SuperDrive Investments (RF) Limited

(Registration Number 2011/000895/06)
Annual Financial Statements
for the year ended 31 December 2021

In terms of S29(1)(e)(ii) of the Companies Act 71 of 2008 as amended, we confirm that the following financial statements were prepared by Theo Mjada (AGA)SA at Stonehage Fleming Corporate Services Proprietary Limited (formerly Maitland Corporate Services Proprietary Limited), the Administrator.

The following financial statements have been audited in compliance with S30 of the Companies Act 71 of 2008 as amended.

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Directors' Responsibilities and Approval of Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements of SuperDrive Investments (RF) Limited ('the Company'), comprising the statement of financial position at 31 December 2021, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, as well as the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of financial statements

The directors, whose names are stated below, hereby confirm that:

a) the annual financial statements set out on pages 16 to 54 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

c) internal financial controls have been put in place to ensure that material information relating to the Company has been provided to effectively prepare the financial statements of the Company; and

d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

The annual financial statements were approved by the board of directors and signed on the Company's behalf by:

IE Koeppel	RI Angus
Director	Director
19 April 2022	19 April 2022

SuperDrive Investments (RF) Limited

(Registration Number 2011/000895/06)
Annual Financial Statements for the year ended 31 December 2021

Directors' Report

The directors present their report for the year ended 31 December 2021.

1. Nature of business

The main purpose of the Company is to acquire the rights, title and interest in vehicle instalment sale agreements, pursuant to a securitisation scheme. Funds of the securitisation scheme are raised directly or indirectly by the issue of debt instruments in order to acquire assets. The ordinary shares of the Company are owned by the SuperDrive Investments Issuer Owner Trust. A separate security special purpose vehicle, SuperDrive Investments Guarantor SPV (RF) Proprietary Limited ("Security SPV"), holds and will if obliged to, realise security in the form of the instalment sale vehicle assets for the benefit of the debt security holders, having furnished a limited recourse guarantee to these parties. The Company has indemnified the Security SPV in respect of claims made by the debt security holders and other creditors who are secured under the guarantee. As security for the indemnity, the Company has ceded and pledged the assets of the Company to the Security SPV. The ordinary shares of the Security SPV are owned by the SuperDrive Investments Guarantor SPV Owner Trust.

2. Financial results

The financial results of the Company are set out in the financial statements and accompanying notes.

3. Directors' interest

The directors and officers have no interests in the Company.

4. Share capital

Details of the authorised and issued share capital of the Company appear in note 8 of the financial statements. As at 31 December 2021, BMW Financial Services (South Africa) Proprietary Limited owned the Company's sole preference share. In terms of International Financial Reporting Standards (IFRS), the Company is consolidated into BMW Financial Services (South Africa) Proprietary Limited's consolidated financial statements.

5. Certificate by Company secretary

The registered Company secretary is TMF Corporate Services (South Africa) Proprietary Limited. The Company secretary certifies that the Company has filed all the required returns and notices in terms of the Companies Act, and that all such returns and notices appear to be true, correct and up to date.

C. Heystek

TMF Corporate Services (South Africa) Proprietary Limited
Company secretary
19 April 2022

Directors' Report (continued)

6. Directors

The directors of the Company during the year and to the date of this report are as follows:

Directors	Appointed	Resigned
AM Koser (Executive director)	01 February 2016	30 September 2021
IE Koeppel (Executive director)	01 November 2021	
BL Dube (Independent non-executive director)	01 November 2019	
R Thanthony (Independent non-executive director)	15 February 2013	
RI Angus (Chairman) (Independent non-executive director)	17 April 2019	

7. Dividend

No dividend was declared nor paid to the shareholder during the current or previous year.

8. Social and Ethics

The social and ethics committee was established as of 1 January 2017, with AM Koser, BL Dube and R Thanthony as its members. AM Koser resigned from the committee with effect from 30 September 2021 and IE Koeppel was appointed on 19 November 2021.

The social and ethics committee held a meeting on 24 November 2021 during which it reviewed it statutory mandate to monitor the Company's ethical culture and social footprint as envisaged by the Companies Act.

9. Service providers

Registered Company secretary:
TMF Corporate Services (South Africa) Proprietary Limited

Administrator:
Stonehage Fleming Corporate Services Proprietary Limited (formerly Maitland Corporate Services Proprietary Limited)

Auditor:
PricewaterhouseCoopers Incorporated

Servicer:
BMW Financial Services (South Africa) Proprietary Limited

Directors' Report (continued)

10. Going Concern

The Company recorded a profit of R53.2m (2020: R633k) for the year ended 31 December 2021. As at 31 December 2021 the Company had a net asset position of R196m (2020: R143m).

The Company's net profit increased by R52.5m year on year. While this improvement is as a result of several factors, the primary drivers were net interest income and the fair value changes of derivative instruments. The net interest and other income was R10.3m higher than last year. Similarly, the changes in fair value of derivative instruments reflect a positive swing of R32.7m as a result of a decline in market interest rates. Impairment charges decreased by R23.3m due to the disposal of non-earning assets while other expenses were reduced by R7.5m. As a result of these variables, the Company's effective tax rate is 28.42% significantly higher than the prior year's -32.12% due to the increase in net profit.

The overall business impact of the COVID-19 pandemic was analysed, and it was observed that payment moratoriums were significantly reduced during the current year compared to the previous financial year. The business was exhibiting normal trends comparable to before COVID-19. Additionally, economic conditions were considered, which include increases in the cost of living and the cost of vehicle finance. This would typically have a direct impact on our customers and increased default/credit risk. The resultant impact on the business was negligible as was evidenced through a significant reduction in the delinquency levels of customers and the aforestated payment moratoriums requested by clients.

As a result of the above, the directors believe that the Company is liquid and solvent and will be able to settle its current liabilities as they become due. The directors are satisfied that the Company has adequate resources to continue as a going concern for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing the financial statements.

11. Subsequent events

On 23 February 2022 the Minister of Finance announced that the corporate income tax rate will be reduced by a percentage point from 28% to 27%. The rate change is effective for companies with years of assessment ending on or after 31 March 2022. The rate reduction will only impact the companies deferred and current tax balances from the 2023 financial year onwards. The deferred tax balances as at 31 December 2021 are therefore reflected at the substantively enacted tax rate of 28%.

The directors are not aware of any other matters or circumstances arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the Company.

12. Business Address

3rd floor, 200 on Main
Cnr Main and Bowwood Roads
Claremont
Cape Town
7708

Postal Address

Postnet suite 294
Private Bag X1005
Claremont
Cape Town
7735

Corporate Governance Statement

The Company is fully committed to the principles of the Code of Corporate Practices and Conduct ('the Code") as set out in the King IV Report on Corporate Governance. In supporting the Code, the directors recognise the need to govern the Company with integrity and in accordance with generally accepted corporate practices. The Company is in compliance with its memorandum of incorporation.

For the period under review the board indicated that it was satisfied with the way in which the Company applied the recommendations of King IV or put alternative measures in place where necessary.

King IV principles have been applied on this entity. A detailed application register is available on the following website: https://www.bmw.co.za/en/topics/offers-and-services/bmw-financial-services/investor-relations.html

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 December 2021.

The audit committee is an independent statutory committee appointed by the shareholder. Further duties are delegated to the audit committee by the board of directors of the Company. This report includes both these sets of duties and responsibilities.

Members of the audit committee

R Thanthony (Chairperson)
RI Angus
BL Dube

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act 71 of 2008 as amended and Regulation 42 of the Companies Regulation, 2011.

Meetings held by the Audit Committee

The audit committee performs the duties laid upon it by Section 94(7) of the Companies Act 71 of 2008 as amended by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditor.

The audit committee held meetings on 9 April 2021 and on 22 September 2021 during which it reviewed its audit committee charter and fulfilled its responsibilities in terms thereof.

Expertise and experience of Management

The servicing of the Company's assets is performed by BMW Financial Services (South Africa) Proprietary Limited ("Servicer"), whilst the accounting records are prepared by Stonehage Fleming Corporate Services Proprietary Limited ("Administrator") (jointly hereinafter "Management").

The on-going fiduciary services of the Company are performed by the registered Company secretary, TMF Corporate Services (South Africa) Proprietary Limited.

Internal audit function

The Servicer's internal auditors perform audit functions on a regular basis and discuss any matter relating to the Company as they arise. The Servicer in turn reports directly to the Board and Audit Committe.

Independence of external auditor

The committee satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act 71 of 2008 as amended and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided in terms of the Companies Act 71 of 2008 as amended that internal governance processes within the firm support and demonstrate the claim to independence.

The independent auditor is PricewaterhouseCoopers Incorporated.

The audit committee, after consultation with the Servicer and Administrator, agreed to the terms of the external auditor's engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as parallel interaction with the Servicer, timing of the audit, the extent of the work required and the scope.

Fees paid to the auditor are disclosed in note 16 in the financial statements.

Report of the Audit Committee (continued)

Discharge of responsibilities

The committee is satisfied that, in respect of the financial year under review, it has discharged its duties and responsibilities in accordance with its terms of reference and in terms of the Companies Act 71 of 2008 as amended. The Board concurred with the assessment.

The committee performed all duties in accordance with its mandate during the year under review, including but not limited to, the following activities:

- Reviewed the reports of the external auditor regarding their audit and requested appropriate responses from management;
- Recommend the external auditor's fees for the 2021 annual financial statement audit for the Board to approve;
- Considered the independence and objectivity of the external auditor; and
- Complied with the JSE debt listing requirements.

Annual Financial Statements

Following the review by the committee of the annual financial statements of the Company for the year ended 31 December 2021 and based on the information provided to it, the committee considers that, in all material respects, the Company complies with the provisions of the Companies Act 71 of 2008, as amended, International Financial Reporting Standards, and that the accounting policies applied, are appropriate.

The committee recommended the Company's 2021 annual financial statements for approval by the Board on 19 April 2022.

