TUHF Urban Finance (RF) Limited
(Registration number 2018/563485/06)
Annual Financial Statements
for the year ended 31 March 2022

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	TUHF Urban Finance (RF) Limited (The Issuer) is a securitisation vehicle of mortgage loans originated by TUHF Limited. The issuer is an insolvency remote entity operating in accordance with the requirements of the Commercial Paper Regulations and the Transaction Documents, with no employees and no administrative infrastructure of its own. However, the issuer's affairs are administered by TUHF Limited.
Directors	WA Nel NR Clarke R Thanthony ML De Nysschen PGN Jackson IL Roodt (Alternate to PGN Jackson)
Business address	12th Floor, West Wing Libridge Building 25 Ameshoff Street Braamfontein 2001
Postal address	PO Box 30872 Braamfontein 2017
Controlling company	TUHF Limited incorporated in South Africa
Ultimate holding entity	TUHF Urban Finance Owner Trust incorporated in South Africa
Auditor	Deloitte & Touche
Secretary	TMF Corporate Services (South Africa) Proprietary Limited
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Determination date	31 March 2019
Transaction type	Mortagage backed securitisation programme
Revolving period	31 January 2020
Step up date	30 April 2025
Inception date	12 December 2018
Legal maturity date	30 April 2039

General Information

Preparer	The annual financial statements were internally compiled by: Lutic Mosoane BAP (SA) – Winsome Africa under the direction and review of Imke Kruger CIMA (SA) following the detailed workings provided, including a company working file for disclosure. A second technical review of the financial statements was performed by PricewaterhouseCoopers Inc. and an overall review was performed by the CFO Ilona Roodt, CA (SA).
Issued	28 July 2022

Contents

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

Audit Committee Report

The Audit Committee is pleased to present its report as required in terms of section 94(7) of the Companies Act 71 of 2008 (Companies Act).

The primary function of the Audit Committee is to assist the board of directors in appointing external auditors who are independent of the company and to oversee that management of the Servicer, maintain adequate systems of internal control, the integrity of the financial statements of the company and that processes are in place to ensure compliance by the company with all applicable legal and regulatory requirements and company policy.

1. Members

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

Name
R Thanthony
ML De Nysschen
NR Clarke

The Committee has the financial and commercial expertise and experience to properly execute its duties and responsibilities.

2. External auditor

Appointment and Independence of the external auditor

The Committee approved Deloitte’s terms of engagement and the fees for 2022.

The Committee is satisfied with the quality, effectiveness, independence, and objectivity of Deloitte & Touche as the external auditors and Stephen Munro as the designated auditor.

The Committee will recommend the reappointment of Deloitte & Touche as the independent external auditors of the company and the reappointment of Stephen Munro as the designated lead audit partner for the 2023 financial year. Stephen Munro does not appear on the JSE list of disqualified individuals.

The Audit Committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 71 of 2008, and has accordingly reviewed and recommended the effectiveness of the internal control process and internal audit, and has accordingly received and reviewed reports regarding the effectiveness and efficiency of internal controls.

3. The finance function

The Audit Committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of the Servicer's management responsible for the finance function.

4. Summary of focus areas of the audit committee

The Committee examined the following matters during the financial year:

The review of the external auditor's 2022 audit plan including the Key Audit Matter (KAM), the Expected Credit Loss calculation.

Reviewing the financial statements and recommending it to the board for approval. The Committee also received feedback from KPMG as the Servicer's internal auditors on the reviews conducted.

In discharging its responsibilities during the year under review, the Committee has not found or become aware of any material failures, irregularities or misstatements affecting the company's internal controls, structures and systems. This includes financial controls, accounting policies and controls, and reporting, incorporating the maintenance and improvement of accounting and control systems.

5. Internal auditors

The Audit and Risk Committee of the servicer and administrator has evaluated the role, independence and effectiveness of the internal auditor, KPMG in 2022.

Audit Committee Report

6. Statutory reporting

The Committee has evaluated the financial statements of TUHF Urban Finance (RF) Limited for the year ended 31 March 2022. Based on the information provided to the Committee, it is of the opinion that the company complies in all respects with the requirements of the Companies Act 71 of 2008 and the International Financial Reporting Standards.

7. Internal financial functions

This function has been outsourced to the administrator, TUHF Limited.

8. King IV register

The company has completed a King IV application register. The register is available on the website:
https://www.tuhf.co.za/wp-content/uploads/2022/07/King-IV-Application-Register-TUHF-Urban-Finance-RF-Ltd-2022.pdf

9. Company secretary

The Committee has satisfied itself that the company secretary, TMF Corporate Services (South Africa) Proprietary Limited, has the appropriate competence and experience and will maintain an arm's-length relationship with directors.

10. Recommendation of the annual financial statements

The Committee has fulfilled its oversight role regarding the reporting process for the annual financial statements and being satisfied with the integrity of this report, recommends that the annual financial statements be approved by the Board of directors.

Rishendrie Thanthony
Chairman Audit Committee
Date: 28 July 2022

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditor is engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company with the aim of ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2023 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditor and their report is presented on pages 11 to 16.

The directors' report on pages 8 to 10 and annual financial statements set out on pages 17 to 38, which have been prepared on the going concern basis, were approved by the board of directors on 28 July 2022 and were signed on their behalf by:

ML De Nysschen	**PGN Jackson**
28 July 2022	28 July 2022

Company Secretary's Certification

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

C. Heystek

TMF Corporate Services **(South Africa) Proprietary**
Limited
Johannesburg
Date: 28 July 2022

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of TUHF Urban Finance (RF) Limited for the year ended 31 March 2022.

1. Incorporation

The company was incorporated in South Africa on 26 October 2018 and obtained its certificate to commence business on the same day.

