Superdrive Investments (RF) Limited

(Registration Number 2011/000895/06)

Annual Financial Statements for the year ended 31 December 2023

In terms of section 29(1)(e)(ii) of the Companies Act 71 of 2008 as amended, 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 as amended.

Contents

Directors' Responsibilities and Approval of Annual Financial Statements

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 2023, 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 ("IFRS") as issued by the International Accounting Standards Board (IASB) and IFRS Interpretation Committee, the South African Institute of Chartered Accountants (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, No 71 of 2008, as amended ("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 hereby confirm that:
a) the Annual Financial Statements set out on pages 3 to 59 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;
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
12 April 2024	12 April 2024

Directors' Report

The directors present their report for the year ended 31 December 2023.

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, 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.

Notably, the overall performance experience a substantial improvement, primarily attributable to the dynamic high-interest rate environment. The Company has delivered a net interest income of R89.5 million (2022: R71 million), which represents an improvement of 26% compared to the previous year. This was mainly due to the increase in interest income, which is a result of the higher interest rates in the market. Additionally, the Company recorded a marked increase in pre-tax profits, with a 277% increase from R18.6 million to R70.3 million.

Impairment charges decreased by 41% during the same timeframe, from R41 million to R24 million. This decrease can be attributed to realocating interest earned on stage 3 assets amounting R36 million in accordance with the requirements of IFRS 9 (refer to note 4). The positive impact of the high-inflation rate market extended beyond net interest income alone, the Company's fair value adjustments related to interest rate swaps yielded a favorable outcome, generating an income of R1.3 million versus a loss of R12 million in the previous year. The Company is currently in a net paying position on interest rate swaps because of the significant increases in prime interest rates when compared to JIBAR.

Lastly, it is important to emphasise the Company's unwavering commitment towards risk management and fostering sustained long-term growth for all stakeholders. The Company remains steadfast in navigating the complexities inherent in today's volatile business climate while maintaining its focus on delivering consistent returns and ensuring the prosperity of its investors.

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 2023, BMW Financial Services (South Africa) Proprietary Limited ("BMW Financial Services") owned the Company’s sole preference share. In terms of International Financial Reporting Standards the Company is consolidated into BMW Financial Services group financial statements.

Directors' Report (continued)

5. Company Secretary

TMF Corporate Services (South Africa) Proprietary Limited ("TMF Corporate Services") 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	Resigned
IE Koeppel	Executive	01 November 2021	
BL Dube	Independent Non-executive	01 November 2019	
R Thanthony	Independent Non-executive	15 February 2013	19 July 2023
RI Angus	Chairman / Independent Non-executive	17 April 2019	
NR Clarke	Independent Non-executive	19 July 2023	
R Kamalie	Alternate director	19 July 2023	

7. Dividend

No dividends were declared or paid during the current financial year.

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. R Thanthony resigned from the social and ethics committee during the year and NR Clarke has been appointed to fill the vacancy.

The social and ethics committee held a meeting on 26 September 2023 during which it reviewed its 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

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue operating for at least 12 months from the reporting date.

In assessing whether the going concern assumption is appropriate, management has considered all available information about the future, including macroeconomic, geopolitical, power outages and political uncertainty in anticipation of the upcoming elections in May 2024. This assessment covers at least 12 months following the approval of these financial statements. In particular, management has assessed the existing and anticipated effects of rising interest rates, higher inflation, persistent unemployment and frequent loadshedding on household finances.

While the Company has been profitable in recent years, higher interest rates have resulted in some auto loan customers struggling to make payments. The Company has increased its provision for loan losses to account for this. If these trends continue over the next 12 months, it could impact the Company's cash flows and profitability.

However, the Company has a strong financial position and diverse sources of financing in place. Existing cash reserves provide an adequate buffer to withstand further increases in provisioning over the next 12-18 months should economic conditions not improve.

Additionally, as at 31 December, current liabilities exceeded current assets by R1.1 million. This is primarily due to notes A13 and A14 maturing in August 2024. The company expects to refinance the maturing notes with new Class A notes in August 2024. This refinancing plan strengthens the Company's ability to meet its short-term obligations.