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

On behalf of the audit committee:

R Thanthony
Chairperson of the Audit Committee
19 April 2022

Independent auditor's report

To the Shareholder of SuperDrive Investments (RF) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SuperDrive Investments (RF) Limited (the Company) as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

What we have audited

SuperDrive Investments (RF) Limited's financial statements set out on pages 16 to 53 comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Our audit approach

Overview

	Overall materiality • Overall materiality: R47.7 million, which represents 1% of total assets.
	Key audit matters • Expected credit loss on BMW Financial Services Auto Loans receivable.

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

Materiality

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

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

Overall materiality	R47.7million
How we determined it	1% of total assets.
Rationale for the materiality benchmark applied	The Company's capital structure is predominantly funded through debt rather than equity. Therefore, its borrowers are likely to be more concerned with the asset quality over the profitability of the Company. The Company purchased the underlying right to receive interest and capital on a portion of BMW Financial Services (South Africa) Proprietary Limited's (BMW FS) retail vehicle loans. BMW FS is the Company's servicer in respect of these loans. The resulting intercompany auto loan

	receivable represents 80.79% of the total assets of the Company. Management's primary focus is growing the advances within BMW FS with specific portions of higher credit quality assets securitised within the Company, which forms the revenue growth for the Company. We chose 1% to be applied to the total assets benchmark based on our professional judgement. A range of quantitative materiality thresholds that we would typically apply when using total assets to compute materiality were also considered.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Expected credit loss on BMW Financial Services receivable (Auto Loans) At 31 December 2021, auto loans receivable from BMW FS amounted to R4 800 million against which an expected credit loss ("ECL") of R300 million was recognised. The ECL on the Company's auto loans receivable is assessed based on the participating assets issued by BMW FS. This was calculated by management of BMW FS, the Company's servicer of the loans, by applying IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 requires the recognition of ECL on all financial assets within the scope of its impairment model, which includes the auto loans receivable. The impairment of the auto loans receivable was considered to be a matter of most significance to our current year audit due to the following: • The level of subjective judgement applied by management in determining the ECL on participating assets; • The uncertainty related to unprecedented global and local	We obtained an understanding through a walkthrough performed, of management's impairment assessment of loans and advances and assessed the impact of the service organisation in the context of the financial statements of the Company. We evaluated the identified audit risks at SuperDrive Investments which relate to the auto loan value and ECL at year end. Additionally, we evaluated the respective audit approaches utilised throughout all phases of the audit process to ensure the risks were appropriately addressed. Based on our procedures performed, we did not note any matters requiring further consideration in respect of the participating assets. **ECL for participating assets** Utilising our credit and actuarial expertise, we performed the following procedures:

economic stress;

- The effect that ECL has on the magnitude of the impairment recognised in relation to the auto loans receivable and on the Company's credit risk disclosures; and

- The magnitude of the auto loans receivable balance recognised in the financial statements.

The Company is exposed to credit risk. Origination, credit mitigation and monitoring of the participating assets is performed by BMW FS in terms of the servicing arrangements of the Company's asset-backed note programme.

Due to the nature of the participating assets, a significant portion of the impairment is calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always necessarily observable inputs.

Management applies professional judgement in developing the credit impairment models, analysing data and determining the most appropriate assumptions and estimates.

Judgement and estimates applied include the following:

- Calibration of the ECL statistical model components (probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"));

- Determination of the impact of forward-looking macroeconomic information (as represented by the prime interest rate) on the portfolio credit risk; and

- Determination of the write-off point applied in calculating the ECL.

The significant judgement applied is the determination of a significant increase in credit risk (SICR), which includes the following:

- Instruments that are more than 16 days past due are generally considered to have

- We obtained an understanding of the methodologies and assumptions used by management in the various ECL model components (PD, EAD and LGD) and how these were calibrated to use historical information to estimate future cash flows. This was obtained by reading the BMW FS IFRS 9 methodology document and conducting interviews with management;

- We reperformed the LGD and the effective interest rate calculation, and backtested the PD's and EAD's. We assessed the exposure-weighted actual default rate in a 12-month observation period; the number-weighted actual default rate in a 12-month observation period; the average PD applied in the BMW FS ECL workbook and recalculated realised LGDs per default month. The realised LGDs showcased included all default outcomes and this was compared to realised LGD's. No material differences and no significant matters requiring further consideration or adjustments were noted.

- We performed an independent forward-looking assessment. In order to incorporate forward-looking information into the PD model, a sigmoid transformation was used. Before being entered into the Ordered Probit Model, macro-economic variables were standardised and transformed resulting in the sigmoid transformed values. In order to assess the impact of the forward-looking adjustment, we performed the following:

  - Compared our independent default rate trends seen in 2021 to Management's PD determined;

  - Developed an independent PD regression model based on GDP and compared to management's PD; and

  - Assessed any increase in the shortfalls experienced from repossessed cars to inform the need for an adjustment to LGDs.

experienced a SICR;

● Established thresholds for SICR are based on a percentage change in lifetime PD relative to initial recognition; and

● A set of portfolio-specific qualitative criteria that are indicative of a SICR are used to supplement the lifetime PD comparison to the PD at the date of initial recognition.

Refer to the following accounting policies and notes to the financial statements for details:

● Accounting policy note 1.1.1 - Judgements, estimates and assumptions;

● Accounting policy note 1.2.2.3 - Financial instruments, Impairment of financial assets;

● Note 4 - BMW Financial Services receivable (Auto Loans);

● Note 15 - Impairment charges; and

● Note 20.1 - Risk management, Credit risk.

No differences and no matters requiring further consideration were noted; and

● We performed "inputs testing" to obtain comfort over the accuracy of the data by agreeing a sample of the data applied by management in their ECL calculation model, from contract to source system which contains the loans data. No material differences were noted.

We tested the design, implementation and, where appropriate, operating effectiveness of relevant controls over the model used to calculate impairments, including controls relating to data.

Evaluation of SICR

Utilising our credit and actuarial expertise, we performed the following procedures:

- We calculated a transfer ratio where we compared the movement of performing accounts into arrears over a 12 month period. This percentage was compared to the proportion of accounts moved into Stage 2 as a result of SICR;
- The transfer ratio calculated as described above was used to test if the Company's SICR assumptions and criteria was moving sufficient exposure into Stage 2. This included benchmarking the volume of up-to-date accounts transferred to stage 2 based on history; and
- To determine the impact of change in SICR thresholds on the ECL recognised, we performed a sensitivity analysis of SICR.

Based on our procedures performed, no material differences and no matters requiring further consideration were noted on management's application of the SICR criteria.

Other elements of the ECL

	We performed the following procedures on the other elements of the ECL with no material differences and no matters requiring further consideration noted: ● Considered the use of the South African prime rate in the forward-looking economic model as well as the macro-economic outlook. We compared these to our independent methodology that considered other macroeconomic variables and market data; and ● Independently quantified the impact on PD's.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "SuperDrive Investments (RF) Limited Annual Financial Statements for the year ended 31 December 2021", which includes the Directors' Report, the Report of the Audit Committee and the Certificate by Company Secretary as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of SuperDrive Investments (RF) Limited for 3 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Jorge Goncalves
Registered Auditor
Johannesburg, South Africa
26 April 2022

Statement of Financial Position

at 31 December 2021

	Notes	31 Dec 2021 R'000	31 Dec 2020 R'000
ASSETS			
Cash and cash equivalents	2	666,730	169,988
Trade and other receivables	3	218,595	242,709
BMW Financial Services receivable (Auto Loans)	4	3,853,650	4,428,012
Current tax asset	5	6,750	-
Derivative financial asset	6	2,700	-
Deferred tax asset	7	21,373	29,603
Total assets		4,769,798	4,870,312
EQUITY AND LIABILITIES			
Capital and reserves		195,906	142,737
Share capital	8	-	-
Retained income		195,906	142,737
Liabilities		4,573,892	4,727,575
Trade and other payables	9	23,907	9,666
Current tax liability	5	-	341
Subordinated loans	10	911,603	1,060,802
Debt securities	11	3,638,382	3,646,930
Derivative financial liability	6	-	9,836
Total equity and liabilities		4,769,798	4,870,312

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2021 R'000	2020 R'000
Interest income using effective interest rate	12.1	349,561	443,813
Other interest (expense) / income	12.2	(2,815)	17,952
Interest expense	13	(260,399)	(389,160)
Net interest income		86,347	72,605
Other income	14	23,345	26,822
Fair value changes of derivative instruments	6	11,854	(20,855)
Total income		121,546	78,572
Impairment charges	15	(19,538)	(42,858)
Other expenses	16	(27,744)	(35,235)
Profit before taxation		74,264	479
Taxation	17	(21,095)	154
Total comprehensive income for the year		53,169	633

Statement of Changes in Equity

	Share capital #	Retained income	Total
	R'000	R'000	R'000
Balance at 1 January 2020	-	142,104	142,104
Total comprehensive income for the year	-	633	633
Balance at 1 January 2021	-	142,737	142,737
Total comprehensive income for the year	-	53,169	53,169
Balance at 31 December 2021	**-**	**195,906**	**195,906**
Note	8		

Due to the financial statement being disclosed in R'000, the share capital of R100.01 does not reflect above.

Statement of Cash Flows

	Notes	2021 R'000	2020 R'000
Cash flows from operating activities			
Cash generated from operations	18	32,750	61,079
Interest received	18.1	368,194	502,449
Interest paid	18.2	(259,351)	(420,551)
Income taxes paid	5	(19,956)	(7,466)
Net cash from operating activities		121,637	135,511
Cash flows generated from investing activities			
Settlement of income earning assets	4	2,426,531	2,777,948
Buybacks of income earning assets	4	19,904	420,127
Acquisition of income earning assets	4	(1,912,540)	(2,270,443)
Net cash inflow from investing activities		533,895	927,633
Cash flows used in financing activities			
Settlement on redemption of debt securities	11	(1,510,000)	(994,000)
Proceeds from debt securities issued	11	1,500,000	-
Repayment of subordinated loan	10	(148,790)	(288,581)
Net cash outflow used in financing activities		(158,790)	(1,282,581)
Net increase / (decrease) in cash and cash equivalents		496,742	(219,437)
Cash and cash equivalents at beginning of the year		169,988	389,425
Cash and cash equivalents at end of the year		666,730	169,988

1. Accounting policies

The Company is domiciled in South Africa. All accounting policies applied are consistent with those applied in previous years and are in compliance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act in South Africa.