2. Nature of business

TUHF Urban Finance (RF) Limited is a securitisation vehicle of mortgage loans originated by TUHF Limited. The issuer is an insolvency remote entity operating in accordance with the requirements of the Commercial Paper Regulations and the Transaction Documents, with no employees and no administrative infrastructure of its own. However, the issuer's affairs are administered by TUHF Limited.

A total of R 500 000 000 of mortgage backed securities were issued on 19 December 2018, the proceeds of which were used to acquire mortgage assets to the value of R 450 074 475. The difference was initially held in cash and later invested in mortgage assets as further qualifying assets became available. Further top ups have occurred during the revolving period, based on meeting the qualifying loan criteria as monitored by the Calculation Agent. The revolving period ended in January 2020.

A further R 150 million tap issue was done in October 2019 and the proceeds were used to acquire an additional R 150 million of mortgage assets. The revolving period has now ended so no further top ups will occur. The structure is now in the period where through the priority of payments all excess cash is used to repay capital and interest on the notes.

Where the qualifying assets no longer meet the qualifying criteria in respect of further advances required by the client, the assets are required to be repurchased.

During the year loans to the value of R 18 459 328 were bought back by the servicer and administrator.

3. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

4. Share capital

	2022	2021
Authorised	Number of shares	
Ordinary shares	100	100
Preference shares	100	100

	2022	2021	2022	2021
Issued	R	R	Number of shares	
Ordinary shares	100	100	100	100
Preference shares	10	10	10	10
	110	**110**	**110**	**110**

There have been no changes to the authorised or issued share capital during the year under review.

5. Dividends

No dividends were declared for the year.

Directors' Report (continued)

6. Directorate

The directors in office at the date of this report are as follows:

Directors	Capacity
WA Nel	Independent non-executive
NR Clarke	Independent non-executive
R Thanthony	Independent non-executive
ML De Nysschen	Independent non-executive
PGN Jackson	Executive
IL Roodt (Alternate to PGN Jackson)	Alternate director

7. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the company.

8. Controlled entities

The company is wholly owned by TUHF Urban Finance Owner Trust which is incorporated in South Africa. However in terms of IFRS 10 Consolidated Financial Statements, where it is determined that a company can direct relevant activities of a Special Purpose Entity ("SPE") the SPE is classified as a controlled entity where such entity is consolidated in the same manner as a subsidiary company, despite the absence of any direct equity investment or voting rights. The TUHF Urban Finance (RF) Limited is a controlled entity of TUHF Limited and is consolidated in the TUHF Limited and TUHF Holdings Limited consolidated financial statements.

9. Directors' remuneration

Directors' fees amounting to R 131,859 in favour of TMF Corporate Services (South Africa) Proprietary Limited were incurred during the year. Trustee fees of R 71,760 in favour of PT & A Trustees Proprietary Limited were incurred during the year.

10. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

11. Auditors

Deloitte & Touche have been appointed as auditors for the company for 2022.

At the AGM, the shareholder will be requested to reappoint Deloitte & Touche as the independent external auditors of the company and to confirm Stephen Munro as the designated lead audit partner for the 2023 financial year.

12. Secretary

The company secretary is TMF Corporate Services (South Africa) Proprietary Limited.

13. Social and Ethics Committee

The company formed a Social and Ethics Committee in accordance with Section 72 of the Companies Act. The Social and Ethics Committee, which has adopted a Charter that formalises its roles and responsibilities under the Act, notes that the company is a special purpose vehicle whose operational functions are performed by the Servicer. As a result, the Committee, in discharging its obligations in terms of the Companies Act, has applied the relevant guiding principles to the underlying operations of the Servicer where applicable. During the year, the Committee had one meeting.

The Members of the Committee are comprised of:
- NR Clarke - Chairperson
- R Thanthony
- PGN Jackson

Directors' Report (continued)

14. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly, the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are satisfied that the company's current cashflows and collection levels demonstrate a recovery from the impacts of covid-19. Collection levels were impacted in April, May and June 2020 but have recovered to almost pre-covid levels. The ongoing efforts and resolution of the non-performing loans is vital for the structure covenant reporting requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

15. Service providers

Servicer and Administrator: TUHF Limited

Standby servicer: Mettle Credit Services Proprietary Limited

Corporate banker: The Standard Bank of South Africa Limited

Custodian banker: Nedbank Limited

Calculation Agent: Africa Frontier Capital

Trustee: PT & A Trustees Proprietary Limited

Debt Sponsor: Merchantec Capital

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of TUHF Urban Finance (RF) Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TUHF Urban Finance (RF) Limited (the company) set out on pages 17 to 38, which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBSA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Expected Credit Losses on loans and advances	
IFRS 9: Financial Instruments requires the recognition of expected credit losses ("ECL") on loans and advances. The ECL on loans and advances, has been identified as a Key Audit Matter ("KAM") due to the magnitude of the loans and advances and the inherent uncertainty and level of significant judgement applied by management in determining the ECL. The estimation of credit losses is inherently uncertain and the subject of significant judgment by management. Models used to determine the credit provisions can be complex, and inputs used may not be fully observable. The key areas of significant judgement applied by management in the ECL calculations include the following: • The evaluation of significant increase in credit risk ("SICR") and the resultant staging of the loans as stage 1, 2 or 3 in accordance with the requirements of IFRS 9; • Incorporating macro-economic inputs and forward looking information into the assessment and ECL measurement; • Input assumptions applied to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") within the ECL measurement; and • The valuation of collateral.	To address the KAM we completed the following audit procedures: • We identified, obtained an understanding of, and tested the design and implementation of relevant controls relating to the approval of the credit facilities, the governance processes in place around credit models, inputs and the collateral valuations; the credit forums where key judgements are considered, reviewed, challenged and approved and governance processes over out-of-model adjustments. • In the evaluation of SICR and the resultant classification of the loans as stage 1,2 or 3 in accordance with the requirements of IFRS 9: a) We selected a sample of exposures and assessed whether the stage classification of these exposures is appropriate in terms of the requirements of IFRS 9. b) We inspected the minutes of the arrears and problematic project committee to assess the classification of those clients that have been identified as being in arrears and being problematic and whether management's classification of these loans as a result of identified SICR is appropriate. c) We assessed the items that were included in the watchlist, held discussion with management to understand the reasons for the clients being placed on the watchlist and assessed whether those clients were adequately identified as presenting a possible SICR trigger and therefore being adequately classified as state 2 in terms of the requirements of IFRS 9.

