Superdrive Investments (RF) Limited

(Registration Number 2011/000895/06)

Annual Financial Statements for the year ended 31 December 2022

In terms of S29(1)(e)(ii) of the Companies Act No. 71 of 2008 we confirm that the following Annual Financial Statements were prepared by Theo Mjada (AGA) SA at Stonehage Fleming Corporate Services Proprietary Limited, the Administrator, and have been audited in compliance with the requirements of sections 29(1)(e)(i) and 30(2)(a) of the Companies Act No. 71 of 2008.

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(Registration Number 2011/000895/06)
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Directors' responsibilities and approval

The directors are responsible for the preparation and fair presentation of the Annual Financial Statements of Superdrive Investments (RF) Limited ("the Company"), comprising the statement of financial position at 31 December 2022, 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 Annual Financial Statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, the requirements of the Companies Act No. 71 of 2008 of South Africa ("Companies Act") and the JSE Debt Listing Requirements. 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 Annual 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 Annual Financial Statements have accordingly been prepared on this basis.

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

Approval of Annual Financial Statements

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

a) the Annual Financial Statements set out on pages 19 to 61 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 Annual 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;

e) 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; and

f) We are not aware of any fraud involving directors.

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
21 April 2023	21 April 2023

Directors' report

The directors present their report for the year ended 31 December 2022.

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 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.

2. Financial results

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the JSE Debt Listing Requirements. Full details of the financial position, results of operations and cash flows of the Company are set out in these Annual Financial Statements.

The overall company performance has decreased compared to previous year and this is mainly due to poor economic conditions such as high inflation, high interest rates, shortage of semiconductors and energy crises. The company has delivered a net interest income of R71 million (2021: R86 million), which represents a decline of 17% compared to the previous year. This was mainly due to the increase in interest expense, which is a result of the higher interest rates in the market. Revenue increased by 11%, however the growth was not enough to compensate increase in interest expense.

The company reported a profit before taxation of R18.6 million (2021: R74 million), a decline of 76% compared to previous year. This is mainly due to increase in impairment charges and the fair value changes of the interest swap. Impairment charges increased by 105% from R20 million to R41 million. The increase is driven by an increase in lending rates and poor economic conditions, which led to an increase in delinquency rates. Furthermore, there was a revision of IFRS 9 risk parameters as part of the annual review of the ECL methodology, which included a review of delinquency days. This had an impact of R6m (refer to note 20.1 Credit Risk - Changes in risk models and risk parameters). Fair value of interest rate swaps has negatively affected the financial performance of the company, resulting in a expense of R12 million compared to an income of R12 million earned in the previous year 2021. The Company is currently in a net paying position for interest rate swaps because of the significant increase in prime interest rates when compared to JIBAR.

In summary, while the Company has faced some challenges in terms of net interest income and impairment charges, it has managed to generate a total comprehensive income of R12 million (2021: R53 million) for the year. The Company remains focused on managing its risks and delivering sustainable long-term growth for its stakeholders.

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 Annual Financial Statements. As at 31 December 2022, BMW Financial Services (South Africa) Proprietary Limited ("BMW Financial Services") owned the Company’s sole preference share. In terms of International Financial Reporting Standards (IFRS), the Company is consolidated into BMW Financial Services group financial statements.

Directors' Report (continued)

5. Company Secretary

TMF Corporate Services (South Africa) Proprietary Limited continues to act as Company Secretary, with its registered address being as follows:

TMF Building 2 Conference Lane
Bridgewater One Block 1
Bridgeways Precinct
Century City
7446

6. Directors

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

Directors	Director type	Appointed
IE Koeppel	Executive	01 November 2021
BL Dube	Independent Non-executive	01 November 2019
R Thanthony	Independent Non-executive	15 February 2013
RI Angus	Chairman / Independent Non-executive	17 April 2019

7. Dividend

A preference dividend in the amount of R130 million was approved by the directors and paid to BMW Financial Services, which is the sole preference shareholder of the Company, on 30 September 2022.

8. Social and ethics committee

The social and ethics committee was established on 1 January 2017, with IE Koeppel, BL Dube and R Thanthony as its members. There have been no changes to the members of the social and ethics committee during the year.

The social and ethics committee held a meeting on 27 September 2022 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

Administrator:
Stonehage Fleming Corporate Services Proprietary Limited

Auditor:
PricewaterhouseCoopers Incorporated

Servicer:
BMW Financial Services (South Africa) Proprietary Limited

Directors' Report (continued)

10. Going concern

The directors of the Company have identified several key future developments that could impact the performance of our loans, particularly in relation to future cash flows and default rates. These developments relate to pressures resulting from uncertainty and changes in the macroeconomic environment.

One of the major challenges that South Africa has faced in recent years is power supply issues, which have resulted in frequent load shedding. This has had a negative impact on the country's economic growth, contributing to a high unemployment rate and ongoing cost inflation. As a result, there is an increased risk that borrowers may default on their loans, as they face heightened pressure on affordability. Additionally, the South African Reserve Bank has been increasing base rates from an unprecedented low level, adding to the pressure on borrowers.

To mitigate the above risks, BMW Financial Services undertakes a robust credit application assessment based on a score card, which assesses the applicant’s affordability and credit risk. The client’s credit exposure and payment behaviour is monitored on an ongoing basis. In addition, there is a solid collection process which when the customer is in arrears interacts with the customers to recoup any outstanding including repossession of the assets to keep delinquency rate and losses under control.

The increased interest rates have also negatively impacted the value of derivative instrument during the year. As at 31 December 2021, the fair value of the derivative instrument was positive, and was recorded as an asset in the Statement of Financial Position. However, due to the increased interest rates, the fair value of the swap has decreased, resulting in a liability. The losses in relation to fair value adjustments have been recognised in the Statement of Comprehensive Income.

After careful consideration of the identified key future developments that could impact the performance of the Company's loans, the directors have concluded that the Company remains a going concern. We have based this conclusion on several factors, including current market conditions, the historical performance of the securitised portfolio, and the cash flow forecasts that show the Company's ability to meet its liabilities based on current expected credit losses write off experience.

We have also taken into account the absence of any breach of transaction document triggers. However, we recognize the need to continuously monitor the effect that macroeconomic factors may have on borrower's ability to service their loans and the performance of the Company.

In light of this, we have prepared the financial statements on the basis that the Company remains a going concern.

11. Subsequent events

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.