These accounting policies represent a summary of the significant accounting policy elections of SuperDrive Investments (RF) Limited.

1.1 Basis of preparation

The financial statements at 31 December 2021 are prepared in accordance with the going concern principle and are presented in South African Rands (the Company's functional currency) on the historical cost basis, except for the derivative financial instruments, which are stated at fair value.

1.1.1 Judgements, estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. Judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting judgements, estimates and assumptions made by the Company, except those related to fair value measurement which are included in note 22.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods. Significant increase in credit risk (SICR) is a significant judgment (note 20.1).

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 1.2.2.3 - Impairment of financial assets
- Note 1.4 - Taxation
- Note 20.1 - Credit risk

1.1.2 Change in accounting policies

The accounting policies are consistent with those applied in the previous years.

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

1.1.3 COVID-19 impact on significant judgements and on overall application of the going concern principle

With the recent COVID-19 pandemic developments in South Africa and government having subsequently declared revised national lockdowns, the revised measures have led to a recovery of the economic activity during the 2021 financial year as well as the Company's business. While the specific areas of judgement detailed in notes 1.2.2.3 and 20.1 did not change, the dynamic and evolving nature of the COVID-19 pandemic and limited recent experience of the economic and financial impact of such a pandemic have resulted in additional considerations within the following areas:

1.1.3.1 Impairment of financial assets

During the period, there was a nomalisation of trends and no management overlays were raised during the year. This was also evidenced by a reduction of delinquencies and negligible impact of the COVID-19 pandemic on our customer base. Please refer to note 1.2.2.3 (Impairment of financial assets) for more detail.

1.1.3.2 Credit risk

A systematic and targeted approach to the impact of the COVID-19 pandemic and other economic circumstance such as increasing vehicle finance costs and cost of living was considered and it was determined that the COVID-19 pandemic had not led to an significant increase in credit risk triggers that may result in the entire portfolio of receivables moving to the respective stages. Please refer to note 20.1 (Credit risk) for more detail.

1.1.3.3 Overall application of the going concern principle

The overall business impact of the COVID-19 pandemic was analysed, and it was observed that payment moratoriums were significantly reduced during the current year compared to the previous financial year. The business was exhibiting normal trends comparable to before COVID-19. Additionally, economic conditions were considered, which include increases in the cost of living and the cost of vehicle finance. This would typically have a direct impact on our customers and increased default/credit risk. The resultant impact on the business was negligible as was evidenced through a significant reduction in the delinquency levels of customers and the aforestated payment moratoriums requested by clients.

As a result of the above, the directors believe that the Company is liquid and solvent and will be able to settle its current liabilities as they become due. The directors are satisfied that the Company has adequate resources to continue as a going concern for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing the financial statements.

1.2 Financial instruments

1.2.1 Recognition and de-recognition

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company’s contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risk and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company’s obligations specified in the contract expire or are discharged or cancelled.

1. Accounting policies (continued)

1.2 Financial instruments (continued)

1.2.1 Recognition and de-recognition (continued)

Modification of contractual cashflows on financial assets

If the contractual cash flows of financial assets that are measured at amortised cost are modified (changed or restructured, including distressed restructures), the Company determines whether this is a substantial modification, following which, this results in the derecognition of the existing asset, and the recognition of a new asset, or whether the change is simply a non-substantial modification of the existing terms which do not result in derecognition.

When the terms are not substantially different for financial assets, the Company recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss.

Moratorium that were granted to clients were determined to have a negligible impact that would result in a change in the present value of the estimated future cash flows resulting in economic gains or losses. The impact on the ECL ("Expected credit losses") was also negligible due to the normal lending trends.

1.2.2 Financial assets

1.2.2.1 Classification

The Company applies IFRS 9 and classifies its financial assets in the following measurement categories:
- At fair value through profit or loss ("FVTPL") and
- At amortised cost.

The classification of financial assets depends on:
- the business model within which the financial assets are held and managed; and
- the contractual cashflow characteristics of the financial assets, i.e. whether the cashflows represent 'solely payments of principal and interest'.

Business model assessment

The Company assesses the objective of the business model in which an asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management.

The Company financial assets include BMW Financial Services receivable (Auto Loans), Trade and other receivables and Cash and cash equivalents.

Depending on the business model and the structure of contractual cash flows, financial assets are classified as follows:
- At amortised cost

The three instruments classified as "at amortised cost" are: BMW Financial Services receivable (Auto Loans), Trade and other receivables as well as Cash and cash equivalents.

- At fair value through profit or loss

Derivative financial assets are classified as "at FVTPL".

1. Accounting policies (continued)

1.2 Financial instruments (continued)

1.2.2 Financial assets (continued)

1.2.2.2 Measurement

Financial assets are initially measured at their fair value plus, in case of financial assets not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of financial instruments.

Subsequent to initial recognition, financial assets which are classified as "at amortised cost" are measured at amortised cost. The amortised cost is the amount at which financial assets are measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any expected credit loss allowance.

Subsequent to initial recognition, financial assets which are classified as "at FVTPL" are measured at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits predominantly with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term liabilities. Money at the permitted investments bank account (call deposit) constitutes a cash reserve held as collateral to noteholders, withdrawable in 24 hours or less. Cash and cash equivalents are stated at amortised cost, which approximates fair value.

Trade and other receivables

Trade and other receivables are stated at amortised cost.

BMW Financial Services receivables (Auto Loans)

BMW Financial Services receivables (Auto Loans) are measured at amortised cost using the effective interest rate method.

Derivative financial assets

Derivative financial assets are used within the Company for economic hedging purposes in order to reduce interest rate risk, arising from operating activities and the related financing requirements.

All derivative financial assets are measured at their fair value. The fair values of derivative financial instruments are determined using measurement models, as a consequence of which there is a risk that the amounts calculated could differ from realisable market prices on disposal. Observable financial market price spreads are taken into account in the measurement of derivative financial instruments. The supply of data to the model used to calculate fair values also takes into account tenor and currency basis spreads. In addition, the Company's own default risk and that of counterparties is taken into account on the basis of credit default swap values for market contracts with matching terms.

The Company applies the option of measuring the credit risk for a group of financial assets and financial liabilities on the basis of its net exposure. Portfolio-based value adjustments to the individual financial assets and financial liabilities are allocated using the relative fair value approach (net method).

1. Accounting policies (continued)

1.2 Financial instruments (continued)

1.2.2 Financial assets (continued)

1.2.2.3 Impairment of financial assets

The Company applies the general approach described in IFRS 9 to determine impairment of financial assets. Under the general approach, expected credit loss allowances are measured on initial recognition on the basis of the expected 12-month credit loss (stage 1). If the credit loss risk at the end of the reporting period has increased significantly since initial recognition, the expected credit loss allowances are measured on the basis of lifetime expected credit losses (stage 2 - general approach).

As a general rule, the Company assumes that a receivable is in default if it is more than 90 days overdue or if there are objective indications of insolvency. Credit-impaired assets are identified as such on the basis of this definition of default. In the case of stage 3 assets, interest income is calculated on the asset’s gross amount less any expected credit loss.

Expected credit loss allowances driven by factors such as the LGD ("Loss given default") and PD ("Probability of default") on receivables are modelled primarily on the basis of past experience with credit losses, current data on overdue receivables, rating classes and scoring information. Forward-looking information (for instance forecasts of key performance indicators i.e. the SA prime rate) is also taken into account if, based on past experience, such indicators show a substantive correlation to actual credit losses.

All of these factors including the previous impact of COVID 19, increase cost of living and vehicle financing costs have been taken into account to determine the probability of default of the customer base to determine the expected credit loss allowances. Please refer to note 20.1 (Credit risk) for more detail.

Loss Given Default – This is the amount of money that the financial institution would lose when a borrower defaults on a loan, depicted as a percentage of total exposure at the time of default.

Probability of default – This is the likelihood of a default by a counterpart over a particular time horizon.

Exposure at Default – Is an estimate of the financial institution's exposure to its counterparty at the time of default.

Trade and other receivables

The Company applies the simplified approach described in IFRS 9, whereby the amount of the expected credit loss allowance is measured subsequent to the initial recognition of the receivable on the basis of lifetime expected credit losses (stage 2 - simplified approach).

1.2.2 Financial liabilities

1.2.3.1 Classification

Management determines the classification of financial liabilities at initial recognition. The Company classified its financial liabilities as:

- At amortised cost

The instruments classified as "at amortised cost" are: Debt securities, Subordinated loans and Trade and other payables.

- At fair value through profit or loss ("FVTPL")

The instrument classified as "at FVTPL" is: Derivative financial liability.

1. Accounting policies (continued)

1.2 Financial instruments (continued)

1.2.2 Financial liabilities (continued)

1.2.3.2 Measurement

Financial liabilities as "at amortised cost" are initially measured at fair value including transaction costs, and subsequently at amortised cost using the effective interest method.

Derivatives are measured at fair value.

Financial assets and financial liabilities are off-set and the net amount reported in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Please refer to note 6 for derivative financial assets and liabilities currently being offset.

1.2.5 Write off

The Company writes off financial assets when it has no reasonable expectation of recovering the amounts concerned. This may be the case, for instance, if the debtor is deemed not to have sufficient assets or other sources of income to service the debt.

During the year there was a significant increase in the write off expense mainly driven by the sale of a portion of the book which were the non-performing assets (note 15 and 20.1).

1.3 Share capital

Ordinary share capital and redeemable preference share capital are classified as equity when:
- There is a payment of cash in line with the Company guidelines;
- Settlement in the Company's own equity instruments is for a fixed number of equity instruments at a fixed price;
- The instrument represents a residual interest in the assets of the Company after deducting all its liabilities; and
- The preference share is redeemable at the option of the holder, at any time after the date that the final debt securities are redeemed.

Consideration paid or received for equity instruments is recognised directly in equity. Equity instruments are initially measured at the proceeds received, less incremental directly attributable issue costs, net of any related income tax benefits. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's equity instruments.