Key Audit Matter	How the matter was addressed in the audit
	• In the evaluation of the input assumptions applied to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") and the Incorporation of macro-economic inputs and forward-looking information into the assessment and ECL measurement, we included the involvement of our specialists in quantitative and credit modelling skills in performing the following procedures: a) Assessment of methodologies for compliance with IFRS 9 and testing of assumptions in response to the relevant risks of material misstatement identified; b) Reperformance of management's calculation of model parameters (i.e. PD, LGD, and EAD); c) Reperformance of management's calculation of the ECL allowance as at 31 March 2022; d) Assessing how management have taken the macro economic factors and forward-looking information, considering market related data into account in the determination of the ECL; and e) Assessing, in conjunction with the audit team, the completeness and accuracy of data used in the model. • For a sample of properties held as collateral, we performed the following procedures to test the fair value of the collateral: a) Where external valuators were used, we assessed the competence, capabilities and the objectivity of the externally appointed valuation expert by assessing their accreditation and relevant experience; b) We benchmarked the rental streams and capitalisation rates used to value the collateral against market related data; and c) We assessed the reasonability of the haircuts applied to the valuation of the property. • We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 9.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 Deloitte has been the auditor of TUHF Urban Finance (RF) Limited for 2 years.

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditor
Per: Stephen Munro
Partner

29 July 2022

Statement of Financial Position as at 31 March 2022

Figures in Rand	Notes	2022	2021
Assets			
Cash and cash equivalents	6	46 978 425	28 970 747
Current tax receivable		951 241	-
Trade and other receivables	7	77 645	58 235
Loans and advances	8	483 955 249	576 825 180
Deferred tax asset	9	678 064	909 892
Total assets		**532 640 624**	**606 764 054**
Equity and Liabilities			
Equity			
Share capital	10	110	110
Retained income		24 709 275	19 139 746
		24 709 385	**19 139 856**
Liabilities			
Trade and other payables	11	3 268 087	2 356 548
Mortgage-backed securities	12	504 663 152	584 120 400
Current tax payable		-	1 147 250
		507 931 239	**587 624 198**
Total Equity and Liabilities		**532 640 624**	**606 764 054**

The accounting policies on pages 21 to 28 and the notes on pages 29 to 38 form an integral part of the financial statements.

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2022	2021
Interest income	13	53 751 897	62 098 458
Interest expenses	14	(37 754 349)	(44 544 102)
Expected credit losses	15	(1 259 713)	4 149 046
Income from lending activities		**14 737 835**	**21 703 402**
Other operating income	16	627 033	287 631
Other operating expenses	17	(7 593 830)	(8 194 049)
Profit before taxation		**7 771 038**	**13 796 984**
Taxation	18	(2 201 509)	(3 865 103)
Profit for the year		**5 569 529**	**9 931 881**
Other comprehensive income		-	-
Total comprehensive income for the year		**5 569 529**	**9 931 881**

The accounting policies on pages 21 to 28 and the notes on pages 29 to 38 form an integral part of the financial statements.

Statement of Changes in Equity

Figures in Rand	Share capital	Retained income	Total equity
Balance at 1 April 2020	**110**	**9 207 865**	**9 207 975**
Profit for the year	-	9 931 881	9 931 881
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**9 931 881**	**9 931 881**
Balance at 1 April 2021	**110**	**19 139 746**	**19 139 856**
Profit for the year	-	5 569 529	5 569 529
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**5 569 529**	**5 569 529**
Balance at 31 March 2022	**110**	**24 709 275**	**24 709 385**
Note	10		

The accounting policies on pages 21 to 28 and the notes on pages 29 to 38 form an integral part of the financial statements.

Statement of Cash Flows

Figures in Rand	Note	2022	2021
Cash flows from operating activities			
Interest income		60 077 248	59 534 903
Interest expenses		(38 160 270)	(48 764 794)
Tax paid		(4 069 975)	(2 666 650)
Cash paid to suppliers and employees		(1 275 496)	(9 187 512)
Management fees		(5 815 111)	-
Net movement in advances		85 950 001	52 226 103
Net cash from operating activities		**96 706 397**	**51 142 050**
Cash flows from financing activities			
Amounts received from related parties		352 607	153 289
Repayments to financial liabilities		(79 051 326)	(72 326 303)
Net cash from financing activities		**(78 698 719)**	**(72 173 014)**
Total cash movement for the year		**18 007 678**	**(21 030 964)**
Cash at the beginning of the year		28 970 747	50 001 711
Total cash at end of the year	6	**46 978 425**	**28 970 747**

The accounting policies on pages 21 to 28 and the notes on pages 29 to 38 form an integral part of the financial statements.

Accounting Policies

Corporate information

TUHF Urban Finance (RF) Limited is a public company incorporated and domiciled in South Africa. The address of its principal place of business is 12th Floor, Libridge Building, 25 Ameshoff Street, Braamfontein, 2001.

The annual financial statements for the year ended 31 March 2022 were authorised for issue in accordance with a resolution of the directors on 28 July 2022.