Directors' Report (continued)

12. Business address

TMF Building 2 Conference Lane
Bridgewater One Block 1
Bridgeways Precinct
Century City
7446

Postal address

Postnet suite 294
Private Bag X1005
Claremont
Cape Town
7735

13. Contingent liability

A contingent liability exists relating to a Value-Added Tax (VAT) dispute with the South African Revenue Services (SARS).

In the September 2018 VAT period, the Company claimed an input tax deduction for VAT on bad debts in terms of Section 22(1A) of the Value-Added Tax Act. SARS disallowed this claim and imposed late payment and understatement penalties together with interest on the late payment of tax. The total revised assessment amounted to R8,822,235. This amount continues to accrue interest on a monthly basis.

The company lodged an objection which has been denied by SARS. A formal appeal has been lodged and SARS accepted that the case should be dealt with under the Alternative Dispute Resolution (ADR) process. The company currently awaits a suitable date to be decided upon by SARS for the ADR hearing.

The Company obtained external tax advice and is confident that it will be successful in its appeal against the additional assessment raised by SARS. Given that management believes that it is not probable that a tax liability will ultimately arise, a liability was not raised in the Statement of Financial Position but a contingent liability is recognised.

Certificate by the Company Secretary

The registered Company Secretary is TMF Corporate Services (South Africa) Proprietary Limited. The Company Secretary certifies that the Company has filed all returns and notices as required by a public Company in terms of section 88(2)(e) of the Companies Act No. 71 of 2008, 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
21 April 2023

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 2022.

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 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 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 19 April 2022 and on 22 November 2022 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 ("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 reviews 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 Committee.

Independence of external auditor

The committee satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided in terms of the Companies Act, 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 Annual 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. 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 where necessary requested appropriate responses from management;
- Recommend the external auditor's fees for the 2022 Annual Financial Statement audit for the Board to approve;
- Considered the independence and objectivity of the external auditor; and
- Complied with the Listing Requirements of the JSE Limited related to Asset Backed Securities.

Annual Financial Statements

Following the review by the committee of the Annual Financial Statements of the Company for the year ended 31 December 2022 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, the JSE Debt Listing Requirements, the International Financial Reporting Standards, and that the accounting policies applied, are appropriate.

The committee recommended the Company's 2022 Annual Financial Statements for approval by the Board on 18 April 2023.

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
21 April 2023

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 2022, 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 19 to 59 comprise:

- the statement of financial position as at 31 December 2022;
- 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: R37.1 million, which represents 1% of total assets.
	Key audit matters • Expected credit losses on BMW Financial Services Auto Loans Receivables

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

Materiality

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

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

Overall materiality	R37.1mill
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 83.77% 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 2022, auto loans receivable from BMW FS amounted to R5 171 million against which an expected credit loss ("ECL") of R362 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:	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.

- The level of subjective judgement applied by management in determining the ECL on participating assets;
- The uncertainty related to unprecedented global and local 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

ECL for participating assets

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

● 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.

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 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 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 2022", 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 4 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Jorge Goncalves
Registered Auditor
Johannesburg, South Africa
21 April 2023

Statement of financial position

as at 31 December 2022

	Notes	31 Dec 2022 R'000	31 Dec 2021 R'000
ASSETS			
Cash and cash equivalents	2	**487,022**	666,730
Trade and other receivables	3	**226,703**	218,595
BMW Financial Services receivable (Auto Loans)	4	**3,908,437**	3,853,650
Current tax asset	5	**13,169**	6,750
Derivative financial asset	6	**-**	2,700
Deferred tax asset	7	**30,261**	21,373
Total assets		**4,665,592**	4,769,798
EQUITY AND LIABILITIES			
Capital and reserves		**78,234**	195,906
Share capital	8	**-**	-
Retained income		**78,234**	195,906
Liabilities		**4,587,358**	4,573,892
Trade and other payables	9	**12,482**	23,907
Subordinated loans	10	**914,561**	911,603
Derivative financial liability	6	**10,742**	-
Debt securities	11	**3,649,573**	3,638,382
Total equity and liabilities		**4,665,592**	4,769,798

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2022

	Notes	2022 R'000	2021 R'000
Interest income using effective interest rate	12.1	**390,321**	349,561
Other interest (expense)	12.2	**(12,753)**	(2,815)
Interest expense	13	**(306,553)**	(260,399)
Net interest income		**71,015**	86,347
Other income	14	**26,258**	23,345
Fair value changes of derivative instruments	6	**(11,869)**	11,854
Total income		**85,404**	121,546
Impairment charges	15	**(40,822)**	(19,538)
Other expenses	16	**(25,906)**	(27,744)
Profit before taxation		**18,676**	74,264
Taxation	17	**(6,348)**	(21,095)
Total comprehensive income for the year		**12,328**	53,169

Statement of changes in equity

for the year ended 31 December 2022

	*Share capital R'000	Retained income R'000	Total R'000
Balance at 1 January 2021	**-**	**142,737**	**142,737**
Total comprehensive income for the year	-	53,169	53,169
Balance at 1 January 2022	**-**	**195,906**	**195,906**
Total comprehensive income for the year	-	12,328	12,328
Dividends declared and paid to the preference shareholder	-	(130,000)	(130,000)
Balance at 31 December 2022	**-**	**78,234**	**78,234**
Note	8		

*Due to the Annual Financial Statement being disclosed in R'000, the issued share capital of R100.01 does not reflect above.

Statement of cash flows

for the year ended 31 December 2022

	Notes	2022 R'000	2021 R'000
Cash flows from operating activities			
Cash utilised in operations	18	**(17,479)**	32,750
Interest received	18.1	**414,583**	368,194
Interest paid	18.2	**(305,160)**	(259,351)
Income taxes paid	5	**(21,656)**	(19,956)
Dividend paid on redeemable preference share		**(130,000)**	-
Net cash (used in) / generated from operating activities		**(59,712)**	121,637
Cash flows generated from investing activities			
Settlement of income earning assets	4	**2,512,065**	2,426,531
Buybacks of income earning assets	4	**24,167**	19,904
Acquisition of income earning assets	4	**(2,656,228)**	(1,912,540)
Net cash outflow used in investing activities		**(119,996)**	533,895
Cash flows used in financing activities			
Settlement on redemption of debt securities	11	**(1,019,000)**	(1,510,000)
Proceeds from debt securities issued	11	**1,019,000**	1,500,000
Repayment of subordinated loan	10	**-**	(148,790)
Net cash outflow used in financing activities		**-**	(158,790)
Net (decrease) / increase in cash and cash equivalents		**(179,708)**	496,742
Cash and cash equivalents at beginning of the year		**666,730**	169,988
Cash and cash equivalents at end of the year		**487,022**	666,730

Notes to the Annual Financial Statements

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 (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretation Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, and the JSE Debt Listing Requirements.