Therefore, while some uncertainty exists around the impact of the macroeconomic environment on operations over the next 12 months, management judges that the Company has sufficient resources to continue operating and meeting obligations as they become due. Accordingly, management continues to adopt the going concern basis in preparing these financial statements.

11. Subsequent events

The Company settled a revised assessment amount of R9,689,474.04 with the South African Revenue Services (SARS) relating to a Value-Added Tax (VAT) dispute. This amount was paid while the assessment is under dispute with the Tax Court (refer to Contingent Liability).

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

12. Business address

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

Directors' Report (continued)

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 matter remained unresolved through the normal dispute resolution process and the Directors, upon advice of Senior Counsel, decided that the matter should be referred to the Tax Court.

The litigation department of SARS is currently dealing with the dispute and the Company is co-operating fully with all information requests as required by the Tax Administration Act.

Based upon advice from Senior Counsel, the Company 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 recorded.

Subsequent to the closing of the financial year, the Company has settled the revised assessment amount of R9,689,474.04 while the assessment is under dispute with the Tax Court. This amount will be recognised as an asset in the subsequent financial year should the appeal be successful.

14. Significant events during the reporting period

In late 2021, the Financial Action Task Force issued a Mutual Evaluation Report on South Africa highlighting various deficiencies and shortcomings in South Africa’s regulatory framework governing the management of money laundering, terrorist financing and proliferation financing risks. To address the identified shortcomings, the South African government has issued various legislative instruments, including amendments to the Financial Intelligence Centre Act, Act 38 of 2001 ("FIC Act"). One of the key changes was the extension of Schedule 1 of the FIC Act to include credit providers as Accountable Institutions. The Company is currently in the evaluation and implementation phase with regards to the amended FIC Act and the associated regulations on it operations, taking into account the special purpose vehicle (SPV) structure utilised.

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 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
Represented by C Heystek
Cape Town
12 April 2024

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 2023.

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

NR Clarke (Chairperson)
RI Angus
BL Dube

R Thanthony resigned from the audit committee during the year and NR Clarke has been appointed to fill the vacancy.

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, Regulation 42 of the Companies Regulation, 2011 and principle 8.55 of King IV.

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 18 April 2023 and on 21 November 2023 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 2023 Annual Financial Statement audit for the Board to approve;
- Considered the independence and objectivity of the external auditor; and
- Complied with the Debt Listing Requirements of the JSE Limited.

Annual Financial Statements

Following the review by the committee of the Annual Financial Statements of the Company for the year ended 31 December 2023 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, International Financial Reporting Standards and that the accounting policies applied, are appropriate.

The committee recommended the Company's 2023 Annual Financial Statements for approval by the Board on 12 April 2024.

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:

NR Clarke
Chairperson of the Audit Committee
12 April 2024

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 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa.

What we have audited

SuperDrive Investments (RF) Limited's financial statements set out on pages 18 to 59 comprise:

- the statement of financial position as at 31 December 2023;
- 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, including material accounting policy information.

Basis for opinion

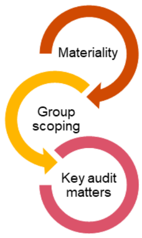
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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 group materiality • Overall materiality: R47.2 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 group materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	*R 47.2 million*
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 82.85% 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 2023, auto loans receivable from BMW FS amounted to R4,323 million against which an expected credit loss ("ECL") of R 413 million was recognised.* *The ECL on the Company's auto loans receivable is assessed based on the participating assets issued by BMW FS. This was calculated by management of BMW FS, the company's servicer of the loans, by applying IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 requires the recognition of ECL on all financial assets within the scope of its impairment model, which includes the auto loans receivable.* *The impairment of the auto loans receivable was considered to be a matter of most significance to our current year audit due to the following:* *● The level of subjective judgement applied by management in determining the ECL on participating assets;* *● The uncertainty related to unprecedented global and local economic stress;*	*We obtained an understanding through a walkthrough performed, of management's impairment assessment of loans and advances and assessed the impact of the service organisation in the context of the financial statements of the Company.* *We evaluated the identified audit risks at SuperDrive Investments which relate to the auto loan value and ECL at year end. Additionally, we evaluated the respective audit approaches utilised throughout all phases of the audit process to ensure the risks were appropriately addressed. Based on our procedures performed, we did not note any matters requiring further consideration in respect of the participating assets.* *ECL for participating assets* *Utilising our credit and actuarial expertise, we performed the following procedures:* *● 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*