Distributions to holders of equity instruments are recognised as distributions in the statement of changes in equity in the period in which they are payable. Dividends are payable when declared by the directors, after consideration of the financial circumstances of the Company, based on liquidity and solvency tests.

1.4 Taxation

Taxation expense includes current and deferred taxation. Tax expense is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

1. Accounting policies (continued)

1.4 Taxation (continued)

Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised. The Company has a deferred tax asset balance and is currently trading and expected to make profits which will enable it to recover the deferred tax asset.

The calculation of the Company's taxation charge and provision for income taxes necessarily involves a degree of estimation and judgement. There are transactions and taxation computations for which the ultimate taxation treatment or result is uncertain, or in respect of which the relevant taxation authorities may or could indicate disagreement with the Company's treatment and accordingly the final taxation charge cannot be determined until resolution has been reached with the relevant taxation authority.

The Company recognises liabilities for anticipated taxation audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final taxation outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred taxation assets and liabilities in the reporting period in which such determination is made.

1.4.1 Current taxation

Current taxation comprises taxation payable calculated on the basis of the estimated taxable income for the year, using the taxation rates enacted or substantially enacted at the reporting date, and any adjustment to taxation payable for previous years.

1.4.2 Deferred taxation

Deferred tax is provided for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

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

1.5 Net interest income

Interest is recognised using the effective interest rate method per contract. Interest income and expense are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Additionally, income and expenses that form an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income in terms of IFRS 9.

Fee income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income in terms of IFRS 9.

1. Accounting policies (continued)

1.5 Net interest income (continued)

Other interest income includes interest rate swaps and fair-value gains or losses on financial instruments measured at fair value through profit or loss.

1.6 Other income

Other income mainly includes retail settlement fee income and retail administration income. This income is recognised as the related services are performed.

Retail administration fee income
The Company earns fees from a range of services it provides to clients and these are accounted for as follows:

- Income earned on the execution of a significant performance obligation is recognised when the significant performance obligation has been performed.
- Income earned from the provision of services is recognised over time as the performance obligation is fulfilled.
- Fees charged for servicing a loan are recognised in income as the performance obligation is provided, which in most instances occurs monthly when the fees are levied.

1.7 Operating segments

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

The Company reports a single segment - acquiring the rights, title and interest in vehicle instalment sale agreements, pursuant to a securitisation scheme, within the South African economic environment. The Company issues various debt security notes, which enable investors to invest in various debt instruments. The Company has no reliance on any major clients, in line with its geographical covenant.

The CODM regularly review the operating results of the Company for which discrete financial information is made available on a monthly basis and against which performance is measured and resources are allocated across the segment.

1.8 Adoption of new and revised pronouncements

Several amendments apply for the first time in 2021, but do not have an impact on the financial statements of the Company.

International Financial Reporting Standards, interpretations and amendments issued but not effective:

There are a number of Standards, interpretations and amendments issued but not yet effective. The Company has not elected to early adopt the Standards, interpretations and amendments before the effective dates. These pronouncements will not have a material effect on the financial statements.

1. Accounting policies (continued)

1.8 Adoption of new and revised pronouncements (continued)

International Financial Reporting Standards, interpretations and amendments issued but not effective: (continued)

The following are the new or amended Standards and Interpretations issued but not effective:

Number	Effective date	Executive summary
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Annual periods beginning on or after 1 January 2023 (Published 23 January 2020)	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The debts and other liabilities in the statement of financial position all have certain settlement dates and classified accordingly. This pronouncement does not have a material effect on the financial statements.
Annual Improvements to IFRS Standards 2018–2020	Annual periods beginning on or after 1 January 2022 (Published 14 May 2020)	IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. This pronouncement did not have a material effect on the financial statements. The test is not applicable on the basis that old debt instruments expired during the period and new distinguishable instruments were issued.
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Annual periods beginning on or after 1 January 2021 (Published 27 August 2020)	The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. Interest rate risk is measured and controlled by a modern Value-at Risk historical simulation, stress tests, sensitivity and various types of exposure analysis. Further, hedge accounting is not applied in the company (Refer to the risk management section).This pronouncement did not have a material effect on the financial statements .

1. Accounting policies (continued)

1.8 Adoption of new and revised pronouncements (continued)

International Financial Reporting Standards, interpretations and amendments issued but not effective: (continued)

Number	**Effective date**	**Executive summary**
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2	Annual periods beginning on or after 1 January 2023 (Published 12 February 2021)	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The amendments will be adopted/considered in later periods. The accounting policy as been assessed to address the material transactions in the company.
Definition of Accounting Estimates (Amendments to IAS 8)	Annual periods beginning on or after 1 January 2023 (Published 12 February 2021)	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. This pronouncement did not have a material effect on the financial statements.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	Annual periods beginning on or after 1 January 2023 (Published 7 May 2021)	The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This pronouncement did not have a material effect on the financial statements. This amendments will be further considered in later periods.

Notes to the Annual Financial Statements

	2021	2020
	R'000	R'000
2. Cash and cash equivalents		
Current bank account	2	2
Collections bank account	630,548	133,706
Permitted investments bank account	36,180	36,280
	666,730	169,988

3. Trade and other receivables

Trade receivables	214,705	242,033
Prepayments	5	5
Interest accrued	151	671
VAT receivable	3,734	-
	218,595	242,709

The carrying value of trade and other receivables approximates the fair value.

The Company has assessed the impact of IFRS 9 on trade and other receivables and have determined that there is no significant impact, due to the fact that the majority of trade and other receivables relate to cash that is expected to be received within 3 months of accrual.

4. BMW Financial Services receivable (Auto Loans)

BMW Financial Services (South Africa) Proprietary Limited ("BMW Financial Services") legally sold a portion of auto loans to SuperDrive Investments (RF) Limited. However, since BMW Financial Services is also the provider of the subordinated loan, the substance of the transaction was that the accounting derecognition criteria to transfer the significant risks and rewards of ownership, were not met.

Thus, an intercompany receivable is recognised for the consideration paid for these assets to BMW Financial Services. The cash flows arising from this asset are directly attributable to the auto loans and thus, the following disclosure is appropriate and useful to the users of these financial statements, as the carrying amount of the receivable will fluctuate in line with the auto loan balances.

	2021	2020
	R'000	R'000
BMW Financial Services receivable (Auto Loans)	4,777,551	5,524,456
Unearned finance charges	(626,660)	(725,071)
Expected credit loss allowance	(297,241)	(371,373)
	3,853,650	4,428,012

Notes to the Annual Financial Statements

4. BMW Financial Services receivable (Auto Loans) (continued)

	2021 R'000	2020 R'000
Reconciliation of movement in balance		
Balance at beginning of the year	4,428,012	5,437,978
Acquisitions	1,912,540	2,270,443
Tops ups for the year (including interest and other movements)	1,912,540	2,270,443
Settlements	(2,426,531)	(2,777,948)
Buybacks	(19,904)	(420,127)
Impairments	(40,467)	(82,334)
Impairment reversed / (raised) - Stage 3 (note 15) [1]	60,239	(88,144)
Impairment raised - Stage 1 & Stage 2 (note 15)	13,893	10,680
Write-offs (note 15)	(114,599)	(4,870)
Balance at end of the year	3,853,650	4,428,012

The Company has indemnified Security SPV (SuperDrive Investments Guarantor SPV (RF) Proprietary Limited) in respect of claims made by the debt security holders and other creditors who are secured under the guarantee (refer below). As security for the indemnity, the Company has ceded and pledged the assets to Security SPV.

The cession agreements in place between the Company and Security SPV outlines that as security for the due, proper and timeous payment and performance in full of the obligations, the Company has ceded assets to and in favour of the Security SPV. The ceded rights include 100% title and interest in the bank accounts, permitted investments and participating assets as per the sales supplements.

Security SPV is a separate security special purpose vehicle, which holds and will, if obliged to, realise security in the form of the instalment sale vehicle assets for the benefit of the debt security holders, having furnished a limited recourse guarantee to these parties.

The Company has pledged an amount of R3 889 830 355 (2020: R4 464 291 466), which includes the BMW Financial Services receivable (Auto Loans) and the cash reserve, as collateral to the note holders. The associated liabilities of R 3 638 381 956 (2020: R3 646 929 583) are disclosed in note 11.

The below table summarises the pledged assets:

Assets pledged as security	2021 R'000	2020 R'000
Current Assets		
Cash and cash equivalents	36,180	36,280
BMW Financial Services Receivable (Auto Loans)	1,070,059	1,087,315
	1,106,239	1,123,595
Non-current		
BMW Financial Services Receivable (Auto Loans)	2,783,591	3,340,697
Total assets pledged as security	3,889,830	4,464,292

[1] Please note that the stage 3 impairment charges in this note does not equate to the stage 3 impairment charges in note 15 due to the IFRS 9 interest adjustment.

Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
5. Current tax assets and liabilities		
Balance at the beginning of the year	(341)	(144)
Payment to SARS	19,956	7,466
Current tax	(12,865)	(7,663)
Balance due from / (to) SARS at year end	6,750	(341)

6. Derivative financial asset / (liability)

Derivative financial asset / (liability) comprise the following balances

	2021 R'000	2020 R'000
Interest rate swaps	2,700	(9,836)
Current assets / (liabilities)	2,700	(9,836)
	2,700	**(9,836)**

An interest rate swap agreement has been entered into between Standard Bank of South Africa Limited and SuperDrive Investments (RF) Limited. This is to hedge the quarterly interest rate risk that may occur due to SuperDrive Investments (RF) Limited receiving prime linked interest from borrowers, yet paying JIBAR linked interest on all the classes of asset backed securities. This derivative is classified as at fair value through profit and loss and hedge accounting is not applied.

At fair value through profit and loss

	2021 R'000	2020 R'000
Balance at beginning of the year	(9,836)	12,996
Fair value changes of interest rate swap	11,854	(20,855)
Net interest accrued throughout the period	(2,663)	17,952
Interest accrued throughout the period - payable	(2,766)	(3,259)
Interest accrued throughout the period - receivable	103	21,211
Net interest paid throughout the period	3,345	(19,929)
Interest paid throughout the period	3,601	2,073
Interest received throughout the period	(256)	(22,002)
Balance at the end of the year	2,700	(9,836)

Notes to the Annual Financial Statements

7. Deferred tax

The following are the major deferred tax assets recognised by the Company and movements thereon, during the current reporting period.

