Urban Ubomi 1 (RF) Limited
(Registration number 2019/504294/06)
Annual financial statements
for the period ended 31 March 2021

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Urban Ubomi 1 (RF) Limited is funded through the issue of Commercial Papers and a Subordinated Loan. It uses these funds to purchase qualifying participating assets. The participating assets need to meet certain qualifying criteria and are reported upon monthly to the senior facility provider. The subordinated facility provides credit enhancement to the structure of a minimum of 9.25%. The company is an insolvency remote entity operating with no employees and no administrative infrastructure of its own. However, the company's affairs are administered by TUHF Limited in its capacity of Servicer and Administrator and the collection agency services are provided by Vuselela Collections SPV (RF) Proprietary Limited.
Directors	DP Towers KW Van Staden E Deiner IL Roodt
Business address	1st Floor 32 Fricker Road Ilovo Gauteng 2196
Postal address	PO Box 55208 Northlands 2116
Controlling company	TUHF Limited incorporated in South Africa
Ultimate holding entity	The Urban Ubomi 1 Issuer Owner Trust incorporated in South Africa
Auditor	Deloitte & Touche
Secretary	Quadridge Trust Services
Transaction date	23 March 2021
Step up date	15 May 2026
Maturity date	15 May 2043
Transaction type	Mortagage backed securitisation programme
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 review of the financial statements was performed by Ilona Roodt, CA (SA).
Issued	29 July 2021

Contents

Audit Committee Report

The audit committee is pleased to present it's 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 annual 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
Kurt Wade van Staden
David Peter Towers
Evelyn Deiner

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

2. External auditor

The audit committee has nominated Deloitte & Touche as the independent auditor and Stephen Munro as the designated partner, who is a registered independent auditor, for appointment of the 2021 audit.

The committee satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act 71 of 2008 and as per the standards stipulated by the auditing profession.

The audit committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

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.

The audit committee has reviewed the accounting policies and the annual 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 of South Africa, and has accordingly reviewed and recommended 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. Summary of key terms of the audit committee

The committee examined the following matters during the financial year:

The review of the external auditor's 2021 audit plan.

Reviewing the annual financial statements and recommending it to the board for approval.

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.

4. Internal auditors

The Audit and Risk committee of the Servicer and Administrator has evaluated the role, independence and effectiveness of the internal auditors, KPMG in 2021.

Audit Committee Report

5. Statutory reporting

The committee has evaluated the annual financial statements of Urban Ubomi 1 (RF) Limited for the year ended 31 March 2021. 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 and the International Financial Reporting Standards.

6. Internal financial functions

This function has been outsourced to the Servicer and Administrator.

7. Company secretary

The committee has satisfied itself that the company secretary, Quadridge Trust Services, has the appropriate competence and experience and will maintain an arm's-length relationship with directors.

8. 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.

KW Van Staden
Chairman Audit Committee
Date: 29 July 2021

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 period 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 annual financial statements.

The annual 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 external auditor is responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditor and their report is presented on pages 9 to 15.

The annual financial statements set out on pages 16 to 37, which have been prepared on the going concern basis, were approved by the board of directors on 29 July 2021 and were signed on their behalf by:

DP Towers

IL Roodt

Thursday, 29 July 2021

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.

Quadridge Trust Services
Johannesburg
Date: 29 July 2021

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Urban Ubomi 1 (RF) Limited for the period ended 31 March 2021.

1. Incorporation

The company was incorporated in South Africa on 10 October 2019 and obtained its certificate to commence business on the same day. The company started trading in March 2021.

2. Nature of business

Urban Ubomi 1 (RF) Limited is funded through the issue of Commercial Papers and a Subordinated Loan. It uses these funds to purchase qualifying participating assets. The participating assets need to meet certain qualifying criteria and are reported upon monthly to the senior facility provider. The subordinated facility provides credit enhancement to the structure of a minimum of 9.25%. The company is an insolvency remote entity operating with no employees and no administrative infrastructure of its own. However, the company’s affairs are administered by TUHF Limited in its capacity of Servicer and Administrator and the collection agency services are provided by Vuselela Collections SPV (RF) Proprietary Limited.

3. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

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

4. Share capital

Authorised	2021 Number of shares
Ordinary shares	1 000
Preference share	1

Issued	2021 R	2021 Number of shares
Ordinary shares	100	100
Preference share	0,01	1
	100	**101**

1 Preference at a value of R0.01 was issued in the period under review.

5. Dividends

No dividends was declared for the period.