1. Significant accounting policies

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

The significant accounting policies are set out below. The statement of financial position is presented in order of liquidity. Reference to the current maturities of these financial assets and liabilities are disclosed in the notes to the financial statements.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.2.1 The impact of Covid-19 on IFRS 9 Expected Credit Losses (ECL)

Following the disruption of normal economic activity because of Covid-19 this impact has started to ease but the company has taken a conservative view when assessing the ECL. The company based their ECL estimates on the best available information about past events, using current data, current conditions, and forecasts of economic conditions. In assessing forecast conditions, consideration has been given both to the impact of Covid-19 and any remaining residual broader economic impact. As a result of the remaining uncertainty, it is difficult to incorporate with certainty these residual effects.

No further support measures have been extended by the company during the past year however, changes in economic conditions have been reflected in macroeconomic scenarios applied and their weightings.

Another area of significant judgement relates to the migration of accounts between the IFRS 9 staging buckets. Although no further relief granted by TUHF (the Servicer) to selected clients would impact the staging, delays in curing impacted the stages and this was reviewed by management in conjunction with other factors prior to determining whether accounts would move either to stage 2 or stage 3. The significant increase in credit risk in the portfolio is evaluated on a per project basis as there may be information not yet reflected in the historic data. Consequently, this review enables management to take a conservative view of loans in stage 3 and where necessary to consider other indicators such as client delinquent behavior, delays in construction projects and outstanding municipal arrears.

1.2.2 Expected credit losses (ECL's) on loans and advances

In respect of the ECL’s for loans in the non-performing category we reported ECL’s of R10 184 867 (2021: R3 380 873).

In respect of the ECL’s for loans in the performing category we reported ECL’s of R1 361 779 (2021: R1 795 853).

Total expected credit losses, Stage 1, 2 and 3 combined reported are: R11 546 646 (2021: R5 176 726).

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

In respect of the ECL's for loans and advances, the weighted average of the downturn, base case and upturn scenario is as follows.

	2022	2021
Downturn	R13 625 041	R5 286 861
Base case	R11 546 645	R5 176 726
Upturn	R9 468 249	R5 054 613

Sensitivity analysis applicable to 2022

Throughout the 2022-year, improved collections across the book have been an ongoing trend. Following the more severe impact in the previous year, stability was achieved within a short period of time.

However, due to ongoing delays in our litigation process, higher arrears remain a focus, but management have started seeing resolution of several matters starting to progress in the last quarter of the financial year with the focus on credit quality remaining a key concern for management.

Significant attention was given to the process of the identification of projects that display a significant increase in credit risk and this risk is incorporated into the IFRS 9 model update process.

Initial assumptions have been reviewed given the improvements in the identification of SICR and some of the conservatism has been revised but overall, the calculation remains conservative through the recognition of 55% of the collateral, well below the actual 67% recovery rate and a haircut of 45% of the valuation amount to reduce the amount considered and increase the ECL, Expected Credit Loss. The conservative assumptions will again be reviewed going forward.

To consider FLI (Forward Looking Indicators) additional stresses on the probability of default, PDs were included, and the outcome is that the PD used for the purpose of the calculation is double the actual calculated PD in 2022, 125% in 2023 and 100% thereafter to consider the impact of interest rates, a higher cost of living and property cycle not yet in recovery.

The project and risk screening approach ensures that the risk of default on loans with no arrears is evaluated and a quantitative assessment of the significant increase in credit risk is applied to the ECL through an overlay.

The model considers economic variables such as property prices and interest rates. The interest rate impact has been considered through the forward-looking indicators and the forecast for property values remains conservative with a 2% increase in the next 12 months and a 3% increase 12 months thereafter. A 6% increase in property values has been applied from 2024.

PD Adjustment Factors - 2022

	2021	2022	2023	2024
1 - Downturn	218%	218%	218%	218%
2 - Base case	200%	200%	125%	100%
3 - Upturn	182%	182%	182%	182%

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Sensitivity analysis applicable to 2021

Throughout the 2021 year some of the uncertainty regarding the impact of covid could be seen and resulted in the actual direct impact of increasing arrears and a general decrease in collections for a period. Stability was achieved within a short period of time, of six months and consequently the per project assessment of risk could be conducted through the problematic project meeting process.

The additional stresses on the PDs were not done in the current year as this was already in the data but an approach to consider additional risk through the watchlist process was deemed appropriate. The project and risk screening approach ensured that the risk of default on loans with no arrears were evaluated and a quantitative assessment of the significant increase in credit risk was applied to the ECL through an overlay. No additional stresses to the PD’s were applied.

The loss given default information is conservative at 52.5% and was left unchanged. The loans are secured and the recovery of the collateral, form part of the model assessment and assumptions. In the model a 45.77% haircut is applied to reduce values, increasing the required provisions. The model considers economic variables such as property prices and interest rates. The decline in interest rates was again ignored for the purpose of the provision to remain conservative. Usually such a decrease would improve consumer credit and the ability of customers to repay their debt but given the other factors such as the economic shutdown and job losses this was ignored. Property values usually would be considered, and a growth factor would be applied to the collateral. For 2021 this was not done given the uncertainty in the market. Instead, a 5% decline in property values was considered for the next 12 months and thereafter a 2% increase was applied for 12 months and a 3% factor thereafter.

PD Adjustment Factors - 2021

	2021	**2022**	**2023**	**2024**
1 - Downturn	110%	110%	110%	110%
2 - Base case	100%	100%	100%	100%
3 - Upturn	90%	90%	90%	90%

1.3 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

IFRS 9 introduces requirements for the classification and measurement of financial assets and liabilities as well as accounting requirements for impairment of financial assets measured at amortised cost.

Classification and subsequent measurement of debt instruments depends on:

- the entity's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the entity classifies its debt instruments into one of the following two measurement categories:

- Amortised cost. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows; or
- Fair value through profit or loss. This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income.

Loans and advances (note 8) are subsequently classified at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

Accounting Policies

1.3 Financial instruments (continued)

Application of the effective interest rate method

Interest income is calculated using the effective interest rate method, and is included in interest income (note 13).