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

1.1 Basis of preparation

The Annual Financial Statements at 31 December 2022 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.

The Company operates in the Republic of South Africa with a functional currency of ZAR. All amounts are stated in thousands (R'000).

1.1.1 Judgements, estimates and assumptions

The preparation of Annual 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 Annual 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.

Notes to the Annual Financial Statements (continued)

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.

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.

Notes to the Annual Financial Statements (continued)

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".

1.2.2.2 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.

Notes to the Annual Financial Statements (continued)

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).

1.2.2.3 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.

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).

1.2.3 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.

Notes to the Annual Financial Statements (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.

1.2.4 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.

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.

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.

Notes to the Annual Financial Statements (continued)

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.

Current tax and deferred tax is recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

- in other comprehensive income, are recognised in other comprehensive income.
- directly in equity, are recognised directly in equity.

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.

Notes to the Annual Financial Statements (continued)

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.

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

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the Annual Financial Statements of the Company as it is not a first-time adopter.

Notes to the Annual Financial Statements (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfill the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Company has evaluated its contracts and determined that there are no onerous contracts in accordance with IAS 37. As such, the company has not recognised any provisions for losses from onerous contracts in its Annual Financial Statements.

IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

This pronouncement had no material impact on the Annual Financial Statements. The test is not applicable on the basis that old debt instruments expired during the period and new instruments were issued.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment stipulates that entities are not allowed to deduct from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing the asset to a location and condition required for it to be able to operate as intended by management. Instead, entities are required to recognise the proceeds from selling such items, as well as the costs of producing them, in profit or loss.

This amendment had no impact on the Annual Financial Statements as the Company had no sales of items produced by property, plant and equipment.

Notes to the Annual Financial Statements (continued)

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 are not expected to have a material effect on the Annual Financial Statements.

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

Pronouncement	Title and details:	Effective date
IFRS 17	*Insurance Contracts* IFRS 17 replaces IFRS 4, the current standard for Insurance Contracts, creating a single unified accounting model for all jurisdictions that apply IFRS. The new standard puts a greater focus on the timing of cash flows and the uncertainty associated with insurance contracts, incorporating the time value of money in the measurement of estimated payments for incurred claims. Additionally, insurance contracts are to be measured solely based on the obligations created by the contracts and profits must be recognised as services are provided, rather than on the receipt of premiums. The Standard is not expected to have an impact on the Company	Annual periods beginning on or after 1 January 2023.
lAS 1 amendments	*Classification of liabilities as current or non-current (Amendments to IAS 1* Under IAS 1, companies are required to classify a liability as current if they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. The IASB has amended this requirement by introducing a new criterion; the right to defer settlement must have substance and exist at the end of the reporting period. However, there is limited guidance on how to determine whether a right has substance, requiring management to exercise interpretive judgement. Nonetheless, the requirement to ignore management's intentions or expectations for settling a liability when determining its classification remains unchanged. These amendments are not expected to have an impact on the Company.	Annual periods beginning on or after 1 January 2023.
IFRS 8 amendments	*Definition of Accounting Estimates* In February 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 8, which introduced a definition of 'accounting estimates' and clarified the distinction between changes in accounting estimates and changes in accounting policies as well as the correction of errors. Furthermore, these amendments stipulate the use of measurement techniques and inputs to develop accounting estimates. This amendment is not expected to have an impact on the Company.	Annual periods beginning on or after 1 January 2023.
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. These amendments are not expected to have an impact on the Company.	Annual periods beginning on or after 1 January 2023.

Notes to the Annual Financial Statements (continued)

Pronouncement	Title and details:	Effective date
IAS 12 amendments	*Deferred tax related to assets and liabilities arising from a single transaction* In May 2021, the Board issued amendments to IAS 12, limiting the initial recognition exception under IAS 12 to exclude transactions that give rise to equal taxable and deductible temporary differences. These amendments are to be applied to transactions that occur on or after the beginning of the earliest comparative period presented. Furthermore, as of the commencement of the earliest comparative period presented, a deferred tax asset, provided that sufficient taxable profit is available, and a deferred tax liability must be identified for all deductible and taxable temporary differences related to leases and decommissioning obligations. These amendments are not expected to have an impact on the Company.	Annual periods beginning on or after 1 January 2023.

Notes to the Annual Financial Statements (continued)

	2022 R'000	2021 R'000
2. Cash and cash equivalents		
Current bank account	**4**	2
Collections bank account	**450,838**	630,548
Permitted investments bank account	**36,180**	36,180
	487,022	666,730
3. Trade and other receivables		
Trade receivables	**226,424**	214,705
Prepayments	**5**	5
Interest accrued	**274**	151
VAT receivable	**-**	3,734
	226,703	218,595

Trade and other receivables consists of funds receivable from BMW Financial Services relating to auto loans, interest accrued on cash reserves and prepaid expenses.

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") from time to time legally securitises auto loans to Superdrive Investments (RF) Limited. 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.

An intercompany receivable is therefore recognised for the consideration paid by the Company for these assets to BMW Financial Services. The cash flows arising from these assets are directly attributable to the auto loans. The following disclosure is appropriate and useful to the users of these Annual Financial Statements, as the carrying amount of the receivable will fluctuate in line with the auto loan balances.

	2022 R'000	2021 R'000
BMW Financial Services receivable (auto loans)	**5,170,810**	4,777,551
Unearned finance charges	**(900,025)**	(626,660)
Expected credit loss allowance	**(362,348)**	(297,241)
	3,908,437	3,853,650

Notes to the Annual Financial Statements (continued)

	2022 R'000	2021 R'000
4. BMW Financial Services receivable (auto loans)		
Reconciliation of movement in balance		
Balance at beginning of the year	**3,853,650**	4,428,012
Acquisitions	**2,656,228**	1,912,540
Tops ups for the year (including interest and other movements)	**2,240,312**	1,546,640
Interest and other charges (including memo interest) [2]	**415,916**	365,900
Settlements	**(2,512,065)**	(2,426,531)
Buybacks	**(24,167)**	(19,904)
Impairments	**(65,209)**	(40,467)
Impairment (raised) / reversed - Stage 1 & Stage 2 (note 15)	**(29,333)**	13,893
Impairment (raised) / reversed - Stage 3 (note 15) [1]	**(35,774)**	60,239
Write-offs (note 15)	**(102)**	(114,599)
Balance at end of the year	**3,908,437**	3,853,650

[1] The total impairment amount of R65 million (2021:41million) does not equate to the total impairment amount of R40 million (2021: R20 million) as per note 15. This difference is due to the relocation from stage 3 impairment bucket to interest income of R24 million (2021: R21 million), in accordance with the requirements of IFRS 9. IFRS 9 mandates that when the credit risk of a loan reaches the credit-impaired stage, interest revenue must be calculated based on the loan's amortized cost, which is the gross carrying amount less the loss allowance.