6. Directorate

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

Directors	**Capacity**	**Changes**
DP Towers	Independent Non-executive	Appointed Thursday, 10 October 2019
KW Van Staden	Independent Non-executive	Appointed Monday, 26 October 2020
E Deiner	Independent Non-executive	Appointed Monday, 26 October 2020
IL Roodt	Executive	Appointed Monday, 26 October 2020

Directors' Report

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 The Urban Ubomi 1 Issuer 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 Urban Ubomi 1 (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 13 333 in favour of Quadridge Trust Services were incurred during the year. Trustee fees of R 2 500 in favour of Quadridge Trust Services were incurred in the year. No payments were made in this financial year.

10. Auditors

Deloitte & Touche have been appointed as auditors for the company for 2021.

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 2022 financial period.

11. Secretary

The company secretary is Quadridge Trust Services.

12. Social and Ethics Committee

The public interest score is being monitored and compliance with the Companies Act 71 of 2008 will be ensured within the time permitted by the act.

13. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual 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 amortising asset cashflow to meet its foreseeable cash requirements even though the company made a loss for this financial year. This was due to the fact that the company had only been trading for a few of days in March 2021 before the financial year end of 31 March 2021. 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.

14. Service providers

Servicer and Administrator: TUHF Limited

Back-Up servicer: Mettle Credit Services Proprietary Limited

Corporate banker: The Standard Bank of South Africa Limited

Custodian banker: The Standard Bank of South Africa Limited

Trustee: Quadridge Trust Services

Deloitte.

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Deloitte & Touche
Registered Auditors
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INDEPENDENT AUDITOR'S REPORT
To the Shareholder of TUHF Urban Ubomi 1 (RF) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Urban Ubomi 1 (RF) Limited (the company) set out on pages 16 to 37, which comprise the statement of financial position as at 31 March 2021, 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 Urban Ubomi 1 (RF) Limited as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

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National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal *MR Verster Consulting *JK Mazzocco People & Purpose MG Dicks Risk Independence & Legal *KL Hodson Financial Advisory *B Nyembe Responsible Business & Public Policy *R Redfearn Chair of the Board

A full list of partners and directors is available on request * Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

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 all financial assets within the scope of its impairment model. 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	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.

Key Audit Matter	How the matter was addressed in the audit
default ("EAD") and loss given default ("LGD") within the ECL measurement; and • The valuation of collateral.	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. • 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 2021; d) Assessing how management have taken the macro economic factors and forward-looking information, considering market related data, including the impact of COVID 19, into account in the determination of the ECL; and

Key Audit Matter	How the matter was addressed in the audit
	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 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 Matter

The financial statements of the company for the year ended 31 March 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 30 September 2020.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Urban Ubomi 1 (RF) Limited Financial Statements for the year ended 31 March 2021" 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 Urban Ubomi 1 (RF) Limited for 1 year.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Stephen Munro
Partner

30 July 2021

Statement of Financial Position as at 31 March 2021

Figures in Rand	Note(s)	2021
Assets		
Cash and cash equivalents	6	15 776 520
Other assets	7	10 120 114
Loans and advances	8	654 017 638
Deferred tax	9	557 084
Total assets		**680 471 356**
Equity and Liabilities		
Equity		
Share capital	10	100
Retained income		(2 563 268)
		(2 563 168)
Liabilities		
Trade and other payables	11	5 427 211
Financial liabilities	12	677 607 313
		683 034 524
Total Equity and Liabilities		**680 471 356**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	1 month ended 31 March 2021
Interest income	13	1 623 336
Interest expenses	14	(1 073 030)
Expected credit losses	15	(2 874 358)
Income from lending activities		**(2 324 052)**
Other operating gains (losses)	16	140 331
Other operating expenses	17	(936 631)
Loss before taxation		**(3 120 352)**
Taxation	18	557 084
Total comprehensive loss for the period		**(2 563 268)**

Statement of Changes in Equity

Figures in Rand	Share capital	Retained income	Total equity
Balance at 10 October 2019	**-**	**-**	**-**
Total comprehensive Loss for the period	**-**	**(2 563 268)**	**(2 563 268)**
Issue of shares	100	-	100
Balance at 31 March 2021	**100**	**(2 563 268)**	**(2 563 168)**

Statement of Cash Flows

Figures in Rand	Note(s)	1 month ended 31 March 2021
Cash flows from operating activities		
Interest income		8 411
Net movement in advances		(655 288 991)
Net cash from operating activities		**(655 280 580)**
Cash flows from financing activities		
Proceeds from notes issue		609 000 000
Amounts received from related parties		62 057 100
Net cash from financing activities		**671 057 100**
Total cash movement for the period		**15 776 520**
Total cash at end of the period	6	**15 776 520**

Accounting Policies

Corporate information

Urban Ubomi 1 (RF) Limited is a public company incorporated and domiciled in South Africa.

