-	-	-	**883,484**
Deferred income	-	-	-	-	7,111,998	**7,111,998**
	-	**74,925,052**	**195,615,337**	**1,041,114,000**	**4,071,265,460**	**5,382,919,850**

2023	Less than 1 month R	Between 1 and 3 months R	Between 3 months and 1 year R	Between 1 and 5 years R	More than 5 years R	Total R
Commercial mortgage backed securities **	-	49,428,866	149,003,589	793,034,560	3,241,576,922	**4,233,043,938**
Derivative financial instruments	-	-	-	-	16,918,965	**16,918,965**
Subordinated loan	-	-	-	-	115,500,000	**115,500,000**
Accrued interest	-	6 635 848	-	-	-	**6,635,848**
Trade and other payables	-	430,191	-	-	-	**430,191**
Deferred income	-	-	-	-	6,986,616	**6,986,616**
	-	**56,494,905**	**149,003,589**	**793,034,560**	**3,380,982,503**	**4,379,515,558**

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.

Richefond Circle is a revolving structure, i.e. no capital is repaid on the commercial mortgage backed securities (notes). When the Company receives capital repayments on the commercial property loans which are short term in nature, the capital received from the clients is utilised to top up the loans (assets) to the required amounts to match the value of notes (liabilities). To ensure that the Company has adequate level of cash to meet its funding requirements at any given point, amounts received from the issue of notes and capital received on the loans are invested in an account that earns the same rate as the interest received on intercompany loans. Thus, this ensures that the Company always has adequate interest to pay its Noteholders. Furthermore, 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.

The company continuously invests in commercial property loans, up to the required asset level. The maturity buckets for these assets are short term in nature and have been represented as a singular line item. All Intercompany loans acquired during the period are measured in Stage 1.

Commercial mortgage backed securities **

The maturity analysis incorporates, on an undiscounted basis, all cash flows relating to principal and future coupon payments that show the remaining contractual maturities.

Commercial mortgage backed securities	1-2 years	2-3 years	3-5 years	Total
2024	260,278,500	260,278,500	520,557,000	1,041,114,000
2023	198,258,640	198,258,640	396,517,280	793,034,560

Subordinated Loan

Amounts relating to the Subordinated Loan have been shown without the impact of future dated interest. This is as a result of how the deal has been structured with interest on the Subordinated loan being serviced as one of the last items on the priority of payments. Should there not be sufficient cash as at each priority of payment date, the interest on the subordinated loan will not paid.

Derivative financial instruments

Derivative financial instruments are reported in the more than 5 year bucket due to the variables used to calculate the MTM on the Derivative Financial Instrument being based on the Final Redemption Date of the deal which is 20 May 2034. This is the current MTM on the derivative financial instrument as calculated at the 31 March 2024 using IBL agreed variables.

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.

Any movements in fair value of the derivative are recognised in profit or loss.

Below is a sensitivity analysis reflecting how a 1% upward/downward movement in the interest rate would impact profit or loss:

	2024			2023		
Sensitivity	**-1%**	**Interest (Paid)/Received**	**1%**	**-1%**	**Interest (Paid)/Received**	**1%**
Interest expense on Instalment sales backed securities		221,766,159			121,796,899	
Impact on profit or loss	2,217,662		(2,217,662)	1,217,969		(1,217,969)
Interest expense on subordinated loan		15,862,598			8,922,015	
Impact on profit or loss	158,626		(158,626)	89,220		(89,220)
Derivative financial instruments		12,120,921			16,918,965	
Impact on profit or loss	121,209		(121,209)	169,190		(169,190)
Interest Income on Intercompany receivable		(223,684,551)			(101,530,907)	
Impact on profit or loss	(2,236,846)		2,236,846	(1,015,309)		1,015,309
Cash and cash equivalents		(54,789,969)			(57,800,736)	
Impact on profit or loss	(547,900)		547,900	(578,007)		578,007
Sensitivity net of the above items:	(287,248)		287,248	(116,938)		116,938
Sensitivity after tax:	(209,691)		209,691	(85,364)		85,364

18. Risk management (continued)

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

The Company is directly exposed to the underlying cashflows of the commercial mortgages which is disclosed as Intercompany Receivables and therefore the Company is directly exposed to the risks associated with the underlying counterpart.

Credit risk represents the financial risk to the Company as a result of a default by the counterparty, that is, failure of counterparty to comply with its obligations to service the outstanding debt. Credit risk is defined in terms of Investec Bank Limited's credit policies and procedures manual, which establishes sound credit risk management processed. These procedures and processes are monitored by the Credit Committee of Investec Bank Limited.

The obligations of each borrower to Richefond Circle (RF) Limited in respect of repayment of a loan are secured by mortgage bonds (collateral) registered in favour of Richefond Circle (RF) Limited over the property of such borrowers. The collateral of the loans is represented by these properties. As at 31 March 2024, the value of the collateral held is R5,894,463,545 (2023: R4,413,074,964). The full collateral is allocated to Stage 1 expected credit losses and covers the full Intercompany Receivables exposure of R2,176,171,418 (2023: R1,901,169,966)

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.

Expected Credit Losses

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. Any recoveries of amounts previously written off decrease the amount of impairment losses. There were no write offs in the Company in the current and prior periods.

Internal credit rating models and ECL methodology

IBL 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. These adjustments are due to internal credit models calculating 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. The adjustments are thus done to align to IFRS9 principles.