	2021 R'000	2020 R'000
Deferred tax analysis		
Allowance for expected credit losses	22,298	27,055
Derivative financial (liability) / asset	(897)	2,134
Provisions	(29)	125
Prior years assessments	1	289
	21,373	29,603
Deferred tax reconciliation		
Deferred tax asset at beginning of the year	29,603	21,786
Fair value changes of derivative instruments	(3,031)	5,839
Allowance for expected credit losses	(4,757)	1,642
Income not recognised for accounting purposes	-	12,391
Provisions	(154)	(12,344)
Prior years assessments	(288)	289
Deferred tax asset at end of the year	21,373	29,603

Management has assessed the Company's ability to generate sufficient taxable profits in the near future and is satisfied that the Company will be able to utilise the full deferred tax asset raised, against the expected future taxable profit.

8. Share capital

Authorised and issued share capital

	2021 R'000	2020 R'000
Authorised		
995 Ordinary shares of R1 par value each	-	-
500 Cumulative redeemable preference shares of R0.01 each	-	-
	-	-
Issued and fully paid		
100 Ordinary shares of R1 par value each	-	-
1 Cumulative redeemable preference shares of R0.01 each	-	-
	-	-

The authorised share capital consists of 995 ordinary shares with a par value of R1 each. The share capital issued, consists of 100 ordinary shares with a par value of R1 per share. Due to the financial statements being disclosed in R’000, the share capital of R100 does not reflect above.

The authorised preference share capital consists of 500 cumulative redeemable preference shares with a par value of R0.01 each. The preference share capital issued, consists of 1 preference share at a par value of R0.01 per share. Due to the financial statements being disclosed in R’000, the preference share capital of R0.01 does not reflect above.

One cumulative redeemable preference share with a par value of R0.01 has been issued to BMW Financial Services. Dividends are payable when declared by the directors, after consideration of the financial circumstances of the Company, based on liquidity and solvency tests. The preference share is redeemable at the option of the holder, at any time after the date that the final debt securities are redeemed.

Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
9. Trade and other payables		
Accrual accounts payable	4,403	3,480
VAT payable	-	688
Sundry creditors	19,504	5,498
	23,907	9,666

10. Subordinated loans

Movement in subordinated loans

	2021 R'000	2020 R'000
Balance at the beginning of the year	1,060,802	1,357,018
Decrease of subordinated loan	(148,790)	(288,581)
Repayment of accrued interest	(7,512)	(15,147)
Accrued unpaid interest	7,103	7,512
	911,603	1,060,802

This loan was provided by BMW Financial Services and was subordinated to creditors in terms of clause 9 of the subordinated loan agreement. Interest is calculated monthly in arrears on the principal amount owing at JIBAR + 3.5% and is payable to BMW Financial Services in full as when cash is available to make such payment in accordance with the priority of payments. This is by no later than the last legal final maturity date of any note in issue and outstanding.

Class of Security representing the subordinated loan	**Subordinated loan** **Carrying value**	**Maturity date**
Class A12	256,751	2022/08/21
Class A13	276,908	2024/08/21
Class A14	188,972	2024/08/21
Class A15	188,972	2026/08/21
	911,603	

No defaults of principal or interest payments have occurred during the year under review.

Notes to the Annual Financial Statements

11. Debt securities

2021:	Total	Debt Securities	Accrued Interest
	R '000	R '000	R '000
Class A12	1,025,010	1,019,000	6,010
Class A13	1,105,199	1,099,000	6,199
Class A14	754,039	750,000	4,039
Class A15	754,134	750,000	4,134
	3,638,382	3,618,000	20,382

2020:	Total	Debt Securities	Accrued Interest
	R '000	R '000	R '000
Class A8	914,926	910,000	4,926
Class A10	603,210	600,000	3,210
Class A12	1,024,325	1,019,000	5,325
Class A13	1,104,469	1,099,000	5,469
	3,646,930	3,628,000	18,930

Class of securities	Interest rate	Rate at year end 2021	Rate at year end 2020	Maturity Date
Class A8	1.85% above 3 month JIBAR	-	5.490%	21-Aug-21
Class A10	1.79% above 3 month JIBAR	-	5.430%	21-Aug-21
Class A12	1.67% above 3 month JIBAR	5.550%	5.310%	21-Aug-22
Class A13	1.43% above 3 month JIBAR	5.310%	5.070%	21-Aug-24
Class A14	1.19% above 3 month JIBAR	5.070%	-	21-Aug-24
Class A15	1.31% above 3 month JIBAR	5.190%	-	21-Aug-26

Interest rates on all notes are reset quarterly and paid in advance.

	2021	2020
	R'000	R'000
Movement in debt securities		
Balance at the beginning of the year	3,646,930	4,664,686
Accrued interest paid	(18,930)	(42,686)
Accrued interest	20,382	18,930
Notes issued	1,500,000	-
Notes redeemed	(1,510,000)	(994,000)
	3,638,382	3,646,930

The Company's debt securities are subject to covenant clauses, whereby the Company is required to meet certain key financial metrics. Per the Programme Memorandum, the Company is only required to calculate its covenants on each transfer date. As at 8 November 2021, the Company has not breached its covenants as required.

Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
12. Interest income		
12.1 Interest income using effective interest rate		
Interest income on financial assets at amortised cost:		
Interest on BMW Financial Services receivable (Auto Loans)	323,702	422,788
Interest on call accounts	24,552	18,714
Interest on cash reserves	1,307	2,311
	349,561	443,813
12.2 Other interest (expense) / income		
Interest (expense) / income on financial assets at fair value through profit or loss:		
Interest on swap	(2,815)	17,952
Net interest income	346,746	461,765
13. Interest Expense		
Interest expense on financial liabilities at amortised cost:		
Interest on subordinated loan	71,360	105,472
Interest on Class A8 notes	31,870	61,364
Interest on Class A10 notes	20,779	40,098
Interest on Class A11 notes	-	45,870
Interest on Class A12 notes	54,095	66,875
Interest on Class A13 notes	55,703	69,481
Interest on Class A14 notes	13,136	-
Interest on Class A15 notes	13,456	-
	260,399	389,160
14. Other income		
Retail settlement fee income	14,231	15,263
Retail administration fee income	9,114	11,559
	23,345	26,822

Notes to the Annual Financial Statements

15. Impairment charges

2021:

	Stage 1	Stage 2	Stage 3	Stage 3 Reallocation	Write-offs	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Amount per IFRS 9	2,544	(16,437)	(60,239)	(20,929)	114,599 *	19,538

2020:

	Stage 1	Stage 2	Stage 3	Stage 3 Reallocation	Write-offs	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Amount per IFRS 9	(6,296)	(4,384)	88,144	(39,476)	4,870	42,858

Separately disclosed is the impairment amount for stage 3 IFRS 9 interest adjustment. As the recoverability of the prior year stage 3 interest in suspense is remote, the IFRS 9 interest adjustment has been applied at a rate of 100%.

*In December 2021, as part of the business strategy, a decision was taken to sell a portfolio of non-earning assets, i.e. the sale of the rights, title, interest and capital owed by the debtors. Included in the R114m was R121m that was written off as irrecoverable as a result of the sale of the book, as well as an R6.9m write-off reversal that was recorded during the year.

	2021	2020
	R'000	R'000
16. Other expenses		
Other expenses include the following:		
Audit fees	458	525
Consulting - Taxation Services	28	82
Directors' fees	260	230
Liquidity facility commitment, backup servicer and admin fees	3,038	3,695
Servicer fee	20,896	26,867
VAT apportionment expense (unclaimable VAT input)	3,064	3,836
	27,744	35,235

Notes to the Annual Financial Statements

17. Taxation

	2021 R'000	2020 R'000
South African normal taxation:		
Current tax	12,865	7,663
- Current period change	12,565	7,663
- Recognised in current tax relating to prior periods	300	-
Deferred tax	8,230	(7,817)
- Origination and reversal of temporary differences - current year	8,229	(7,528)
- Originating and reversing timing differences - prior years	1	(289)
	21,095	**(154)**

	2021	2020
Taxation rate reconciliation:		
Taxation at standard rate	28.00%	28.00%
- Prior year under / (over) provision - current taxation	0.41%	(0.04%)
- Prior year under / (over) provision - deferred taxation	0.01%	(60.21%)
Effective tax rate per statement of comprehensive income	28.42%	(32.25%)

The income tax for the year can be reconciled to accounting profit as follows:

	2021 R'000	2020 R'000
Profit before tax from operations	74,264	479
Income tax calculated at 28%	20,794	135
Tax effect of		
- Prior year under / (over) provision	301	(289)
Tax charge	**21,095**	**(154)**

The presentation of this note has been modified from last year to enable readers to better understand the relationship between tax expense / (income) and accounting profit. In comparison with the prior year, the income tax charge is higher due to increased profits and resulted in the higher tax charge.

The prior year negative effective tax rate of 35.25% arose mainly as a result of differences between the deferred tax recorded in the 2019 financials statements compared to the 2019 tax return (R289k), arising from temporary differences on derivative financial instrument fair value gains and losses.

Notes to the Annual Financial Statements

	2021 R'000	2020 R'000
18. Cash generated from operations		
Profit before taxation	74,264	479
Adjusted for non-cash items:		
Fair value changes of derivative instruments	(11,854)	20,855
Impairment charges	19,538	42,858
Cash generated before working capital changes	81,948	64,192
Changes in working capital:	37,149	69,492
Decrease in trade and other receivables	23,594	65,360
Increase in trade and other payables	14,237	2,155
Increase in derivative financial assets/liability (net interest accrued/paid)	(682)	1,977
Interest income	(346,746)	(461,765)
Interest expense	260,399	389,160
Cash generated from operations	32,750	61,079
18.1 Interest received		
Interest income	346,746	461,765
Movement in interest accrual	21,448	40,684
Interest accrued current year	49,791	28,343
Interest accrued prior year	(28,343)	12,341
Cashflow	368,194	502,449
18.2 Interest paid		
Interest expense	(260,399)	(389,160)
Movement in interest accrual	1,048	(31,391)
Interest accrued current year	27,489	26,441
Interest accrued prior year	(26,441)	(57,832)
Cashflow	(259,351)	(420,551)

Notes to the Annual Financial Statements

19. Related parties

In terms of IAS 24 a related party is a person or entity that is related to the reporting entity. A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel. An entity is related to a reporting entity if, among other circumstances, it is a parent, subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity, or it is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party. In the ordinary course of business, the Company enters into various transactions with related parties.