The annual financial statements for the period ended 31 March 2021 were authorised for issue in accordance with a resolution of the directors on Thursday, 29 July 2021.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual 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 annual financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

The annual 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.

All monetary information and figures presented in these annual financial statements are stated in South African Rands.

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 ECL

The disruption of normal economic activity as a result of Covid-19 has in many instances resulted in an increase in credit risk for many of TUHF’s clients. The company based their ECL estimates on the best available information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions, consideration has been given both to the effects of Covid-19 and the significant government support measures being undertaken. As a result of the significant uncertainty, it is difficult to incorporate the specific effects of Covid-19 and government support measures on a reasonable and supportable basis. However, changes in economic conditions have been reflected in macroeconomic scenarios applied and their weightings. The company has taken steps to determine the impact of Covid-19 on all its clients and the uncertainty of future hard lockdown has been taken into account in assessing risk. Where a client’s business has been impacted this information was taken into account in determining the expected credit losses.

Another area of significant judgement relates to the migration of accounts between the IFRS 9 staging buckets. Any relief that is granted by TUHF to selected clients in the form of short-term payment holidays was assessed in conjunction with other factors prior to determining whether accounts to which such relief is provided 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, outstanding municipal arrears.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

All reasonable and supportable information that was available to make a distinction between those accounts where the credit risk has increased significantly and those accounts where credit risk has not increased significantly has been carefully considered. If an account was up to date prior to the relief measure and the account is expected to remain in up-to-date status once the relief period ends, all other factors remaining constant, management assumed that no significant increase in credit risk has occurred and the account has not been moved to stage 2. If however, there are adverse changes in other circumstances which are not expected to be temporary in nature over and above the relief provided (e.g. a mortgage debtor is retrenched or an the client enters business rescue or suffers losses that put into question its ability to repay the outstanding balance), it can be reasonably concluded that a significant increase in credit risk has occurred, warranting the migration of the account into stage 2 or stage 3.

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 R- .

In respect of the ECL’s for loans in the performing category we reported ECL’s of R2 874 358 .

Total expected credit losses, Stage 1, 2 and 3 combined reported are: R2 874 358 .

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

	2021
Downturn	R3 121 598
Base case	R2 874 358
Upturn	R2 591 967

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 55% 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 50% 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 2020 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.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

PD Adjustment Factors - correlated to prime interest rate (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.

Application of the effective interest rate method

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

The application of the effective interest 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.

1.3 Financial instruments (continued)

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</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.

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.

Accounting Policies

1.3 Financial instruments (continued)

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 of 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 how the maturity profile of the PDs and how the collateral values change etc. - are monitored and reviewed on an annual basis.

Definitions

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 2021.

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

Accounting Policies

1.3 Financial instruments (continued)

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.

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.

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.

Accounting Policies

1.3 Financial instruments (continued)

Accounting for Derivatives

Classification

Non-hedging derivatives are classified as mandatorily at fair value through profit or loss.

The accounting for derivatives strategy will require the company to reduce any basis risk exposure on interest rate risk. The company loans and advances earn interest on the basis of the prevailing prime interest rate.

The company funds itself in the capital markets by means of structured finance notes subject to the 3-month Jibar rate. This creates mismatch between assets and liabilities priced according to different benchmark rates. Accordingly, an interest rate swap has been entered into with Standard Bank to swap the underlying principal asset cashflows with the 3-month Jibar rate.

The reasoning behind the accounting for derivatives correlates strongly to the underlying rating action taken by the rating agency. The structure risk would have been higher had the prime/Jibar swap not been concluded.

Derivatives held by the company which are not in designated hedging relationships, include interests rate swaps.

A swap between the company and the servicer ensures that the structure pricing benefit is retained and that the overall group risk objective is achieved ensuring that the overall derivative impact is neutral.

Recognition and measurement

Derivatives are recognised when the company becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss. The fair value of the swaps are measured on a monthly basis applying the mark to market method.