[2] The memo interest relates to the current years interest movement that is compounded on the overdue portion of customeraccounts as it gets more overdue. Please refer to footnote[1] regarding the reallocation from stage 3 to interest income inaccordance with the requirement of IFRS 9.

On each interest payment date (IPD), a buyback takes place where any deals in the current pool that no longer fulfill the Eligibility Criteria mentioned in the Programme Memorandum are repurchased. This is done to ensure that only eligible deals remain in the pool.

The Company has indemnified the 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.

The Security SPV is a separate 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.

Notes to the Annual Financial Statements (continued)

The Company has pledged an amount of R3,944,616,666 (2021: R3,889,830,355), which includes the BMW Financial Services receivable (auto loans) and the cash reserve, as collateral to the note holders. The associated liabilities of R3,649,573,792 (2021: R3,638,381,956) are disclosed in note 11.

	2022 R'000	2021 R'000
The below table summarises the pledged assets:		
Assets pledged as security		
Current assets		
Cash and cash equivalents	**36,180**	36,180
BMW Financial Services Receivable (auto loans)	**1,031,569**	1,070,059
	1,067,749	1,106,239
Non-current assets		
BMW Financial Services Receivable (auto loans)	**2,876,868**	2,783,591
Total assets pledged as security	**3,944,617**	3,889,830

5. Current tax asset

	2022 R'000	2021 R'000
Balance at the beginning of the year	**6,750**	(341)
Payment to SARS	**21,656**	19,956
Current tax	**(15,237)**	(12,865)
Balance due from SARS at year end	**13,169**	6,750

Notes to the Annual Financial Statements (continued)

6. Derivative financial (liability) / asset

Derivative financial (liability) / asset comprise the following balances

Interest rate swaps	**(10,742)**	2,700
	(10,742)	2,700

An interest rate swap agreement has been entered into between Standard Bank of South Africa Limited and the Company. This is to hedge the quarterly interest rate risk that may occur due to the Company 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.

The Company has experienced fair value losses on its swap due to the consistently higher interest expense (Prime-1.85%) compared to interest income (JIBAR+1.42%) throughout 2022. This disparity is attributed to the substantial increases in the Prime rate, while JIBAR did not increase at the same rate. As a result, the difference between the interest pay rate (Prime-1.85%) and received rate (JIBAR+1.42%) has widened, leading to negative impacts on the fair value of interest rate swaps. The Company has incurred an expense of R12 million in 2022, compared to an income of R12 million in the previous year 2021. The Company is currently in a net paying position for interest rate swaps due to the significant increase in prime interest rates compared to JIBAR.

At fair value through profit and loss

Balance at beginning of the year	**2,700**	(9,836)
Fair value changes of interest rate swap	**(11,869)**	11,854
Net interest accrued throughout the period	**(12,753)**	(2,663)
Interest accrued throughout the period - payable	**(12,753)**	(2,766)
Interest accrued throughout the period - receivable	**-**	103
Net interest paid throughout the period	**11,179**	3,345
Interest paid throughout the period	**11,179**	3,601
Interest received throughout the period	**-**	(256)
Balance at the end of the year	**(10,742)**	2,700

Notes to the Annual Financial Statements (continued)

7. Deferred tax

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

Deferred tax analysis		
Allowance for expected credit losses	**27,811**	22,298
Derivative financial (liability) / asset	**2,340**	(897)
Provisions	**110**	(29)
Prior years assessments	**-**	1
	30,261	21,373

Deferred tax reconciliation		
Deferred tax asset at beginning of the year	**21,373**	29,603
Fair value changes of derivative instruments	**3,237**	(3,031)
Allowance for expected credit losses	**5,513**	(4,757)
Provisions	**139**	(154)
Prior years assessments	**(1)**	(288)
Deferred tax asset at end of the year	**30,261**	21,373

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

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

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

Notes to the Annual Financial Statements (continued)

8. Share capital

Authorised and issued share capital

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 Annual Financial Statements being disclosed in R'000, the issued 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 Annual Financial Statements being disclosed in R'000, the issued 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.

9. Trade and other payables

Accrual accounts payable	**5,635**	4,403
VAT payable	**95**	-
Sundry creditors	**6,752**	19,504
	12,482	23,907

Notes to the Annual Financial Statements (continued)

10. Subordinated loans

Movement in subordinated loans

Balance at the beginning of the year	**911,603**	1,060,802
Accrued interest	**76,623**	71,360
Interest paid	**(73,665)**	(71,769)
Repayment of subordinated loan	**-**	(148,790)
	914,561	911,603

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 when cash is available to make such payment in accordance with the priority of payments. Payment is due no later than the last legal final maturity date of any note in issue and outstanding.

Class of security representing subordinated loan	**Maturity date**	**Carrying value**	
Class A12	2022/08/21	**-**	256,751
Class A13	2024/08/21	**277,806**	276,908
Class A14	2024/08/21	**189,586**	188,972
Class A15	2026/08/21	**189,586**	188,972
Class A16	2025/08/21	**105,662**	-
Class A17	2027/08/21	**151,921**	-
		914,561	911,603

The table above reflects the subordinated loan segmented into the distinct classes of debt security notes, along with their respective maturity dates. In the current year, the Company resolved the Class A12 note, while simultaneously issuing Class A16 and A17 notes. Notwithstanding these changes, the total value of the debt security notes has remained constant. Consequently, there has no impact on the cash flow movement of the subordinated loan during the year, apart from the interest paid. It should be noted that no additional loans were granted or paid off during the year, but rather, there was only a reallocation of the underlying loan into different classes of the notes

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

The Financial Stability Board is reforming major interest rate benchmarks globally to mitigate systemic risk and improve market efficiency. This includes replacing interbank offered rates (IBORs) with alternative risk-free rates (ARRs). The South African Revenue Bank (SARB) intends to create an alternative reference rate for South Africa, as the current JIBAR has concerns around potential manipulation and declining market activity. The SARB is working with market participants to determine a suitable alternative to JIBAR, but there is uncertainty surrounding the timing and manner of the transition and how it will affect various financial instruments held by the Company. The mandate for determining a market-preferred choice of an alternative reference rate has been given to the MPG (Market Practitioners Group), but the SARB has made it clear that JIBAR will cease in the future.