The application of the effective interest rate method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment (IFRS 9)

IFRS 9 Three Stage Model

<table>
<tr><th></th><th>Staging</th><th>ECL - Measurement</th></tr>
<tr><td>Stage 1</td><td>Loans and advances that are not credit impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the company.</td><td>Loans and advances in Stage 1 have their ECL measured based on an amount equal to the portion of 12 months expected credit losses that result from default events possible within the next 12 months.</td></tr>
<tr><td>Stage 2</td><td>If a significant increase in credit risk ('SICR') since initial recognition is identified, the loans and advances are moved to "Stage 2" but are not yet deemed to be credit-impaired.</td><td rowspan="2">Loans in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.</td></tr>
<tr><td>Stage 3</td><td>If the loan is in default, the financial instrument is then moved to "Stage 3".</td></tr>
<tr><td>Forward looking information</td><td colspan="2">A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.</td></tr>
<tr><td>Significant increase in credit risk (SICR)</td><td colspan="2">SICR- is determined through a watchlist process whereby financial and project performance of the counterparties is discussed. In addition, the status of the construction of ongoing projects is taken into account as well as other ad hoc indicators.</td></tr>
</table>

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition and is summarised as follows:

- A financial instrument that is not credit impaired on initial recognition is classified in "Stage 1" as has its credit risk continuously monitored by the company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instruments is moved to "Stage 2" but is not yet deemed to be credit-impaired.
- If the financial instrument is in default, the financial instrument is then moved to "Stage 3".
- Financial Instruments in Stage 1 have their ECL measured based on an amount equal to the portion of 12 months expected credit losses that result from default events possible within the next 12 months.
- Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Accounting Policies

1.3 Financial instruments (continued)

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

Expected credit losses are the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12M PD), or over the remaining lifetime (lifetime PD) of the obligation

- EAD is based on the amounts the company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (lifetime EAD).

- LGD represents the company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure.

These three components are multiplied together and adjusted for the likelihood of survival, (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates the ECL for each future month, which is then discounted back to the reporting date and summed.

The discount rate used in the ECL calculation is the original effective interest rate thereof.

The Lifetime PD is developed by applying a maturing profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans.

The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and risk assessments. This is supported by historical analysis.

The 12-month and Lifetime EADs are determined based on the expected payment profile. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month and/or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

These assumptions vary by product type and current limit utilisation band, based on an analysis of the company's recent default data.

The 12-month and Lifetime LGDs are determined based on the factors which impact the recoveries made post default and this is based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs incurred.

Forward-looking economic information such as the gross domestic product (GDP) are included in determining the 12-month and Lifetime PD, EAD and LGD. Forward- looking economic information such as property prices are included in the determining of the 12-month LGD.

For Stage 3 loans that are 90 days past due, interest income is suspended from the date that the individual exposure is 90 days past due.

The assumptions underlying the ECL calculation - such as the maturity profile of the PDs and how the collateral values change etc. - are monitored and reviewed on an annual basis.

Accounting Policies

1.3 Financial instruments (continued)

Definitions

Significant increase in credit risk (SICR):

- Qualitative criteria: SICR is primarily determined through the watchlist process whereby the financial performance of the counterparties are discussed. In addition, the status of the construction of ongoing projects is taken into account as well as other ad hoc indicators.

- A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

- The company has not used the low credit risk exemption for any financial instruments in the period ended 31 March 2022.

- The assessment of SICR incorporates forward looking information (see below) and is performed annually for all loans.

DEFAULT:

The definition of default, which triggers the credit impaired classification (stage 3), is based on the company's internal credit risk management approach and definitions and occurs at the earlier of:

1. In the company's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or

2. When the counterparty is past due for more than 90 days. The company has not rebutted IFRS 9's 90 days past due rebuttable presumption.

WRITE-OFF POLICY:

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with no reasonable expectations of recovery of the asset, or a portion thereof. As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post realisation of the collateral, at the point of write-off any excess amounts to be written off will be recognised in the income statement under gains(losses) of derecognised financial assets.

CURING:

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist.

Qualitative factors include compliance with covenants and compliance with existing financial asset terms and conditions.

Where it has been determined that a financial asset no longer meets the criteria for SICR, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired or incurred in the ordinary course of business from suppliers and service providers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current liabilities.

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Accounting Policies

1.3 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in changing value. Cash and cash equivalents are initially measured at fair value and subsequently measured at amortised cost.

For the purpose of the statement of cash flows, cash and cash equivalents include money market assets as these are short term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents and money market assets are regarded as having a low probability of default and therefore the related expected credit loss is not significant.

Mortgage-backed securities

Variable-rate notes are classified as financial liabilities and measured at amortised cost.

Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the company has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the company is recognised as a separate asset or liability. Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

1.4 Income tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

1.4 Income tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.5 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity.

1.6 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of discounts and value added tax. Revenue comprises of interest income.

Interest income

Interest income and expenses are recognised in the statement of profit or loss and other comprehensive income using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the financial asset of financial liability. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument (e.g. prepayment options) but does not consider future credit losses.

1.7 Operating segments

TUHF Urban Finance has only one reportable segment being interest income from loan and advances granted. Although loans and advances are granted across different geographical areas the management of:

1. the nature of the products and the processes for granting of credit;

2. the governance, financial control and all other processes of the company and the geographical areas are managed at a central point . Therefore TUHF Urban Finance is a classified as a single operating segment in terms of IFRS 8.

Notes to the Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

The company has applied the following amendments for the first time for their annual reporting period commencing 1 April 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The company also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018–2020, and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12.7

The amendments listed above did not have any impact on the amounts recognised in prior periods and have not affected the current or future periods.

The company has not applied any of the other amendments to IFRS which became effective for their annual reporting period commencing 1 April 2021, as none of these amendments were relevant to its operations.