Fair value gains or losses are included in other operating gains (losses) (note 16). Details of the valuation policies and processes are presented in note 16.

Mortgage-backed securities

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

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.

Notes to the Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current period

In the current period, the company has adopted the following standards and interpretations that are effective for the current financial period and that are relevant to its operations:

Definition of a business - Amendments to IFRS 3

The amendment:
- confirmed that a business must include inputs and processes, and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs.
- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The company has adopted the amendment for the first time in the 2021 annual financial statements.

The impact of the amendment is not material.

Presentation of Financial Statements: Disclosure initiative

The amendment clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The company has adopted the amendment for the first time in the 2021 annual financial statements.

The impact of the amendment is not material.

Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative

The amendment clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The company has adopted the amendment for the first time in the 2021 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company’s accounting periods beginning on or after 01 April 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022	Unlikely there will be a material impact

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	01 January 2021	Unlikely there will be a material impact

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 on 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, is solvent and is dealing 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

Liquidity risk is the risk that the company may have insufficient cash to meet its financial obligations as they fall due, more specifically in the short-term. Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet the necessary operational requirements. The liquidity risk related to the funding of the portfolio of mortgage advances is mitigated by the fact that the legal term of the Notes issued exceed the legal maturities of the underlying mortgage advances. Liquidity risk could arise if cash flows from mortgage advances were negatively impacted by non-performing advances. However, in terms of the Programme Memorandum the company's obligation to pay amounts due to creditors is limited to the cash available determined with reference to their rank in the Priority of Payments.

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 2021	Less than 1 year	1 to 5 years	Over 5 years	Total interest	Carrying value
Other liabilities and accruals	5 427 211	-	-	-	5 427 211
Interest bearing liabilities	74 471 572	252 474 072	465 491 651	(114 829 982)	677 607 313
	79 898 783	**252 474 072**	**465 491 651**	**(114 829 982)**	**683 034 524**

Interest rate risk

Interest rate risk arises through the ordinary course of the company's business when the interest rates paid to Noteholders and the yields earned from mortgage advances (and/or cash balances) change at different speeds through time with varying degrees of certainty.

In particular, 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 Jibar.

The company mitigates the aforementioned risk for Noteholders to a large extent by benchmarking all material classes of financial instruments to a single reference rate (3M JIBAR). To achieve this, the company entered into an Interest rate swap in order to swap its prime rate cashflows for 3-month JIBAR cashflows.

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.

Notes to the Financial Statements

At 31 March 2021, 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 R207 153 lower, as a result of higher levels of net borrowings than 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 R207 153 higher.

Credit risk

Credit risk represents the financial risk to the company as a result of a default by a counterparty. The company's primary exposure to credit risk is in respect of its portfolio of mortgage advances. Exposures to other counterparties are limited to intercompany balances, bank and short-term deposit accounts and short-term receivables with reputable counterparties meeting, where applicable, minimum counterparty credit rating requirements.

Bank and deposit accounts are held with banks with the highest short-term, national-scale credit ratings. Furthermore, derivative financial instruments are only entered into with banks meeting the minimum rating requirements prescribed in the company’s Programme Memorandum.

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 company’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.

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

Figures in Rand	2021
Financial instrument	
Cash and cash equivalents	15 776 520
Loans and advances	654 017 638
Other assets excluding prepayments	10 120 114
	679 914 272

4. Financial assets by category

2021	**Amortised cost**	**Fair value through profit or loss**	**Total**
Cash and cash equivalents	15 776 520	-	15 776 520
Loans and advances	654 017 638	-	654 017 638
Other assets excluding prepayments	4 502 600	5 617 514	10 120 114
	674 296 758	**5 617 514**	**679 914 272**

Notes to the Financial Statements

The table below sets out the reconciliation of financial assets that are measured at fair value based on inputs that are not based on observable market data (level 2):

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:
- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 2 Derivatives	
Opening balance	-
Addition	5 540 262
Fair value adjustments (recognised in profit or loss)	77 252
	5 617 514

Nominal value R562 412 460. The company has entered into a fair value interest rate cashflow swap with Standard Bank of South Africa Limited. The derivative swaps prime interest rate cashflows for 3-month JIBAR Cashflow. The company calculates the Mark to Market (MTM) on the swap on a monthly basis. The maturity date of the swap is 15 May 2043. The swap is balance guaranteed so the nominal value will automatically go to zero on the coupon set-up date, currently is May 2026.