SuperDrive Investments Issuer Owner Trust owns the Company's ordinary shares. BMW Financial Services owns the Company's sole preference share. In terms of International Financial Reporting Standards (IFRS), the Company is consolidated into BMW Financial Services (South Africa) Proprietary Limited's consolidated financial statements.

19.1 Related party transaction with BMW Financial Services

The following transactions which took place between BMW Financial Services and SuperDrive Investments (RF) Limited, are at arm's length, settled via a transfer of funds and unless stated otherwise in the relevant note, are unsecured and no guarantees have been given or received:

Financing
Subordinated funding has been provided by BMW Financial Services to the value of R911 603 423 (2020: R1 060 802 000) for the year (note 10). Interest expense on subordinated funding amounted to R71 359 536 (2020: R105 471 512) for the year (note 13).

Purchase of additional auto loans
The Company had normal top ups of R1 912 540 492 (2020: R2 270 443 000) for the year (note 4).

Settlements
The Company paid settlements of R2 426 534 000 (2020: R2 777 948 000) for the year (note 4).

Buybacks
BMW Financial Services bought back assets to the value of R19 905 206 (2020: R420 127 000) for the year (note 4).

Interest income
The Company received interest income from BMW Financial Services to the value of R323 701 471 (2020: R422 788 000) for the year (note 12.1).

BMW Financial Services receivable (Auto Loans)
The Company has an amount receivable of R3 853 650 355 (2020: R4 428 012 000) from BMW Financial Services in respect of auto loans legally acquired (note 4).

BMW Financial Services is the appointed Servicer. The Servicer fee amounted to R20 895 936 (2020: R26 867 783) for the year (note 16).

Trade and other receivable
The Company has an amount receivable of R214 705 047 (2020: 242 032 710) from BMW Financial Services in respect of auto loans remittance (note 3).

Notes to the Annual Financial Statements

19. Related parties (continued)

19.1 Related party transaction with BMW Financial Services (continued)

Trade and other payable
Included in sundry creditors is an amount payable of R13 542 025 to BMW Financial Services in respect of auto loans remittance (note 9).

19.2 Key management personnel

The Company has no employees, hence no key management personnel compensation was paid during the year.

19.3 Directors' fees

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

Directors' fees of R260 206 (2020: R230 148) were paid to TMF Corporate Services (South Africa) Proprietary Limited (third party service provider), as employer of the majority of the directors, to provide corporate governance and other fiduciary services to the Company, which are included in other expenses (note 16).

20. Risk Management

The company has exposure to the following risk from its use of financial instruments:
- Credit risk
- Liquidity risk
- Interest rate risk

20.1 Credit risk

BMW Financial Services legally sold a portion of auto loans to the Company. As a result, exposure to credit risk arises if auto loans customers partially fulfil contractual obligations. BMW Financial Services has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Company is exposed to credit risks, which is managed by BMW Financial Services by authorising credit limits based on a client's risk profile and monitoring customer arrears and payment history. Credit risk arises from exposures to retail customer contracts, including outstanding receivables, cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions.

BMW Financial Services Receivables (Auto Loans)

Retail customers are evaluated by using a credit risk assessment system or scorecard used by the BMW Group. Based on the applicant's credit risk standing and affordability profile, the risk of default is assessed and if acceptable, an appropriate interest rate is charged for the deal.

Notes to the Annual Financial Statements

20. Risk Management (continued)

20.1 Credit risk (continued)

Changes in the credit worthiness of customers arising during the credit term are covered by risk provisioning procedures. The credit risk of the individual portfolio is quantified on a monthly basis and, depending on the outcome, taken into account within the risk provisioning system. Macroeconomic developments are currently subject to a higher degree of volatility. If developments are more favourable than assumed in the outlook, credit losses may be reduced, leading to a positive earnings impact.

Trade and other receivables

Included in the trade and other receivables, are receivables, from BMW Financial Services amounting to R214 705 047 (2020: R242 033 000) for collections as a result of timing differences at year end (note 3). Given the nature of these receivables, management does not expect any counterparty to default on meeting its obligations.

Cash and cash equivalents

Reputable financial institutions are used for investing and cash handling purposes. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The National Scale Deposit Ratings of The Standard Bank of South Africa Limited at 31 December 2021 were Prime-1.za for short term and Aa1.za for long term deposits.

Impairment

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

Stage 1 - includes financial assets which do not show significant increase in their credit risk since initial recognition or which have low credit risk at the reporting date. For all assets in stage 1 an expected credit loss allowance equal to 12 month expected credit loss ("ECL") is recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

Stage 2 - includes financial assets which show significant increase in their credit risk since initial recognition but do not have objective evidence of impairment (for IFRS 9 purposes objective evidence of impairment is defined as a default). For all assets in Stage 2 an expected credit loss allowance equal to lifetime ECL is recognised, but interest revenue is still calculated on the gross carrying amount of the asset.

Stage 3 - includes financial assets that have objective evidence of impairment at the reporting date (for IFRS 9 purposes objective evidence of impairment is defined as a default). For all assets in Stage 3 an expected credit loss allowance equal to lifetime ECL is recognised and interest revenue is calculated on the net carrying amount (that is, net of expected credit loss allowance).

Assessment of significant increase in credit risk (SICR) (stage 2)

Stage 2 comprises of all performing financial instruments that have experienced a significant increase in credit risk since initial recognition. At each reporting date the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the probability of default ("PD"), over the remaining expected life, at the reporting date with that on the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information, and the impact of forward-looking macroeconomic factors.

Notes to the Annual Financial Statements

20. Risk Management (continued)

20.1 Credit risk (continued)

Assessment of significant increase in credit risk (SICR) (stage 2) (continued)

The assessment is performed monthly and the following factors are considered:
- Established thresholds for SICR are based on a percentage change in lifetime PD relative to initial recognition.
- A set of portfolio-specific qualitative criteria that are indicative of a significant increase in credit risk are used to supplement the lifetime PD comparison.
- Instruments that are more than 16 days past due are generally considered to have experienced a significant increase in credit risk.

The Company measures a significant deterioration in credit risk since origination using a comparison of the increase in the risk of default relative to the expectation of risk at inception, as well as using an absolute measure of default risk as at the reporting date. This is achieved by comparing the current 12-month PD with one threshold and the relative change of the 12-month PD since initial recognition with another threshold. If both thresholds are surpassed, the account is allocated to stage 2. We currently have one forward looking economic factor used in our provision methodology. The factor that was deemed most applicable during the validation done in 2021, was the South African prime rate.

Impact of SICR on ECL

		% Movement	Base	1% increase	1% decrease
Shifting of the SICR threshold by 1%	2021	1% *	32,088	32,409	31,767
	2020	1% *	48,523	49,009	48,038

* Reflects the full stage 2 ECL of the deterioration or improvement in the factor used.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

In the context of IFRS 9, the calculation of either 12-month (or less) or Lifetime ECLs is required, depending on the classification in the corresponding IFRS 9 stage. A 12-month ECL in this context is the expected credit loss which is due to defaults occurring within 12 months after the reporting date. Since IFRS 9 requires calculating the provision according to the maturity of the contract, the ECL has to be also calculated for defaults occurring within a time period less than 12 months. Accordingly, a lifetime ECL is the expected credit losses which are due to defaults occurring within the (residual) lifetime of the asset.

The Company addresses the IFRS 9 – impairment requirements with a modular approach for calculating ECLs. ECL is calculated as the product of the core model components: probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD").

Credit risk exposure – BMW Financial Services receivables (Auto Loans)

IFRS 9 classes disclosed below relate to internal credit risk grading for risk management purposes. In order to assess a customers credit worthiness during the credit assessment process, BMW Financial Services makes use of a balance score card on all customer applications in order to allocate a risk rating for the purpose of credit risk. On application, the scorecard rates 1 as the lowest risk and 7 being the highest risk. Class description 8-11 and default is when the account starts becoming overdue.

Notes to the Annual Financial Statements

20. Risk Management (continued)

20.1 Credit risk (continued)

The following table provides analysis of the credit quality of the book:

	2021					
IFRS 9 stage	**IFRS 9 Class Description**	**ECL Type**	**Number of accounts**	**EAD R'000**	**ECL R'000**	**Portfolio Type (Per the Internal BMW rating Balance Score Card)**
Stage 1	**1**	**12 Months**	3,702	1,225,487	4,551	Active portfolio i.e. no delinquency, risk rated a 1 at application stage
	2	**12 Months**	2,688	891,724	7,358	Active portfolio i.e. no delinquency, risk rated a 2 at application stage
	3	**12 Months**	2,101	662,733	8,953	Active portfolio i.e. no delinquency, risk rated a 3 at application stage
	4 - 5	**12 Months**	1,978	644,035	10,904	Active portfolio i.e. no delinquency, risk rated a 4-5 at application stage
	6 - 7	**12 Months**	158	61,945	2,587	Active portfolio i.e. no delinquency, risk rated a 6-7 at application stage
Total stage 1			**10,627**	**3,485,924**	**34,353**	
Stage 2	**8**	**LifeTime**	904	227,156	18,133	Former delays - These are accounts that had either been in rating class 8 to 10 but were cured i.e. meaning there was delinquency on them but the client settled the delinquency and account is up to date
	9	**LifeTime**	71	19,564	4,836	Account is delinquent for 16-30 days
	10	**LifeTime**	67	20,005	5,664	Account is delinquent for 31-60 days
	11	**LifeTime**	39	10,589	3,455	Account is delinquent for 61-90 days
Total stage 2			**1,081**	**277,314**	**32,088**	
Stage 3	**Default**	**LifeTime**	**1,348**	**390,430**	**230,800**	Where there was no payment for 90 consecutive days, this could mean the following: -No payment received at all for 90 days -Client has missed payment in month 1, but made payment in month 2, but never caught up the payment for month 1 and it is now more than 90 days that payment for month 1 is due.
Total			**13,056**	**4,153,668**	**297,241**	

The presentation in respect of the IFRS 9 class description has changed as a result of increased disclosure relating to the probability of default in the different classes.