2.2 Standards and interpretations not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Risk management

Servicer and Administrator performance

The company has outsourced the management of the company and its assets to TUHF Limited. As such, the company is exposed to performance risk of TUHF.

In order to assess the risk that TUHF will become unable to perform its roles as Servicer and Administrator of the company, the company has made enquiries as to TUHF's ability to operate during the disruptions caused by the Covid-19 lockdowns as well as the solvency and liquidity position of TUHF. The company has satisfied itself that TUHF has continued to be able to operate effectively during the lockdown and subsequently, is solvent and is likely to continue to have sufficient operating liquidity.

In the unlikely event that TUHF is unable to fulfill its roles as Servicer and Administrator there is a Back-Up Servicer appointed.

Capital risk management

The company is a thinly capitalised special purpose vehicle, with only nominal share capital. Mortgage assets are fully funded by mortgage-backed securities which have been issued to external investors. As such there are no further capital management objectives, policies, and procedures applicable to the company.

Liquidity risk

The funding structure was launched on 19 December 2018 and investors invested a total of R 500 million in terms of the JSE approved programme memorandum.

A further R150 million tap issue was done in October 2019 which was used to acquire an additional R150 million of mortgage assets. From 1 April 2020, the structure and priority of payments moved from servicing interest only to servicing interest and capital based on the actual structure collections of interest and capital.

The company is bankruptcy remote and self-liquidating. Investors subscribed for notes as outlined in the approved programme memorandum and approved pricing supplement.

Liquidity risk is the risk that the company is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn.

Notes to the Financial Statements

3. Risk management (continued)

In this structure, the payment of capital and interest is managed through agreed upon procedures in the Priority of Payments calculation.

The pricing of the various classes of notes takes investor risk into account and the management of the process is monitored by independent trustees, a calculation agent and the JSE debt sponsor.

The table below analyses the company's financial liabilities at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 March 2022	Less than 1 year	1 to 5 years	Over 5 years	Total interest	Carrying value
Trade and other payables	3 268 087	-	-	-	3 268 087
Financial liabilities at amortised cost	75 543 402	222 948 273	287 910 421	(81 738 944)	504 663 152
	78 811 489	**222 948 273**	**287 910 421**	**(81 738 944)**	**507 931 239**

At 31 March 2021	Less than 1 year	1 to 5 years	Over 5 years	Total interest	Carrying value
Trade and other payables	2 356 548	-	-	-	2 356 548
Financial liabilities at amortised cost	77 989 020	262 495 539	353 912 467	(110 276 626)	584 120 400
	80 345 568	**262 495 539**	**353 912 467**	**(110 276 626)**	**586 476 948**

Interest rate risk

Interest rate risk: the risk that the fair value or future cash flows of a financial instrument fluctuate because of changes in market interest rates.

The company is exposed to cash flow interest rate risk on both loan advances (linked to the prime interest rate) and interest bearing liabilities that are linked to 3-month Jibar. Loans and advances, cash and cash equivalents and money market assets as well as interest bearing liabilities are stated at amortised cost derived from a market related interest rate.

The market risk exposure relates to the potential adverse effect of interest rate movements on net interest income.

At 31 March 2022, if interest rates on net borrowings and advances had been 1% higher with all other variables held constant, pre-tax profit for the year would have been R56 399 (2021:R179 150) higher, mainly as a result of higher net interest earned on variable rate borrowings and advances. If interest rates on net borrowings and advances had been 1% lower with all other variables held constant, pre-tax profit for the year would have been R56 399 (2021:R179 150) lower.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for another party by failing to discharge an obligation.

The credit risk that the company faces arises mainly from commercial loans and advances. The company has policies, procedures and processes dedicated to controlling and monitoring risk from all such activities.

While credit exposures principally arise in loans and advances, the company can be exposed to other credit risks. These exposures comprise loan commitments and contingent liabilities. The risks are managed in a similar way to those loans in loans and advances, and are subject to the same or similar approval and governance processes.

The granting of credit is one of the Servicer's major sources of income and is therefore one of the most significant risks, and the company dedicates considerable resources to controlling it effectively. A system based loan workflow process is used to facilitate the loan approval process. The granting of credit is considered on a project by project basis and various hurdle rates are considered in terms of our loan and credit policy which is fully compliant with the National Credit Act.

Notes to the Financial Statements

3. Risk management (continued)

The following represents the maximum exposure, at reporting date, to credit risk and is stated before the allowance for impairment:

Figures in Rand	2022	2021
Financial instrument		
Cash and cash equivalents	46 978 425	28 970 747
Loans and advances	483 955 249	576 825 180
Trade and other receivables	77 645	58 235
	531 011 319	**605 854 162**

4. Financial assets by category

2022	Amortised cost	Total
Cash and cash equivalents	46 978 425	46 978 425
Loans and advances	483 955 249	483 955 249
Trade and other receivables	77 645	77 645
	531 011 319	**531 011 319**

2021	Amortised cost	Total
Cash and cash equivalents	28 970 747	28 970 747
Loans and advances	576 825 180	576 825 180
Trade and other receivables	58 235	58 235
	605 854 162	**605 854 162**

5. Financial liabilities by category

2022	Financial liabilities at amortised cost	Total
Trade and other payables	504 663 152	504 663 152
Financial liabilities at amortised cost	3 268 087	3 268 087
	507 931 239	**507 931 239**

2021	Financial liabilities at amortised cost	Total
Trade and other payables	584 120 400	584 120 400
Financial liabilities at amortised cost	2 356 548	2 356 548
	586 476 948	**586 476 948**

Figures in Rand	2022	2021

6. Cash and cash equivalents

Current and call accounts	46 978 425	28 970 747

All accounts are held at Standard Bank of South Africa Limited.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
Standard Bank of South Africa Limited (AA+)	46 978 425	28 970 747

Composition of cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include current and call accounts. All accounts are held at Standard Bank of South Africa Limited.