5. Financial liabilities by category

2021	**Amortised cost**	**Fair value through profit or loss**	**Total**
Interest bearing liabilities	672 130 130	5 477 183	677 607 313
Other liabilities	5 427 211	-	5 427 211
	677 557 341	**5 477 183**	**683 034 524**

The table below sets out the reconciliation of financial liabilities that are measured at fair value based on inputs that are not based on observable market data (level 2):

Level 2 Derivatives	
Opening balance	-
Addition	5 540 262
Fair value adjustments (recognised in profit or loss)	(63 079)
	5 477 183

Nominal value R562 412 460. The company has entered into a fair value interest rate swap with TUHF Limited. The derivative swaps is 3-month JIBAR rate on the nominal for prime rate cash flows. The swap is subordinated in terms of the transaction cashflows and supports the overall Group hedge strategy and pricing benefit enjoyed by the structure that was agreed to obtain the most optimal credit rating. The maturity date of the swap is 15 May 2043. The swap is balance guaranteed so the nominal value will automatically go to zero on the coupon step-up date, currently is May 2026.

6. Cash and cash equivalents

Current and call accounts	15 776 520

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

Notes to the Financial Statements

Figures in Rand	2021

7. Other assets

Trade receivables (Related parties)	4 500 000
Other receivables*	5 620 114
Total trade and other receivables	**10 120 114**

*Nominal value R562 412 460. The company has entered into a fair value interest rate cashflow swap with Standard Bank of South Africa Limited. The derivative swaps prime interest rate cashflows for 3-month JIBAR Cashflow. The company calculates the Mark to Market (MTM) on the swap on a monthly basis. The maturity date of the swap is 15 May 2043. The swap is balance guaranteed so the nominal value will automatically go to zero on the coupon set-up date, currently is May 2026.

8. Loans and advances

Loans and advances	656 891 996
Expected credit losses	(2 874 358)
	654 017 638

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.

2021

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans	654 174 098	2 717 898	-	656 891 996

Expected credit losses	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance	-	-	-	-
Transfers between stages	-	-	-	-
Transfer to/ (from) stage 1	-	-	-	-
Transfer to/ (from) stage 2	-	-	-	-
Transfer to/ (from) stage 3	-	-	-	-
Net impairments raised/(released)	2 702 019	172 339	-	2 874 358
ECL movement in the current year	2 702 019	172 339	-	2 874 358
Change in ECL due to derecognition	-	-	-	-
Impaired accounts written off	-	-	-	-
Closing balance	**2 702 019**	**172 339**	**-**	**2 874 358**

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	651 472 079	2 545 559	-	654 017 638

Notes to the Financial Statements

8. Loans and advances (continued)

Significant changes in the gross carrying amount of loans and advances that contributed to changes in the loss allowance were:

- An increase in the loans and advances portfolio of 61% which resulted in a noticeable increase in the expected credit losses.
- There was a noticeable increase in the stage 3 expected credit losses, with not just one factor but various factor.
- There were noticeable increases in the stage 1 and stage 2 expected credit losses due to the impact of Covid-19 which has been factored into the forward-looking information as part of the ECL modelling.

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 other financial assets

Geographical analysis	
Eastern Cape	69 746 212
Free State	12 558 267
Gauteng	396 712 821
KwaZulu Natal	157 307 268
Western Cape	20 567 428
	656 891 996

Maturity analysis

Within 1 year	31 112 034
Within 2 to 5 years	172 971 131
Over 5 years	452 808 831
	656 891 996

Collateral held

Summary 2021	**Collateral**	**Balance**	**ECL**
Stage 1	1 248 056 244	654 174 098	2 702 019
Stage 2	4 526 509	2 717 898	172 339
Stage 3	-	-	-
Total	**1 252 582 753**	**656 891 996**	**2 874 358**

9. Deferred tax

Deferred tax liability

Fair value of derivatives	(39 293)

Deferred tax asset

Expected credit losses	567 424
Provision for bad debts	28 953
Deferred tax balance from temporary differences other than unused tax losses	596 377
Total deferred tax asset	**596 377**

Notes to the Financial Statements

9. Deferred tax (continued)

Deferred tax liability	(39 293)
Deferred tax asset	596 377
Total net deferred tax asset	**557 084**

Reconciliation of deferred tax asset

At beginning of year	-
Loan impairment	596 377
Deferred and prepaid expenses	(39 293)
	557 084

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

10. Share capital

Authorised	
1000 Ordinary shares of R1 each	1 000
1 Preference share of R0,01 each	1
	1 001

Issued	
Ordinary shares	100
Preference shares*	-
	100

*The preference share amount is less than R1 and was issued in this financial year.