Notes to the Annual Financial Statements (continued)

11. Debt securities

2022:	Total R'000	Debt Securities R'000	Accrued Interest R'000
Class A13	**1,108,731**	**1,099,000**	**9,731**
Class A14	**756,444**	**750,000**	**6,444**
Class A15	**756,541**	**750,000**	**6,541**
Class A16	**421,596**	**418,000**	**3,596**
Class A17	**606,261**	**601,000**	**5,261**
	3,649,573	**3,618,000**	**31,573**

2021:	Total R'000	Debt Securities R'000	Accrued Interest 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

Class of securities	Interest rate	Rate at year end 2022	Rate at year end 2021	Maturity Date
Class A12	1.67% above 3 month JIBAR	**-**	5.55%	2022/08/21
Class A13	1.43% above 3 month JIBAR	**8.08%**	5.31%	**2024/08/21**
Class A14	1.19% above 3 month JIBAR	**7.84%**	5.07%	**2024/08/21**
Class A15	1.31% above 3 month JIBAR	**7.96%**	5.19%	**2026/08/21**
Class A16	1.20% above 3 month JIBAR	**7.85%**	-	**2025/08/21**
Class A17	1.34% above 3 month JIBAR	**7.99%**	-	**2027/08/21**

The Company's debt securities are asset-backed securities (ABS) that are secured by the auto loans mentioned in note 4.

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

	2022 R'000	2021 R'000
Movement in debt securities		
Balance at the beginning of the year	**3,638,382**	3,646,930
Interest expense	**229,930**	189,038
Interest paid	**(218,739)**	(187,586)
Notes issued	**1,019,000**	1,500,000
Notes redeemed	**(1,019,000)**	(1,510,000)
	3,649,573	3,638,382

Notes to the Annual Financial Statements (continued)

	2022 R'000	2021 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)	**356,551**	323,702
Interest on call accounts	**31,961**	24,552
Interest on cash reserves	**1,809**	1,307
	390,321	349,561
12.2 Other interest (expense)		
Interest (expense) on financial assets at fair value through profit or loss:		
Interest on swap	**(12,753)**	(2,815)
	(12,753)	(2,815)
13. Interest Expense		
Interest expense on financial liabilities at amortised cost:		
Subordinated loan		
Interest on subordinated loan	**76,623**	71,360
	76,623	71,360
Debt securities		
Interest on Class A8 notes	**-**	31,870
Interest on Class A10 notes	**-**	20,779
Interest on Class A12 notes	**39,555**	54,095
Interest on Class A13 notes	**70,351**	55,703
Interest on Class A14 notes	**46,210**	13,136
Interest on Class A15 notes	**47,110**	13,456
Interest on Class A16 notes	**10,830**	-
Interest on Class A17 notes	**15,874**	-
	229,930	189,039
Total interest expense	**306,553**	260,399
14. Other income		
Retail settlement fee income	**17,803**	14,231
Retail administration fee income	**8,455**	9,114
	26,258	23,345

The income generated from retail settlement fee comprises the income received from clients as part of their retail finance deal settlement and penalty interest charged for early settlement. On the other hand, revenue generated from retail administration fee pertains to the fixed monthly admin fee charged on all retail finance deals.

Notes to the Annual Financial Statements (continued)

15. Impairment charges

2022:

	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	**2,668**	**26,665**	**35,774**	**(24,387)**	**102**	**40,822**

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

The total impairment amount of R40 million (2021: R20 million) does not equate to the total impairment amount of R65 million (2021: R41 million1) as per note 4. This difference is due to the relocation from stage 3 impairment bucket to interest income of R24 million (2021: R21 million) as stated above, in accordance with the requirements of IFRS 9. IFRS 9 mandates that when the credit risk of a loan reaches the credit-impaired stage, interest revenue must be calculated based on the loan's amortized cost, which is the gross carrying amount less the loss allowance.

Due to that the recoverability of the stage 3 interest in suspense is remote, we do not anticipate the collection of the interest and as such, the IFRS 9 interest adjustment has been applied at a rate of 100% of the interest in suspense amount during the period.

*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 R114.6 million was R121.5 million that was written off as irrecoverable as a result of the sale of the book, as well as an R6.9 million write-off reversal that was recorded during the year.

	2022	2021
	R'000	R'000

16. Other expenses

Other expenses include the following:

Audit fees	**470**	458
Consulting - Taxation Services	**270**	28
Directors' fees	**275**	260
Liquidity facility commitment, backup servicer and admin fees	**3,105**	3,038
Servicer fee	**19,006**	20,896
VAT apportionment expense (unclaimable VAT input)	**2,780**	3,064
	25,906	27,744

Notes to the Annual Financial Statements (continued)

17. Taxation

	2022 R'000	2021 R'000
South African normal taxation:		
Current tax	**15,237**	12,865
- Current period change	**15,208**	12,565
- Recognised in current tax relating to prior periods	**29**	300
Deferred tax	**(8,889)**	8,230
- Origination and reversal of temporary differences - current year	**(9,980)**	8,229
- Effect of rate change	**1,120**	-
- Originating and reversing timing differences - prior years	**(29)**	1
	6,348	21,095

	2022	2021
Taxation rate reconciliation:		
Taxation at standard rate	**28.00%**	28.00%
- Prior year under / (over) provision - current taxation	**0.15%**	0.41%
- Prior year under / (over) provision - deferred taxation	**-0.15%**	0.01%
- Tax rate change	**6.00%**	0.00%
Effective tax rate per statement of comprehensive income	**34.00%**	28.42%

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

	2022 R'000	2021 R'000
Profit before tax from operations	**18,676**	74,264
Income tax calculated at 28%	**5,230**	20,794
Tax effect of		
- Prior year under / (over) provision	**-**	301
- Tax rate change	**1,120**	-
Tax charge	**6,348**	21,095

On 23 February 2022, the Minister of Finance announced a reduction in the corporate income tax rate from 28% to 27%, effective for companies with years of assessment ending on or after 31 March 2022. This rate change will only affect current tax balances from the 2023 financial year onwards. Deferred tax balances as at 31 December 2022 are reflected at the 27% substantively enacted tax rate.