Cash and cash equivalents	46 978 425	28 970 747

7. Trade and other receivables

Other receivables	77 645	58 235

Amounts receivable are all current. No amounts are past due or impaired.

The carrying value of trade and other receiveables approximates fair value as these are short tem in nature and not subject to material changes in credit risk and fair value.

8. Loans and advances

Loans and advances	495 501 894	582 001 906
Expected credit losses	(11 546 645)	(5 176 726)
	483 955 249	**576 825 180**

Exposure to credit risk

Loans and advances inherently exposes the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained in all cases. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Notes to the Financial Statements

8. Loans and advances (continued)

2022

	Stage 1 Standard monitoring	Stage 2 Special monitoring	Stage 3 Default	Total
Gross loans	410 070 962	20 442 306	64 988 626	495 501 894

Expected credit losses	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 April 2021	957 186	838 667	3 380 873	5 176 726
Transfers between stages	(125 980)	(351 838)	477 818	-
Transfer from stage 1	(125 980)	55 471	70 509	-
Transfer from stage 2	-	(407 309)	407 309	-
Transfer from stage 3	-	-	-	-
Net impairments raised/(released)	279 154	(235 410)	5 749 461	5 793 205
ECL movement in the current year	330 760	195 948	5 749 461	6 276 169
Change in ECL due to derecognition	(51 606)	(431 358)	-	(482 964)
Impaired accounts written off	-	-	-	-
Suspended interest current year	-	-	576 715	576 715
Closing balance	**1 110 360**	**251 419**	**10 184 867**	**11 546 646**

1) Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment (refer credit impairment charges note).

2) The company's policy is to transfer opening balances based on the ECL stage at the end of the reporting period. Therefore exposures can be transferred directly from stage 3 to stage 1 as the curing requirements would have been satisfied during the reporting period and shown in the "Subsequent changes in ECL line". Furthermore, the expected credit loss recognised or new exposures originated during the reporting period (which are not included in opening balances) are included within the line "ECL movement in the current year" based on the exposures ECL stage as at the end of the reporting period.

Net Advances	408 960 602	20 190 887	54 803 759	483 955 248

Significant changes in the the gross number of loans that are classified as stage 3 has contibuted to the increase of 201% in the ECL for stage 3 loans.

2021

	Stage 1 Standard monitoring	Stage 2 Special monitoring	Stage 3 Default	Total
Gross loans	519 207 343	36 950 207	25 844 356	582 001 906

Expected credit losses	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 April 2020	2 352 071	1 262 274	2 444 196	6 058 541
Transfers between stages	1 113 278	(618 177)	(495 101)	-
Transfer from stage 1	(33 459)	33 459	-	-
Transfer from stage 2	651 636	(651 636)	-	-
Transfer from stage 3	495 101	-	(495 101)	-
Net impairments raised/(released)	(2 508 163)	194 570	1 259 016	(1 054 577)
ECL movement in the current year	-	194 570	1 259 016	1 453 586
Subsequent changes in ECL	(2 430 087)	-	-	(2 430 087)
Change in ECL due to derecognition	(78 076)	-	-	(78 076)
Impaired accounts written off	-	-	-	-
Interest Income on stage 3 loans not recognised	-	-	172 762	172 762
Closing balance	**957 186**	**838 667**	**3 380 873**	**5 176 726**

1) Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment (refer credit impairment charges note).

Notes to the Financial Statements

8. Loans and advances (continued)

2) The group's policy is to transfer opening balances based on the ECL stage at the end of the reporting period. Therefore exposures can be transferred directly from stage 3 to stage 1 as the curing requirements would have been satisfied during the reporting period. Furthermore, the expected credit loss recognised on new exposures originated during the reporting period (which are not included in opening balances) are included within the line "ECL movement in the current year" based on the exposures ECL stage as at the end of the reporting period.

Net Advances	518 250 157	36 111 540	22 463 483	576 825 180

Renegotiated terms

None of the loans and advances have been renegotiated in the last year. Funds received are first applied to any past due amounts.

Credit quality and concentration of loans and advances

Figures in Rand	2022	2021
Geographical analysis		
Eastern Cape	34 062 002	55 528 188
Free State	20 468 754	19 434 102
Gauteng	338 396 622	394 444 599
KwaZulu Natal	96 567 187	105 063 248
Western Cape	6 007 329	7 531 769
	495 501 894	**582 001 906**

Maturity analysis

	2022	2021
Within 1 year	40 093 546	40 109 070
Within 2 to 5 years	172 724 425	189 263 943
Within 6 to 10 years	226 480 950	254 644 305
Within 11 to 15 years	56 202 973	97 984 588
	495 501 894	**582 001 906**

Collateral held

Summary 2022	**Collateral**	**Balance**	**ECL**
Stage 1	1 011 717 696	410 070 962	1 110 360
Stage 2	47 507 787	20 442 306	251 419
Stage 3	95 903 969	64 988 626	10 184 866
Total	**1 155 129 452**	**495 501 894**	**11 546 645**

Summary 2021	**Collateral**	**Balance**	**ECL**
Stage 1	1 270 010 781	519 207 343	957 186
Stage 2	65 645 893	36 950 207	838 667
Stage 3	40 989 399	25 844 356	3 380 873
Total	**1 376 646 073**	**582 001 906**	**5 176 726**

The carrying value of loans and advances approximates fair value.

Notes to the Financial Statements

Figures in Rand	2022	2021

9. Deferred tax asset

Deferred tax asset

Expected credit losses	224 847	201 009
Provision for bad debts	453 217	708 883
Total deferred tax asset	**678 064**	**909 892**
Deferred tax asset	678 064	909 892

Reconciliation of deferred tax asset

At beginning of year	909 892	1 116 447
Expected credit losses	(231 828)	(206 730)
Deferred and prepaid expenses	-	175
	678 064	**909 892**

The deferred tax balance at year end is considered non-current.