Key drivers of measurement uncertainty – subjective elements and inputs

The measurement of ECL under IFRS 9 has a continued reliance on expert credit judgement. Key judgemental areas under the implementation of IFRS 9 are highlighted in this document and are subject to robust governance processes. Key drivers of measurement uncertainty include:
- the assessment of a significant increase in credit risk;
- the introduction of a range of forward-looking probability weighted macro-economic scenarios; and
- estimations of probabilities of default, loss given default and exposures at default using models.

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

ECLs are calculated using three main components:
• a probability of default (PD);
• a loss given default (LGD); and
• the exposure at default (EAD).

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

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

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

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

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

Management adjustments are infrequently made to modelled output to account for situations where additional information and known or expected risk factors that could not be captured in the modelling process need to be catered for.

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.

Richefond Circle (RF) Limited

Notes to the annual financial statements
for the period ended 31 March 2024 (Continued)

18. Risk management (continued)

An analysis of credit quality by internal rating grade

The bank 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.

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 2024 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 not a 100% direct correlation between the IB rating of an exposure and its stage classification as shown in the table below:

2024

	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	Total
Gross core loans and advances subject to ECL	**1,248,923,587**	**927,247,831**	**-**	**-**	**2,176,171,418**
Core loans Stage 1	1,248,923,587	927,247,831	-	-	2,176,171,418
Core loans Stage 2	-	-	-	-	-
Core loans Stage 3	-	-	-	-	-
ECL	**(355,010)**	**(1,557,091)**	**-**	**-**	**(1,912,101)**
Core loans Stage 1 ECL	(355,010)	(1,557,091)	-	-	(1,912,101)
Core loans Stage 2 ECL	-	-	-	-	-
Core loans Stage 3 ECL	-	-	-	-	-
Coverage Ratio	**0.03%**	**0.17%**	**0.00%**	**0.00%**	**0.09%**

2023

	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	Total
Gross core loans and advances subject to ECL	**990,466,591**	**910,703,375**	**-**	**-**	**1,901,169,966**
Core loans Stage 1	990,466,591	910,703,375	-	-	1,901,169,966
Core loans Stage 2	-	-	-	-	-
Core loans Stage 3	-	-	-	-	-
ECL	**(276,513)**	**(1,633,006)**	**-**	**-**	**(1,909,518)**
Core loans Stage 1 ECL	(276,513)	(1,633,006)	-	-	(1,909,518)
Core loans Stage 2 ECL	-	-	-	-	-
Core loans Stage 3 ECL	-	-	-	-	-
Coverage Ratio	**0.03%**	**0.18%**	**0.00%**	**0.00%**	**0.10%**

Credit quality analysis

2024	**Stage 1 ECL**	**Stage 2 ECL**	**Stage 3 ECL**	**Total ECL**
Intercompany receivable	1,912,101	-	-	1,912,101

2023	**Stage 1 ECL**	**Stage 2 ECL**	**Stage 3 ECL**	**Total ECL**
Intercompany receivable	1,909,518	-	-	1,909,518

Cash and Cash Equivalents

Cash and cash equivalents are held with Investec Bank which is considered to be a reputable bank with a high credit rating and no history of default. Hence, the ECL on cash and cash equivalents is determined to be immaterial. The National Scale Deposit Ratings of Investec Bank Limited are as follows: Fitch: F1+(zaf), Moodys: P-1.za, S&P: za.A-1+, GCR: A1+(ZA).

19. Financial assets and liabilities

Analysis of assets and liabilities by measurement basis

2024	Amortised Cost	Mandatorily at fair value through profit or loss	Liabilities at amortised cost	Total
	R	R	R	R
*Assets **				
Intercompany receivable	2,174,259,316	-	-	**2,174,259,316**
Cash and cash equivalents	640,283,477	-	-	**640,283,477**
	2,814,542,793	-	-	**2,814,542,793**
*Liabilities **				
Commercial mortgage backed securities	-	-	2,616,526,765	**2,616,526,765**
Subordinated loan	-	-	151,107,502	**151,107,502**
Deferred income	-	-	7,111,998	**7,111,998**
Derivative financial instruments	-	12,120,921	-	**12,120,921**
Trade and other payables	-	-	883,484	**883,484**
	-	**12,120,921**	**2,775,629,749**	**2,787,750,670**

2023	Amortised Cost	Mandatorily at fair value through profit or loss	Liabilities at amortised cost	Total
	R	R	R	R
*Assets **				
Intercompany receivable	1,899,260,448	-	-	**1,899,260,448**
Cash and cash equivalents	303,977,958	-	-	**303,977,958**
Deferred tax asset	-	-	-	**6,841,184**
	2,203,238,406	-	-	**2,210,079,590**
*Liabilities **				
Commercial mortgage backed securities	-	-	2,064,188,404	**2,064,188,404**
Subordinated loan	-	-	115,947,444	**115,947,444**
Deferred income	-	-	6,986,616	**6,986,616**
Derivative financial instruments	-	16,918,965	-	**16,918,965**
Trade and other payables	-	-	430,195	**430,195**
	-	**16,918,965**	**2,187,552,659**	**2,204,471,624**

* 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 and variable rate financial instruments.

20. Fair values of financial instruments

Valuation models

For derivative financial 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, fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVA) when market participants take this into consideration in pricing the derivatives.

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 property 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**
	2024	**2023**
Derivative Financial Instruments	**(12,120,921)**	**(16,918,965)**

21. Going Concern

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.

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.

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.

The Noteholders will not, until 2 years following payment of all amounts outstanding and all the other Transaction Documents, institute, or join with any person in instituting or vote in favour of, any steps or legal proceedings for the winding-up, liquidation, de-registration, supervision by a business rescue practitioner, or any compromise or scheme of arrangement or related relief.

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.

23. Events after the reporting date

No material events have occurred between 31 March 2024 and the date of this report.