Notes to the Annual Financial Statements (continued)

	2022 R'000	2021 R'000
18. Cash utilised in operations		
Profit before taxation	**18,676**	74,264
Adjusted for non-cash items:		
Fair value changes of derivative instruments	**11,869**	(11,854)
Impairment charges	**40,822**	19,538
Cash generated before working capital changes	**71,367**	81,948
Changes in working capital:	**(17,831)**	37,149
(Increase) / decrease in trade and other receivables	**(7,984)**	23,594
(Decrease) / increase in trade and other payables	**(11,422)**	14,237
Decrease / (increase) in derivative financial asset	**1,575**	(682)
Interest income	**(390,321)**	(346,746)
Interest expense	**319,306**	260,399
Cash utilised in operations	**(17,479)**	32,750
18.1 Interest received		
Interest income	**390,321**	346,746
Movement in interest accrual	**24,262**	21,448
Interest accrued current year	**74,053**	49,791
Interest accrued prior year	**(49,791)**	(28,343)
Cashflow	**414,583**	368,194
18.2 Interest paid		
Interest expense	**(319,306)**	(260,399)
Movement in interest accrual	**14,146**	1,048
Interest accrued current year	**41,635**	27,489
Interest accrued prior year	**(27,489)**	(26,441)
Cashflow	**(305,160)**	(259,351)

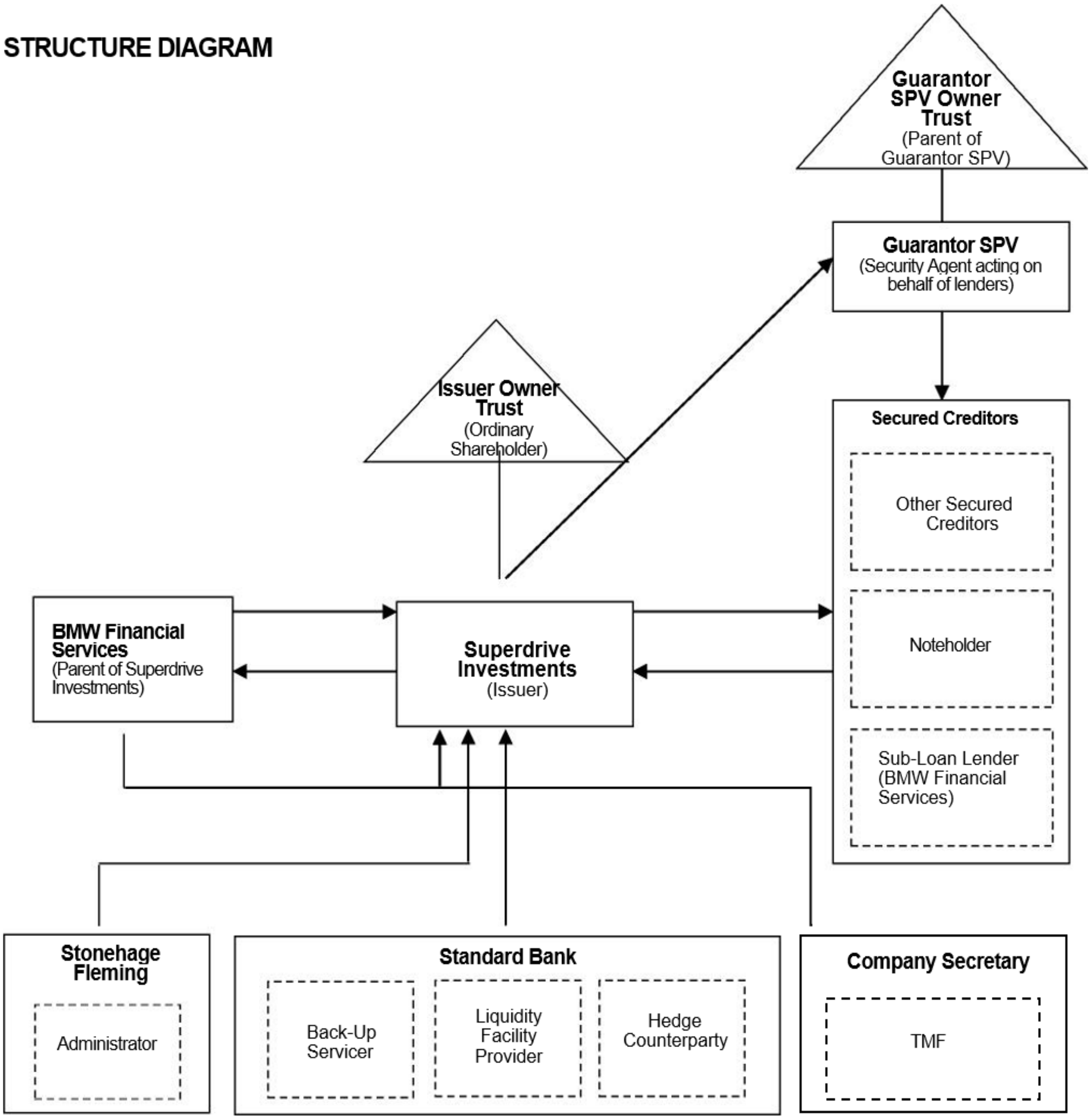
Notes to the Annual Financial Statements (continued)

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 holds the Company's ordinary shares, while BMW Financial Services owns the entity's only preference share. This allows BMW Financial Services to receive dividends and have an interest in the Company. Although it does not have complete management control, BMW Financial Services has board oversight through its CFO's appointment as an executive director. As a result, the Company's Annual Financial Statements are included in the consolidated financial statements of its parent, BMW Financial Services (South Africa), based on control. BMW AG a public limited company incorporated in Munich, Germany, is considered to be the ultimate parent of the Company but has no direct ownership interest in the Company.

STRUCTURE DIAGRAM



Notes to the Annual Financial Statements (continued)

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 R914,561,014 (2021: R911,603,423) for the year (note 10). Interest expense recognized on the subordinated funding amounted to R76,623,466 (2021: R71,359,536) during the year (note 13).

Purchase of additional auto loans

The Company had normal top ups of R2,656,227,804 (2021: R1,912,540,492) during the year (note 4).