Notes to the Annual Financial Statements

20. Risk Management (continued)

20.1 Credit risk (continued)

	2020					
IFRS 9 stage	**IFRS 9 Class Description**	**ECL Type**	**Number of accounts**	**EAD R'000**	**ECL R'000**	**Portfolio Type (Per the Internal BMW rating Balance Score Card)**
Stage 1	1	12 Months	4,546	1,273,807	4,725	Active portfolio i.e. no delinquency, risk rated a 1 at application stage
	2	12 Months	3,364	953,094	6,919	Active portfolio i.e. no delinquency, risk rated a 2 at application stage
	3	12 Months	2,548	703,863	8,039	Active portfolio i.e. no delinquency, risk rated a 3 at application stage
	4-5	12 Months	1,351	380,971	6,996	Active portfolio i.e. no delinquency, risk rated a 4-5 at application stage
	6 - 7	12 Months	756	202,504	5,128	Active portfolio i.e. no delinquency, risk rated a 6-7 at application stage
	9	12 Months	1	44	2	Active portfolio i.e. no delinquency, Risk rated a 9 at application stage
Total stage 1			**12,566**	**3,514,283**	**31,809**	
Stage 2	7	LifeTime	79	17,340	4,610	Former delays - These are accounts that had either been in rating class 8 to 10 but were cured i.e. meaning there was delinquency on them but the client settled the delinquency and account is up to date
	8	LifeTime	1,157	252,210	36,105	Account is delinquent for 16-30 days
	9	LifeTime	85	24,149	5,834	Account is delinquent for 31-60 days
	10	LifeTime	34	6,748	1,976	Account is delinquent for 61-90 days
Total stage 2			**1,355**	**300,447**	**48,525**	
Stage 3	**Default**	**LifeTime**	**1,595**	**445,486**	**291,039**	Where there was no payment for 90 consecutive days, this could mean the following: -No payment received at all for 90 days -Client has missed payment in month 1, but made payment in month 2, but never caught up the payment for month 1 and it is now more than 90 days that payment for month 1 is due.
Total			**15,516**	**4,260,216**	**371,373**	

Notes to the Annual Financial Statements

20. Risk Management (continued)

20.1 Credit risk (continued)

Expected Credit Loss allowance

Transfers

At initial recognition, all assets are categorised in Stage 1, for the purpose of subsequent measurement it is necessary to examine whether the credit quality has deteriorated significantly. In case of a significant increase in credit risk since initial recognition an entity has to transfer the financial instrument or portfolio, provided that a collective measurement is applicable, from Stage 1 to Stage 2. Hence an entity shall determine whether the credit risk has increased significantly at each reporting date. The original risk of default at initial recognition shall be compared with the risk of default at the reporting date. For the decision about whether the PD has increased significantly since initial recognition, management is required to compare the lifetime PDs for the residual contract period at the current reporting date with the PDs for the same period of the contracts life as estimated at initial recognition.

Financial instruments that have one or more objective evidence of impairment at the reporting date (credit-impaired assets) shall be transferred to Stage 3 and (as for assets in Stage 2) expected credit loss allowances at amounts equal to lifetime ECLs are recognised.

The Company applies the Basel default criteria to identify objective evidence of impairment and, therefore, to decide whether a contract is transferred to Stage 3. This means, whenever a contract is defaulted according to the default criteria, a contract is transferred to Stage 3.

The following table shows the reconciliation from opening to closing of the expected credit loss allowance as per IFRS 9:

	2021			
	Stage 1 R'000	**Stage 2** R'000	**Stage 3** R'000	**Total** R'000
Expected credit loss allowance opening balance	**31,809**	**48,525**	**291,039**	**371,373**
Transfer to stage 1	125	(125)	-	-
Transfer to stage 2	(1,210)	5,190	(3,980)	-
Transfer to stage 3	(911)	(10,462)	11,373	-
Increase / (decrease) during the year for existing loan	5,040	(1,254)	22,986	26,772
Derecognition	(5,634)	(3,229)	(3,518)	(12,381)
Origination	7,487	1,482	712	9,681
Changes in models and risk parameters	-	-	(5,272)	(5,272)
Write-offs	(2,353)	(8,039)	(82,540)	(92,932)
Expected credit loss allowance 31 December 2021	**34,353**	**32,088**	**230,800**	**297,241**

Notes to the Annual Financial Statements

20. Risk Management (continued)

20.1 Credit risk (continued)

Expected Credit Loss allowance (continued)

	2020			
	Stage 1 R'000	**Stage 2** R'000	**Stage 3** R'000	**Total** R'000
Expected credit loss allowance opening balance	**38,105**	**52,909**	**202,905**	**293,919**
Transfer to stage 1	7	(7)	-	-
Transfer to stage 2	(1,947)	3,973	(2,026)	-
Transfer to stage 3	(907)	(14,862)	15,769	-
Increase during the year for existing loan	3,368	14,885	83,059	101,312
Derecognition	(8,143)	(8,584)	(10,638)	(27,365)
Origination	1,326	211	71	1,608
Changes in models and risk parameters	-	-	5,272	5,272
Write-offs	-	-	(3,373)	(3,373)
Expected credit loss allowance 31 December 2020	**31,809**	**48,525**	**291,039**	**371,373**

COVID-19 impact on credit risk

The overall business impact of the COVID-19 pandemic was analysed, and it was observed that payment moratoriums were significantly reduced during the current year compared to the previous financial year. The business was exhibiting normal trends comparable to before COVID-19. Additionally, economic conditions were considered, which include increases in the cost of living and the cost of vehicle finance. This would typically have a direct impact on our customers and increased default/credit risk. The resultant impact on the business was negligible as was evidenced through a significant reduction in the delinquency levels of customers and the aforestated payment moratoriums requested by clients.

Collateral

The Company employs a range of policies and practices to mitigate credit risk. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral for retail finance contract is the underlying vehicle so that in the event of non-payment, the Company has a secured claim.

The Company does not require collateral in respect of trade and other receivables and cash and cash equivalents.

20.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liability obligations.

Liquidity risk is managed as follows:
• The Company has a liquidity facility agreement of R180 900 000 in place with Standard Bank of South Africa to fund timing mismatches between the receipt by the Issuer of payments on the participating assets and the obligations of the Issuer to pay interest accrued to Noteholders in terms of the Priority of Payments from time to time.
• The cash reserve accumulated from excess spread is available to settle expenses in the event of a cash shortfall.

Notes to the Annual Financial Statements

20. Risk Management (continued)

20.2 Liquidity risk (continued)

Maturity analysis of financial liabilities:

The maturity analysis for financial liabilities has been disclosed based on contractual undiscounted cash flows.

2021:	0-12 months R '000	1-2 years R '000	3-5 years R '000	Total R '000	Carrying Value R '000
Trade and other payables	(23,907)	-	-	(23,907)	(23,907)
Subordinated loans	(319,276)	(554,039)	(213,360)	(1,086,675)	(911,603)
Debt securities	(1,207,672)	(2,174,395)	(844,302)	(4,226,369)	(3,638,382)
	(1,550,855)	(2,728,434)	(1,057,662)	(5,336,951)	(4,573,892)

2020:	0-12 months R '000	1-2 years R '000	3-5 years R '000	Total R '000	Carrying Value R '000
Trade and other payables	(9,666)	-	-	(9,666)	(9,666)
Subordinated loans	(826,948)	(33,980)	(378,553)	(1,239,481)	(1,060,802)
Debt securities	(2,783,639)	(90,997)	(1,258,307)	(4,132,943)	(3,646,930)
Derivative financial liability	(30,499)	(19,354)	(21,614)	(71,467)	(9,836)
	(3,650,752)	(144,331)	(1,658,474)	(5,453,557)	(4,727,234)

Trade and other payables – There is a risk the Company does not have sufficient liquid assets to meet its short term obligations in line with their supplier’s repayment terms (note 9).

Subordinated loans – BMW Financial Services (Pty) Limited advanced a loan to the Company, the rights to repayment are subordinated to the Company’s creditors. Interest on this facility is calculated monthly in arrears, at a rate of JIBAR plus a 3.5% margin, on the principal amount outstanding. There is a risk that the Company does not have sufficient liquid assets to service the interest and principal amounts due and payable (note 10).

Debt securities - The issued notes are due and payable upon maturity date. Additionally, the interest, calculated monthly in arrears on the principal amount owing, is payable on a quarterly basis (note 11). There is a risk that the Company does not have sufficient liquid assets to service the interest and principal amounts due and payable (note 11).

20.3 Interest rate risk

Interest rate risk is caused by different repricing characteristics of assets and liabilities due to changes in interest rates i.e. yield curve risk, basis risk and repricing risk.

Notes to the Annual Financial Statements

20. Risk Management (continued)

20.3 Interest rate risk (continued)

Basis risk

Basis risk as part of interest rate risk arises due the fact that most asset cash flows are linked to the Prime rate whereas funding liabilities are usually linked to the 3-month JIBAR rate. Movements in the Prime and JIBAR rates, although mostly correlated, are not exactly the same which may lead to a widening or reduction in the difference between Prime and JIBAR and hence the net margin earned between assets and liabilities. Basis risk is monitored and measured by regular sensitivity analysis and exposure analysis and may partially be mitigated by basis swaps to adjust for the different reference rates. The market for basis risk swaps in South Africa is very small therefore basis risk is currently accepted as an inherent risk within the overall portfolio.