11. Trade and other payables

Financial instruments:	
Trade payables	793 320
Other payables	4 633 891
	5 427 211

Notes to the Financial Statements

Figures in Rand	2021

12. Financial liabilities

Class A1 Noteholders	202 259 849
Class A2 Noteholders	309 447 017
Class B Noteholders	73 111 006
Class C Noteholders	25 046 029
A listed mortgage-backed securitisation concluded in March 2021. 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 1.55% to 3.80% across the various notes. Interest and capital are payable quarterly in terms of the Urban Ubomi 1 (RF) priority of payment until all obligations are fully settled. The structure has a contractual maturity date of May 2043 and open to the first refinance in May 2024.	
TUHF Limited Subordinated Loan	62 266 229
The loan bears interest at the 3-month JIBAR rate plus a margin of 10%, with the 3-month JIBAR rate resetting quarterly. Interest is payable on a monthly basis given that there is sufficient cash flow for such payment in the priority of payments and with a capital repayment at the maturity date of May 2043.	
Fair value derivative liability	5 477 183
Nominal value R562 412 460. The company has entered into a fair value interest rate swap with TUHF Limited. The derivative swaps is 3-month JIBAR rate on the nominal for prime rate cash flows. The swap is subordinated in terms of the transaction cashflows and supports the overall Group hedge strategy and pricing benefit enjoyed by the structure that was agreed to obtain the most optimal credit rating. The maturity date of the swap is 15 May 2043. The swap is balance guaranteed so the nominal value will automatically go to zero on the coupon step-up date, currently is May 2026.	
	677 607 313

The table below sets out the reconciliation of financial liabilities that are measured at fair value based on inputs that are not based on observable market data (level 2):

Level 2 Derivatives	
Opening balance	-
Addition	5 540 262
Fair value adjustments (recognised in profit or loss)	(63 079)
	5 477 183

Maturity analysis

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.

Whithin1 year	74 471 572
Within 2 to 5 years	252 474 072
More than 5 years	465 491 651
Interest	(114 829 982)
	677 607 313

13. Interest income

Interest on advances	1 614 924
Interest on call deposits	8 412
	1 623 336

Notes to the Financial Statements

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14. Interest expenses

Interest on advances from related company	209 129
Interest on borrowings	863 901
	1 073 030

15. Expected credit losses

IFRS 9	
Stage 1	2 702 019
Stage 2	172 339
	2 874 358

16. Other operating gains (losses)

Fair value gains (losses)	
Non-hedging derivatives	140 331

Fair value of the swaps have been determined using expected cashflows based on the respective 3-month JIBAR and Prime interest rate forward curves, a PD 3.449% and LGD of 75% was used for the CVA and DVA calculations.

17. Other operating expenses

Admin fee	95 075
Auditors remuneration	33 333
Back up servicer	14 375
Directors fees	13 333
Other expenses	177 239
Rating fees	24 150
Secretarial fees	37 867
Servicing fee	538 759
Trustees fees	2 500
	936 631

18. Taxation

Major components of the tax income

Deferred	
Originating and reversing temporary differences	(557 084)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting loss	(3 120 352)
Tax at the applicable tax rate of 28% (2020: 28%)	(873 699)
Tax effect of adjustments on taxable income	
No assesed loss created	316 615
	(557 084)

Notes to the Financial Statements

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19. Related parties

Ultimate holding company	The Urban Ubomi 1 Issuer Owner Trust
Controlled entity	TUHF Limited
Consolidated in results of	TUHF Limited and TUHF Holdings Limited

Related party balances

Loan accounts - Owing (to) by related parties	
TUHF Limited	(62 266 229)

Related party transactions

TUHF Limited	
Interest accrued not yet paid	209 129
Admin fee accrued not yet paid	95 075
Servicing fee accrued not yet paid	538 759
	842 963

20. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the period. However, Directors' fees amounting to R 13 333 in favour of Quadridge Trust Services were accrued during this financial year in terms of the supply of independent directors per their service agreement.

21. Going concern

The annual 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 annual 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 amortising asset cashflow to meet its foreseeable cash requirements even though the company made a loss for this financial year. This was due to the fact that the company had only been trading for a few of days in March 2021 before the financial year end of 31 March 2021. 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.