Settlements

The Company paid settlements of R2,512,067,103 (2021: R2,426,534,000) during the year (note 4).

Buybacks

BMW Financial Services bought back assets to the value of R24,166,152 (2021: R19,905,206) during the year (note 4).

Interest income

The Company received interest income from BMW Financial Services to the value of R356,551,274 (2021: R323,701,471) during the year (note 12.1).

BMW Financial Services receivables (auto loans)

The Company has an amount receivable of R3,908,436,666 (2021: R3,853,650,355) from BMW Financial Services in respect of auto loans (note 4).

BMW Financial Services is the appointed Servicer. The Servicer fee amounted to R19,006,335 (2021: R20,895,936) for the year (note 16).

Trade and other receivables

The Company has an amount receivable of R226,424,343 (2021: R214,705,047) from BMW Financial Services in respect of auto loans remittance (note 3).

Trade and other payables

Included in sundry creditors is an amount payable of R0.00 (2021: R13,542,025) to BMW Financial Services in respect of auto loans remittance (note 9).

Notes to the Annual Financial Statements (continued)

19.2 Key management personnel

The Company has no employees. No key management personnel compensation was therefore 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. Three directors are employees of, and remunerated by, TMF Corporate Services (South Africa) Proprietary Limited (third party service provider) on a separate basis. The BMW Financial Services' representative director is not remunerated for her services by the Company.

Directors' fees of R275,135 (2021: R260,206) were paid to TMF Corporate Services (South Africa) Proprietary Limited (the 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. As part of the Programme Memorandum the Portfolio of Participating Assets are subject to the Portfolio Covenants to ensure a diverse and high quality loanbook. In order to be fully compliant with the Programme Memorandum and structure as approved by the South African Reserve Bank, the Company aims to ensure that it meets the Portfolio Covenants related to the Portfolio of Participating Assets. The Portfolio of Participating Assets must adhere to the Portfolio Covenants as a whole on each Transfer Date. Any violation of the Portfolio Covenants would trigger an early amortization event if the Company fails to rectify the breach within 15 days of its occurrence. On 21 November 2022, the Portfolio of Participating Assets was in adherence of the Portfolio Covenants. Additionally, as per the going concern assessment mentioned in the Annual Financial Statement, we do not believe the Portfolio Covenants will be breached. Furthermore, 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 (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 R226,424,343 (2021: R214,705,047) 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 2022 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 (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

Shifting of the SICR threshold by 1%	% Movement	Base	1% increase	1% decrease
2022	**1% ***	**58,753**	**59,340**	**58,165**
2021	1% *	32,088	32,409	31,767

* 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 (continued)

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

2022:

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	**3,285**	**1,166,268**	**4,783**	Active portfolio i.e. no delinquency, risk rated a 1 at application stage
	2	12 Months	**2,398**	**899,616**	**7,420**	Active portfolio i.e. no delinquency, risk rated a 2 at application stage
	3	12 Months	**1,755**	**632,429**	**8,451**	Active portfolio i.e. no delinquency, risk rated a 3 at application stage
	4 - 5	12 Months	**1,946**	**659,327**	**12,799**	Active portfolio i.e. no delinquency, risk rated a 4-5 at application stage
	6 - 7	12 Months	**228**	**89,301**	**3,569**	Active portfolio i.e. no delinquency, risk rated a 6-7 at application stage
Total stage 1			**9,612**	**3,446,941**	**37,022**	
Stage 2	8	LifeTime	**81**	**26,776**	**6,729**	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	**59**	**19,331**	**5,667**	Account is delinquent for 16-30 days
	10	LifeTime	**35**	**11,383**	**3,782**	Account is delinquent for 31-60 days
	11	LifeTime	**1,223**	**371,723**	**42,574**	Account is delinquent for 61-90 days
Total stage 2			**1,398**	**429,213**	**58,752**	
Stage 3	Default	LifeTime	**1,362**	**377,937**	**266,574**	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 stage 3			**1,362**	**377,937**	**266,574**	
Total			**12,372**	**4,254,091**	**362,348**	

Notes to the Annual Financial Statements (continued)

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 stage 3			**1,348**	**390,430**	**230,800**	
Total			**13,056**	**4,153,668**	**297,241**	

Notes to the Annual Financial Statements (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:

2022:	**Stage 1 R'000**	**Stage 2 R'000**	**Stage 3 R'000**	**Total R'000**
Expected credit loss allowance opening balance	**34,354**	**32,088**	**230,800**	**297,241**
Transfer to stage 1	**192**	**(192)**	**-**	**-**
Transfer to stage 2	**(3,080)**	**10,927**	**(7,847)**	**-**
Transfer to stage 3	**(458)**	**(7,724)**	**8,182**	**-**
Increase / (decrease) during the year for existing loan	**4,618**	**22,887**	**44,517**	**72,023**
Derecognition	**(7,136)**	**(2,559)**	**(4,554)**	**(14,249)**
Origination	**4,925**	**1,064**	**394**	**6,383**
Changes in models and risk parameters	**3,607**	**2,265**	**110**	**5,982**
Write-offs	**-**	**(3)**	**(5,028)**	**(5,032)**
Expected credit loss allowance 31 December 2022	**37,022**	**58,753**	**266,574**	**362,348**

The increase is driven by an increase in lending rates and poor economic conditions, which led to an increase in delinquency rates. Furthermore, there was a revision of IFRS 9 risk parameters as part of the annual review of the ECL methodology, which included a review of delinquency days. This had an impact of R6 million.

Notes to the Annual Financial Statements (continued)

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**

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 (continued)

Maturity analysis of financial liabilities:

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

2022:	**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	**(12,387)**	**-**	**-**	**(12,387)**	**(12,387)**
Subordinated loans	**(98,388)**	**(704,280)**	**(385,330)**	**(1,187,998)**	**(914,561)**
Debt securities	**(318,936)**	**(2,752,811)**	**(1,518,130)**	**(4,589,877)**	**(3,649,573)**
Derivative financial liability	**(2,077)**	**(4,429)**	**(4,237)**	**(8,666)**	**(10,742)**
	(431,788)	**(3,461,520)**	**(1,907,697)**	**(5,798,928)**	**(4,587,263)**

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)**

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 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 (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 JIBAR-linked funding to the total Prime-linked asset portfolio. For this purpose, an appropriate amount of Prime-linked assets is swapped to a JIBAR-linked interest rate. The Company has entered into interest rate swaps to manage this risk (swapping Prime to JIBAR and vice versa).