Interest rate risk is measured and controlled by a modern Value-at Risk historical simulation, stress tests, sensitivity and various types of exposure analysis.

In order to reduce the above risk, the Company entered into Prime-JIBAR swaps.

Prime – JIBAR risk

The Prime-JIBAR rate basis risk is managed on a ratio basis, i.e. ratio of the portion of Prime-linked funding to the total Prime-linked asset portfolio. For this purpose, an appropriate amount of JIBAR funding needs to be swapped to Prime funding. The Company has entered into interest rate swaps to manage this risk (swapping Prime to JIBAR and vice versa).

All current securitisation programmes have an embedded Prime-JIBAR swap since it is a Moody's requirement that the SPV may not carry any risk between the JIBAR-linked interest paid to noteholders and the Prime-linked interest earned on assets purchased. All cash and cash equivalents bear interest at a rate linked to JIBAR.

2021		**Carrying value** R '000	
Sensitivity	-1%		+1%
Interest expense on debt securities		3,638,382	
Impact on profit or loss	36,384		(36,384)
Sensitivity	-1%		+1%
Interest expense on subordinated loan		911,603	
Impact on profit or loss	9,116		(9,116)
Sensitivity	-1%		+1%
Cash and cash equivalents		666,730	
Impact on profit or loss	(6,667)		6,667
Sensitivity	-1%		+1%
BMW Financial Services receivable (Auto Loans)		3,853,650	
Impact on profit or loss	(38,537)		38,537
Sensitivity	-1%		+1%
Derivative financial asset		2,700	
Impact on profit or loss	(27)		27

Sensitivity net of the above items:	**269**	**(269)**
Sensitivity after tax:	**194**	**(194)**

Notes to the Annual Financial Statements

20. Risk Management (continued)

20.3 Interest rate risk (continued)

2020		Carrying value R '000	
Sensitivity	-1%		+1%
Interest expense on debt securities		3,646,930	
Impact on profit or loss	36,469		(36,469)
Sensitivity	-1%		+1%
Interest expense on subordinated loan		1,060,802	
Impact on profit or loss	10,608		(10,608)
Sensitivity	-1%		+1%
Cash and cash equivalents		169,988	
Impact on profit or loss	(1,700)		1,700
Sensitivity	-1%		+1%
BMW Financial Services receivable (Auto Loans)		4,428,012	
Impact on profit or loss	(44,280)		44,280
Sensitivity	-1%		+1%
Derivative financial liability		-9,836	
Impact on profit or loss	98		(98)

Sensitivity net of the above items:	**1,196**	**(1,196)**
Sensitivity after tax:	**861**	**(861)**

Capital disclosures

Capital is not actively managed because of the nature of the legal structure of the Company. The Company is not subject to any external capital regulatory requirements.

Interest Expense -There is a risk of an increase in interest expense due to a JIBAR rate increase in relation to; Interest on debt securities (note 13) and Interest on subordinated loans (note 10).

Interest income -There is a risk of a decrease in interest income due to a prime rate decrease in relation to the BMW FS Auto Loans (note 12.1).

Notes to the Annual Financial Statements

21. Analysis of assets and liabilities

2021	At amortised Cost	At fair value through profit and loss	Non-financial asset	Total carrying value	Non-current	Current
Assets						
	R'000	R'000	R'000	R'000	R'000	R'000
Current tax asset	-	-	6,750	6,750	-	6,750
Deferred taxation	-	-	21,373	21,373	21,373	-
Derivative financial asset	-	2,700	-	2,700	2,700	-
BMW Financial Services receivable	3,853,650	-	-	3,853,650	2,783,591	1,070,059
Trade and other receivables	218,595	-	-	218,595	-	218,595
Cash and cash equivalents	666,730	-	-	666,730	-	666,730
Total assets	**4,738,975**	**2,700**	**28,123**	**4,769,798**	**2,807,664**	**1,962,134**

Liabilities						
	R'000	R'000	R'000	R'000	R'000	R'000
Debt securities	3,638,382	-	-	3,638,382	2,430,710	1,207,672
Subordinated loans	911,603	-	-	911,603	592,327	319,276
Trade and other payables	23,907	-	-	23,907	-	23,907
Total Liabilities	**4,573,892**	**-**	**-**	**4,573,892**	**3,023,037**	**1,550,855**

2020	At amortised Cost	At fair value through profit and loss	Non-financial asset	Total carrying value	Non-current	Current
Assets						
	R'000	R'000	R'000	R'000	R'000	R'000
Deferred taxation	-	-	29,603	29,603	29,603	-
BMW Financial Services receivable	4,428,012	-	-	4,428,012	3,340,697	1,087,315
Trade and other receivables	242,709	-	-	242,709	-	242,709
Cash and cash equivalents	169,988	-	-	169,988	-	169,988
Total assets	**4,840,709**	**-**	**29,603**	**4,870,312**	**3,370,300**	**1,500,012**

Liabilities						
	R'000	R'000	R'000	R'000	R'000	R'000
Current tax payable	-	-	341	341	-	341
Derivative financial instruments	-	9,836	-	9,836	8,909	927
Debt securities	3,646,930	-	-	3,646,930	2,118,000	1,528,930
Subordinated loans	1,060,802	-	-	1,060,802	619,288	441,514
Trade and other payables	9,666	-	-	9,666	-	9,666
Total Liabilities	**4,717,398**	**9,836**	**341**	**4,727,575**	**2,746,197**	**1,981,378**

Notes to the Annual Financial Statements

22. Fair value management

The fair value is calculated by obtaining fair values from quoted market prices or discounted cash flow models. At 31 December 2021 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the short-term maturities of these assets and liabilities.

The majority of the BMW Financial Services contracts are prime linked and changes in the credit risk have been taken into account in the carrying value through ECL allowance.

Valuation techniques by instrument

BMW Financial Services receivable

In the absence of an observable market for these instruments, BMW Financial Services receivables' fair value is determined based on expected future cash flows discounted at current market rates. The fair value estimates will depend on customer prepayments, credit losses and expected future interest rates.

Subordinated loans

In the absence of an observable market for these instruments, subordinated loans are determined based on expected future cash flows discounted at current market rates.

Debt Securities

The fair value of debt securities is determined with reference to published market values. To estimate a reliable fair value, management applies certain valuation adjustments to the pricing information derived from the market values. Factors that are considered include, but are not limited to, credit spreads and discount factors.

Fair value as at 31 December 2021

The table below sets out the gross value and fair value of those financial assets and liabilities that are measured at amortised cost and whose carrying amount differ from the fair value as at 31 December 2021:

	31 December 2021		
	Carrying value	Fair value	Fair value hierarchy
	R' 000	R' 000	
BMW Financial Services receivable (Auto Loans) (Including accrued interest, excluding impairments)	4,150,891	4,337,903	Level 3
	4,150,891	4,337,903	
Debt Securities (Including accrued interest)	3,638,382	3,664,923	Level 2
Subordinated loans	911,603	937,881	Level 3
	4,549,985	4,602,804	

Notes to the Annual Financial Statements

22. Fair value management (continued)

	31 December 2020		
	Carrying value	Fair value	Fair value hierarchy
	R' 000	R' 000	
BMW Financial Services receivable (Auto Loans) (Including accrued interest, excluding impairments)	4,799,485	4,513,458	Level 3
	4,799,485	4,513,458	
Debt Securities (Including accrued interest)	3,646,930	3,709,878	Level 2
Subordinated loans	1,060,802	1,130,526	Level 3
	4,707,732	4,840,404	

Fair Value Hierarchy

At the reporting date, the carrying amounts of financial instruments held at fair value for which fair values were determined directly, in full or in part, by reference to published price quotations and determined using valuation techniques are as follows:

	31 December 2021			
	Level 1	Level 2	Level 3	Total
	R' 000	R' 000	R' 000	R' 000
Measured at fair value				
Derivatives	-	2,700	-	2,700
	-	2,700	-	2,700

	31 December 2020			
	Level 1	Level 2	Level 3	Total
	R' 000	R' 000	R' 000	R' 000
Measured at fair value				
Derivatives	-	(9,836)	-	(9,836)
	-	(9,836)	-	(9,836)

The fair values of the financial instruments included in the level 2 category above has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the interest rate that reflects the credit risk of counterparties.

Notes to the Annual Financial Statements

23. Going concern

The Company recorded a profit of R53.2m (2020: R633k) for the year ended 31 December 2021. As at 31 December 2021 the Company had a net asset position of R196m (2020: R143m).

The Company's net profit increased by R52.5m year on year. While this improvement is as a result of several factors, the primary drivers were net interest income and the fair value changes of derivative instruments. The net interest and other income was R10.3m higher than last year. Similarly, the changes in fair value of derivative instruments reflect a positive swing of R32.7m as a result of a decline in market interest rates. Impairment charges decreased by R23.3m due to the disposal of non-earning assets while other expenses were reduced by R7.5m. As a result of these variables, the Company's effective tax rate is 28.42% significantly higher than the prior year's -32.12% due to the increase in net profit.

The overall business impact due to COVID-19 pandemic was considered and it could be seen that during the financial year, that the payment moratoriums were significantly reduced as compared to the previous financial year. The business was exhibiting normal trends comparable to before COVID-19. Further considerations were over the economic situation, which includes increases in the cost of living and also costs of vehicle financing. This would typically have a direct impact on our customers and increased default/credit risk. The resultant impact on the business was negligible as it was evidenced through a significant reductions in the delinquency levels of customers as well as aforestated payment moratoriums requested by clients.

As a result of the above, the directors believe that the Company is liquid and solvent and will be able to settle its current liabilities as they become due. The directors are satisfied that the Company has adequate resources to continue as a going concern for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing the financial statements.

24. Subsequent events

On 23 February 2022 the Minister of Finance announced that the corporate income tax rate will be reduced by a percentage point from 28% to 27%. The rate change is effective for companies with years of assessment ending on or after 31 March 2022. The rate reduction will only impact the companies deferred and current tax balances from the 2023 financial year onwards. The deferred tax balances as at 31 December 2021 are therefore reflected at the substantively enacted tax rate of 28%.

The directors are not aware of any other matters or circumstances arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the Company.