● The effect that ECL has on the magnitude of the impairment recognised in relation to the auto loans receivable and on the Company's credit risk disclosures; and ● The magnitude of the auto loans receivable balance recognised in the financial statements. The Company is exposed to credit risk. Origination, credit mitigation and monitoring of the participating assets is performed by BMW FS in terms of the servicing arrangements of the Company's asset-backed note programme. Due to the nature of the participating assets, a significant portion of the impairment is calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always necessarily observable inputs. Management applies professional judgement in developing the credit impairment models, analysing data and determining the most appropriate assumptions and estimates. Judgement and estimates applied include the following: ● Calibration of the ECL statistical model components (probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD")); ● Determination of the impact of forward-looking macroeconomic information (as represented by the prime interest rate) on the portfolio credit risk; and ● Determination of the write-off point applied in calculating the ECL. The significant judgement applied is the determination of a significant increase in credit risk (SICR), which includes the following: ● Instruments that are more than 16 days past due are generally considered to have experienced a SICR; ● Established thresholds for SICR are based on a percentage change in lifetime PD relative to initial	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, macroeconomic 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 2023 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. ● 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.

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.*	*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 2023", 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 IFRS Accounting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of SuperDrive Investments (RF) Limited for 5 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Jorge Goncalves
Registered Auditor
Johannesburg, South Africa
12 April 2024

Statement of Financial Position
as at 31 December 2023

	Notes	31 Dec 2023 R'000	31 Dec 2022 R'000
ASSETS			
Deferred tax asset	7	**32,125**	30,260
BMW Financial Services receivable (Auto Loans)	4	**3,097,215**	2,876,868
Non-current assets		**3,129,340**	**2,907,128**
Cash and cash equivalents	2	**557,799**	487,022
Trade and other receivables	3	**215,039**	226,703
BMW Financial Services receivable (Auto Loans)	4	**812,780**	1,031,569
Current tax asset	5	**4,495**	13,169
Current assets		**1,590,113**	**1,758,463**
Total assets		**4,719,453**	**4,665,591**
EQUITY			
Share capital	8	**-**	-
Retained income		**129,574**	78,232
Total equity		**129,574**	**78,232**
LIABILITIES			
Derivative financial liability	6	**4,472**	8,666
Debt securities	11	**1,500,632**	3,330,637
Subordinated loans	10	**345,344**	816,173
Non-current liabilities		**1,850,448**	**4,155,476**
Derivative financial liability	6	**3,288**	2,077
Debt securities	11	**2,155,750**	318,936
Subordinated loans	10	**570,919**	98,388
Trade and other payables	9	**9,474**	12,482
Current liabilities		**2,739,431**	**431,883**
Total liabilities		**4,589,879**	**4,587,359**
Total equity and liabilities		**4,719,453**	**4,665,591**

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2023

	Notes	2023 R'000	2022 R'000
Interest income using effective interest rate	12.1	**533,958**	390,321
Interest on interest rate swap	12.2	**(10,787)**	(12,753)
Interest expense	13	**(433,666)**	(306,553)
Net interest income		**89,505**	71,015
Other income	14	**30,269**	26,258
Fair value changes of derivative instruments	6	**1,355**	(11,869)
Total income		**121,129**	85,404
Impairment charges	15	**(23,999)**	(40,822)
Administrative expenses	16	**(26,799)**	(25,906)
Profit before taxation		**70,331**	18,676
Taxation	17	**(18,989)**	(6,350)
Total comprehensive income for the year		**51,342**	12,326

Statement of Changes in Equity

for the year ended 31 December 2023

	*Share capital R'000	Retained income R'000	Total R'000
Balance at 1 January 2022	**-**	**195,906**	**195,906**
Profit for the year	-	12,326	12,326
Dividend recognised as distributions to shareholder	-	(130,000)	(130,000)
Balance at 1 January 2023	**-**	**78,232**	**78,232**
Profit for the year	-	51,342	51,342
Balance at 31 December 2023	**-**	**129,574**	**129,574**

*Due to the Annual Financial Statement being disclosed in R'000, the issued share capital of R100 does not reflect above, refer to note 8.