All current securitisation programmes therefore have an embedded Prime-JIBAR swap since it is also a Moody's requirement that the SPV may not carry any Prime-JIBAR basis risk i.e. JIBAR-linked interest paid to noteholders and the Prime-linked interest earned on assets purchased. All cash and cash equivalents bear interest at applicable money market rates.

2022:		**Carrying value R'000**	
Sensitivity	**-1%**		**+1%**
Interest expense on debt securities		**3,649,573**	
Impact on profit or loss	**36,496**		**(36,496)**
Sensitivity	**-1%**		**+1%**
Interest expense on subordinated loan		**914,561**	
Impact on profit or loss	**9,146**		**(9,146)**
Sensitivity	**-1%**		**+1%**
Cash and cash equivalents		**487,022**	
Impact on profit or loss	**(4,870)**		**4,870**
Sensitivity	**-1%**		**+1%**
BMW Financial Services receivable (auto loans)		**3,908,437**	
Impact on profit or loss	**(39,084)**		**39,084**
Sensitivity	**-1%**		**+1%**
Derivative financial asset		**-10,742**	
Impact on profit or loss	**107**		**(107)**
Sensitivity net of the above items:	**1,795**		**(1,795)**
Sensitivity after tax:	**1,310**		**(1,310)**

Notes to the Annual Financial Statements (continued)

2021:

	-1%	Carrying value R'000	+1%
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 liability		2,700	
Impact on profit or loss	(27)		27

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

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 Financial Services auto loans (note 12.1).

Notes to the Annual Financial Statements (continued)

21. Analysis of assets and liabilities

2022:

	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	-	-	13,169	13,169	-	13,169
Deferred taxation	-	-	30,261	30,261	30,261	-
BMW Financial Services receivable	3,908,437	-	-	3,908,437	2,876,868	1,031,569
Trade and other receivables	226,703	-	-	226,703	-	226,703
Cash and cash equivalents	487,022	-	-	487,022	-	487,022
Total assets	**4,622,162**	**-**	**43,430**	**4,665,592**	**2,907,129**	**1,758,463**

Liabilities						
	R'000	R'000	R'000	R'000	R'000	R'000
Derivative financial liability	-	10,742	-	10,742	8,666	2,076
Debt securities	3,649,573	-	-	3,649,573	3,330,637	318,936
Subordinated loans	914,561	-	-	914,561	816,173	98,388
Trade and other payables	12,482	-	-	12,482	-	12,482
Total Liabilities	**4,576,616**	**10,742**	**-**	**4,587,358**	**4,155,476**	**431,882**

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**

Notes to the Annual Financial Statements (continued)

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 2022 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 2022

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 2022:

	31 December 2022		
	Carrying value	Fair value	Fair value hierarchy
	R'000	R'000	
BMW Financial Services receivable (auto loans) (Including accrued interest, excluding impairments)	4,270,785	4,012,074	Level 3
	4,270,785	4,012,074	
Debt Securities (Including accrued interest)	3,649,574	3,748,251	Level 2
Subordinated loans	914,561	976,664	Level 3
	4,564,135	4,724,915	

The fair value of the auto loans has been determined by applying a more conservative rate that takes into account the economic outlook.

Notes to the Annual Financial Statements (continued)

	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**	

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 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	R' 000	**R' 000**	**R' 000**	**R' 000**
Measured at fair value				
Derivatives	**-**	**(10,742)**	**-**	**(10,742)**
	-	**(10,742)**	**-**	**(10,742)**

	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

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 (continued)

23. Going concern

The directors of the Company have identified several key future developments that could impact the performance of our loans, particularly in relation to future cash flows and default rates. These developments relate to pressures resulting from uncertainty and changes in the macroeconomic environment.

One of the major challenges that South Africa has faced in recent years is power supply issues, which have resulted in frequent load shedding. This has had a negative impact on the country's economic growth, contributing to a high unemployment rate and ongoing cost inflation. As a result, there is an increased risk that borrowers may default on their loans, as they face heightened pressure on affordability. Additionally, the South African Reserve Bank has been increasing base rates from an unprecedented low level, adding to the pressure on borrowers.

To mitigate the above risks, BMW Financial Services undertakes a robust credit application assessment based on a score card, which assesses the applicant’s affordability and credit risk. The client’s credit exposure and payment behaviour is monitored on an ongoing basis. In addition, there is a solid collection process which when the customer is in arrears interacts with the customers to recoup any outstanding including repossession of the assets to keep delinquency rate and losses under control.

The increased interest rates have also negatively impacted the value of derivative instrument during the year. As at 31 December 2021, the fair value of the derivative instrument was positive, and was recorded as an asset in the Statement of Financial Position. However, due to the increased interest rates, the fair value of the swap has decreased, resulting in a liability. The losses in relation to fair value adjustments have been recognised in the Statement of Comprehensive Income.

After careful consideration of the identified key future developments that could impact the performance of the Company's loans, the directors have concluded that the Company remains a going concern. We have based this conclusion on several factors, including current market conditions, the historical performance of the securitised portfolio, and the cash flow forecasts that show the Company's ability to meet its liabilities based on current expected credit losses write off experience.

We have also taken into account the absence of any breach of transaction document triggers. However, we recognize the need to continuously monitor the effect that macroeconomic factors may have on borrower's ability to service their loans and the performance of the Company.

In light of this, we have prepared the financial statements on the basis that the Company remains a going concern.

24. Subsequent events

There have been no material events between 31 December 2022 and the date of this report.

25. Contingent liability

A contingent liability exists relating to a Value-Added Tax (VAT) dispute with the South African Revenue Services (SARS).

In the September 2018 VAT period, the Company claimed an input tax deduction for VAT on bad debts in terms of Section 22(1A) of the Value-Added Tax Act. SARS disallowed this claim and imposed late payment and understatement penalties together with interest on the late payment of tax. The total revised assessment amounted to R8,822,235. This amount continues to accrue interest on a monthly basis.

The company lodged an objection which has been denied by SARS. A formal appeal has been lodged and SARS accepted that the case should be dealt with under the Alternative Dispute Resolution (ADR) process. The company currently awaits a suitable date to be decided upon by SARS for the ADR hearing.

The Company obtained external tax advice and is confident that it will be successful in its appeal against the additional assessment raised by SARS. Given that management believes that it is not probable that a tax liability will ultimately arise, a liability was not raised in the Statement of Financial Position but a contingent liability is recognised.