In his speech in February 2022, the Minister of Finance announced a budgeted change in the corporate income tax rate from 28% to 27%. The new corporate income tax rate of 27% is effective for all financial year-ends commencing 1 April 2022. Therefore the applicable tax rate used in the tax rate reconciliation is 28% as this is the corporate tax rate still applicable as at the end of the financial period. Deferred tax, however, is measured at tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The 27% tax rate has been "substantively enacted" in South Africa with effect from the date of the budget speech. Therefore, deferred tax for the current year is measured at 27%, as the timing difference is expected to reverse in a tax period when the new tax rate will be effective.

10. Share capital

Authorised		
100 Ordinary shares of R1 each	100	100
100 Preference shares of R1 each	100	100
	200	**200**
Issued		
100 Ordinary shares of R1 each	100	100
10 Preference shares of R1 each	10	10
	110	**110**

11. Trade and other payables

Financial instruments:		
Trade payables	3 268 087	2 356 548

The balance at year end is considered current.

Notes to the Financial Statements

Figures in Rand	2022	2021

12. Financial liabilities at fair value

A listed mortgage-backed securitisation concluded December 2019. Interest is priced at 3-month JIBAR plus a specified margin for each tranche of notes, with the 3-month JIBAR rate resetting quarterly. The margins range from 2.22% to 10% across the various notes. Interest and capital are payable quarterly in terms of the TUHF Urban Finance (RF) priority of payment until all obligations are fully settled. The structure has a contractual maturity date of May 2039 and open to the first refinance in January 2025.

	2022	2021
A Class Noteholders	387 545 489	448 574 984
B Class Noteholders	45 085 463	52 183 010
D Class Noteholders	21 013 596	24 321 182
E Class Noteholders	51 018 604	59 041 224
	504 663 152	**584 120 400**

Maturity analysis

It is the intention that in 2025 this structure will come to an end and the financial liabilities will be settled through external funding. The amount below discloses the undiscounted cashflows based on this assumption.

Expected cashflow	2022	2021
Within 1 year	143 795 076	129 204 953
Within 2 to 5 years	436 566 239	558 850 236
More than 5 years	-	-
Interest	(75 698 163)	(103 934 789)
	504 663 152	**584 120 400**

The table below analyses the company's financial liabilities at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Legal contractual maturity analyis	2022	2021
Within 1 year	75 543 402	77 989 019
Within 2 to 5 years	222 948 273	262 495 540
More than 5 years	287 910 421	353 912 467
Interest	(81 738 944)	(110 276 626)
	504 663 152	**584 120 400**

13. Interest income

	2022	2021
Interest on advances	52 954 287	61 373 359
Interest on call deposits	797 610	701 399
Interest received from SARS	-	23 700
	53 751 897	**62 098 458**

14. Interest expenses

	2022	2021
Interest on borrowings	37 752 511	44 537 123
Interest on fees on current account	36	23
Interest paid to SARS	1 802	6 956
	37 754 349	**44 544 102**

Notes to the Financial Statements

Figures in Rand	2022	2021

15. Expected credit losses

IFRS 9		
Stage 1	279 153	(2 508 162)
Stage 2	(235 410)	194 570
Stage 3	1 215 970	(1 835 454)
	1 259 713	**(4 149 046)**

16. Other operating income

Sundry income	627 033	287 631

17. Other operating expenses

Admin fee	312 233	349 280
Agency Fee	473 678	438 533
Auditor's remuneration	352 974	200 000
Back up servicer	172 500	178 969
Debt Sponsor Fee	221 490	219 766
Directors' fees	131 859	128 056
Rating Fees	289 800	390 425
Secretarial fees	49 992	69 552
Servicing fee	5 307 962	5 937 760
Trustees Fees	71 760	71 760
Other expenses	209 582	209 948
	7 593 830	**8 194 049**

18. Taxation

Major components of the tax expense

Current		
Local income tax - current period	1 969 682	3 658 548
Deferred		
Originating and reversing temporary differences	231 827	206 555
	2 201 509	**3 865 103**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	7 771 038	13 796 984
Tax at the applicable tax rate of 28% (2021: 28%)	2 175 891	3 863 156
Tax effect of adjustments on taxable income		
SARS penalties & interest	505	1 947
Deferred tax adjustment for change in tax rate	25 113	-
	2 201 509	**3 865 103**

Notes to the Financial Statements

Figures in Rand	2022	2021

19. Related parties

Ultimate holding company	TUHF Urban Finance Owner Trust
Controlled entity	TUHF Limited
Consolidated in results of	TUHF Limited and TUHF Holdings Limited

Related party balances and transactions

	2022	2021
TUHF Limited		
Admin fees paid	323 062	349 280
Servicing fees paid	5 492 049	5 937 760
Admin and servicing fee accrued	1 322 232	1 517 148
Expenses paid by TUHF Limited on behalf of clients	400 524	47 916
	7 537 867	**7 852 104**
TMF Corporate Services (South Africa) Proprietary Limited		
Directors Fees - payable	42 648	40 617

20. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the year. However and amount of R162 469 (2021 : R126 788) was paid to TMF Corporate Services (South Africa) Proprietary Limited for independent directors services that were provided by them as part of their service agreement for the structure.

21. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly, the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are satisfied that the company’s current cashflows and collection levels demonstrate a recovery from the impacts of covid-19. Collection levels were impacted in April, May and June 2020 but have recovered to almost pre-covid levels. The ongoing efforts and resolution of the non-performing loans is vital for the structure covenant reporting requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

22. Events after the reporting period

No matter which is material to the financial affairs of the company has occurred between the reporting date and the date of the approval of the financial statements.