Statement of Cash Flows

for the year ended 31 December 2023

	Notes	2023 R'000	2022 R'000
Cash flows from operating activities			
Cash generated from (utilised in) operations	18	**10,397**	(17,479)
Interest received	18.1	**543,723**	414,583
Interest paid	18.2	**(435,943)**	(305,160)
SARS interest received	14	**166**	-
Income taxes paid	5	**(12,175)**	(21,656)
Dividend paid on redeemable preference share		**-**	(130,000)
Net cash generated from / (used in) operating activities		**106,168**	(59,712)
Cash flows used in investing activities			
Settlement of income earning assets		**2,550,655**	2,512,065
Buybacks of income earning assets		**29,685**	24,167
Acquisition of income earning assets		**(2,615,731)**	(2,656,228)
Net cash outflow used in investing activities		**(35,391)**	(119,996)
Cash flows from financing activities			
Settlement on redemption of debt securities	11	**-**	(1,019,000)
Proceeds from debt securities issued	11	**-**	1,019,000
Net cash outflow from financing activities		**-**	-
Net increase / (decrease) in cash and cash equivalents		**70,777**	(179,708)
Cash and cash equivalents at the beginning of the year		**487,022**	666,730
Cash and cash equivalents at the end of the year		**557,799**	487,022

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 as issued by the International Accounting Standards Board (IASB) and IFRS Interpretation Committee, the South African Institute of Chartered Accountants (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 2023 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)

1.2.2.1 Classification (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)

1.2.2.2 Measurement (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. This assessment is carried out at the individual asset level.

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.

1.4 Taxation (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)

1.5 Net interest income (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 quarterly basis and against which performance is measured and resources are allocated across the segment.

1.8 Adoption of new and revised pronouncements

The following amendments have been adopted without affecting the Company's previously reported financial results, disclosures or accounting policies. The items mentioned below are confirmed not to have had an impact on the Company's Annual Financial Statements for the 2023 financial year-end.

Notes to the Annual Financial Statements (continued)

1.8 Adoption of new and revised pronouncements (continued)

Number	Executive summary	Effective date
IFRS 17, 'Insurance contracts'	The IASB issued IFRS 17, 'Insurance contracts', and thereby stated a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flow are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation of the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit of loss in the period in which they occur but over the remaining life of the contract.	Annual periods beginning on or after 1 January 2023 (Published May 2017)
IFRS 17, Insurance contracts Amendments	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments related to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.	Annual periods beginning on or after 1 January 2023 (Published June 2020)
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023 (Published May 2021)
Narrow scope amendments to IAS 1 'Presentation of Financial Statements 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	The amendments aim to improve accounting policy disclosures and to help users of the financial statement to distinguish changes in accounting policies from changes in accounting estimates.	Annual periods beginning on or after 1 January 2023. (Published February 2021)

Notes to the Annual Financial Statements (continued)

1.8 Adoption of new and revised pronouncements (continued)

Number	Executive summary	Effective date
Amendments to IAS 12 International Tax Reform-Pillar Tow Model Rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	The deferred tax exemption and disclosure of the fact that the exception has been applied is effective immediately. The other disclosure requirements are effective for annual periods beginning on or after 1 January 2023. (Published May 2023)

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:

Number	Executive summary	Effective date
Amendments to IFRS 1 - Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	Annual periods beginning on or after 1 January 2024. (Published January 2020 and November 2022)
Amendment to IFRS 16 - Leases on sale and leaseback	These amendments include requirements for sale and leaseback transaction in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transaction where some or all the lease payments are variable lease payments that do not depend on an index or rate are more likely to be impacted.	Annual periods beginning on or after 1 January 2024. (Published September 2022)
Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flow and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangement are not sufficiently visible, hindering investors' analysis.	Annual periods beginning on or after 1 January 2024. (Published May 2023)
Amendments to IAS 21 Lack of Exchangeability (Amendments to IAS 2)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable right and obligations.	Annual periods beginning on or after 1 January 2024. (Published August 2023)

Notes to the Annual Financial Statements (continued)

2. Cash and cash equivalents

	2023 R'000	2022 R'000
Current bank account	**2**	4
Collections bank account	**521,617**	450,838
Permitted investments bank account	**36,180**	36,180
	557,799	487,022

3. Trade and other receivables

	2023 R'000	2022 R'000
Trade receivables	**214,691**	226,424
Prepayments	**5**	5
Interest accrued	**343**	274
	215,039	226,703

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 has 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 from time to time legally securitises auto loans to the Company. 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.

	2023 R'000	2022 R'000
BMW Financial Services receivable (auto loans)	**5,364,935**	5,170,810
Unearned finance charges	**(1,041,774)**	(900,025)
Expected credit loss allowance	**(413,165)**	(362,348)
	3,909,996	3,908,437

Notes to the Annual Financial Statements (continued)

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

	2023 R'000	2022 R'000
Reconciliation of movement in balance		
Balance at beginning of the year	**3,908,437**	3,853,650
Acquisitions	**2,630,668**	2,656,228
Tops ups for the year	**2,073,468**	2,240,312
Interest and other charges (including memo interest) [1]	**557,200**	415,916
Settlements	**(2,540,437)**	(2,512,065)
Buybacks	**(29,010)**	(24,167)
Impairments	**(59,663)**	(65,209)
Impairment (raised) - Stage 1 & Stage 2 (note 15)	**(458)**	(29,333)
Impairment (raised) - Stage 3 (note 15) [2]	**(50,358)**	(35,774)
Write-offs (note 15)	**(8,847)**	(102)
Balance at end of the year	**3,909,995**	3,908,437

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

[2] The total impairment amount of R60 million (2022:R65 million) does not equate to the total impairment amount of R24 million (2022: R41 million) as per note 15. This difference is due to relocating interest earned on stage 3 assets amounting to R36 million (2022: R24 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 amortised cost, which is the gross carrying amount less the loss allowance.

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 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)

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

The Company has pledged an amount of R3,946,175,600 (2022: R3,944,616,666), which includes the BMW Financial Services receivable (auto loans) and the cash reserve, as collateral to the note holders. The associated liabilities of R3,656,381,579 (2022: R3,649,573,792) are disclosed in note 11.

	2023 R'000	2022 R'000
The below table summarises the pledged assets:		
Assets pledged as security		
Current assets		
Cash and cash equivalents (Permitted investments bank account)	**36,180**	36,180
BMW Financial Services Receivable (auto loans)	**812,780**	1,031,569
	848,960	1,067,749
Non-current assets		
BMW Financial Services Receivable (auto loans)	**3,097,215**	2,876,868
Total assets pledged as security	**3,946,175**	3,944,617

5. Current tax asset

	2023 R'000	2022 R'000
Balance at the beginning of the year	**13,169**	6,750
Payment to SARS	**12,175**	21,656
Current tax	**(20,849)**	(15,237)
Balance due from SARS at year end	**4,495**	13,169

Notes to the Annual Financial Statements (continued)

6. Derivative financial (liability) / asset

Derivative financial (liability) / asset comprise the following balances

Interest rate swaps	**(7,760)**	(10,743)
	(7,760)	(10,743)

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 realised fair value gains on its interest rate swap in the first half of 2023 due to spread compression between the swap's pay rate (Prime - 1.85%) and received rate (JIBAR + 1.42%). The tightening spread led to positive impacts on the swap's fair value. While the Prime interest rate rose substantially, JIBAR increased in tandem during this period, leading to favorable rate alignment for the Company. This spread compression resulted in the Company recording swap income of R1.3 million in 2023, compared to a swap expense of R12 million in 2022. The swap spread has since normalised and the Company continues to be in a net paying position.

At fair value through profit and loss

Balance at beginning of the year	**(10,743)**	2,700
Fair value changes of interest rate swap	**1,355**	(11,869)
Net interest accrued throughout the period	**(10,787)**	(12,753)
Interest accrued throughout the period - payable	**(10,787)**	(12,753)
Net interest paid throughout the period	**12,415**	11,179
Interest paid throughout the period	**12,415**	11,179
Balance at the end of the year	**(7,760)**	(10,743)

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	**30,084**	27,810
Derivative financial asset	**1,974**	2,340
Provisions	**67**	110
	32,125	30,260

Deferred tax reconciliation		
Deferred tax asset at beginning of the year	**30,261**	21,373
Fair value changes of derivative instruments	**(366)**	3,237
Allowance for expected credit losses	**2,273**	5,512
Provisions	**(43)**	139
Prior years assessments	**-**	(1)
Deferred tax asset at end of the year	**32,125**	30,260

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 each. 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 each. 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

Accounts payable	**6,154**	5,635
VAT payable	**274**	95
Sundry creditors	**3,046**	6,752
	9,474	12,482

Notes to the Annual Financial Statements (continued)

10. Subordinated loans

Movement in subordinated loans

Balance at the beginning of the year	**914,561**	911,603
Accrued interest	**102,552**	76,623
Interest paid	**(100,850)**	(73,665)
	916,263	914,561

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 A13	2024/08/21	**278,324**	277,806
Class A14	2024/08/21	**189,938**	189,586
Class A15	2026/08/21	**189,938**	189,586
Class A16	2025/08/21	**105,859**	105,662
Class A17	2027/08/21	**152,204**	151,921
		916,263	914,561

The table above reflects the subordinated loan segmented into the distinct classes of debt security notes, along with their respective maturity dates. 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.

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

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

Notes to the Annual Financial Statements (continued)

11. Debt securities

2023:	Total R'000	Debt Securities R'000	Accrued Interest R'000
Class A13	**1,110,799**	**1,099,000**	**11,799**
Class A14	**757,855**	**750,000**	**7,855**
Class A15	**757,954**	**750,000**	**7,954**
Class A16	**422,382**	**418,000**	**4,382**
Class A17	**607,392**	**601,000**	**6,392**
	3,656,382	**3,618,000**	**38,382**

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

Class of securities	Interest rate	Rate at year end 2023	Rate at year end 2022	Maturity Date
Class A13	1.43% above 3 month JIBAR	**9.80%**	8.08%	**2024/08/21**
Class A14	1.19% above 3 month JIBAR	**9.56%**	7.84%	**2024/08/21**
Class A15	1.31% above 3 month JIBAR	**9.68%**	7.96%	**2026/08/21**
Class A16	1.20% above 3 month JIBAR	**9.57%**	7.85%	**2025/08/21**
Class A17	1.34% above 3 month JIBAR	**9.71%**	7.99%	**2027/08/21**

The debt securities issued by the company are asset-backed securities (ABS) which are backed by auto loans.

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

	2023 R'000	2022 R'000
Movement in debt securities		
Balance at the beginning of the year	**3,649,573**	3,638,382
Interest expense	**331,114**	229,930
Interest paid	**(324,305)**	(218,739)
Notes issued	**-**	1,019,000
Notes redeemed	**-**	(1,019,000)
	3,656,382	3,649,573

Notes to the Annual Financial Statements (continued)

	2023 R'000	2022 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)	**487,449**	356,551
Interest on call account	**42,085**	31,961
Interest on cash reserves	**4,424**	1,809
	533,958	390,321
12.2 Other interest income / (expense)		
Interest income on financial assets at fair value through profit or loss:		
Interest on swap (refer to note 6)	**(10,787)**	(12,753)
Net interest income	**(10,787)**	(12,753)
13. Interest Expense		
Interest expense on financial liabilities at amortised cost:		
Subordinated loan		
Interest on subordinated loan	**102,552**	76,623
	102,552	76,623
Debt securities		
Interest on Class A12 notes	**-**	39,555
Interest on Class A13 notes	**101,855**	70,351
Interest on Class A14 notes	**67,710**	46,210
Interest on Class A15 notes	**68,610**	47,110
Interest on Class A16 notes	**37,779**	10,830
Interest on Class A17 notes	**55,160**	15,874
	331,114	229,930
Total interest expense	**433,666**	306,553
14. Other income		
Retail settlement fee income	**22,374**	17,803
Retail administration fee income	**7,729**	8,455
SARS interest received	**166**	-
	30,269	26,258

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

2023:

	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	**3,939**	**(3,481)**	**50,358**	**(35,664)**	**8,847**	**23,999**

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

The total impairment amount of R24 million (2022: R41 million) does not equate to the total impairment amount of R60 million (2022: R65 million) as per note 4. This difference is due to relocating interest earned on stage 3 assets amounting to R36 million (2022: R24 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.

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.

	2023	2022
	R'000	R'000

16. Administrative expenses

Other expenses include the following:

Audit fees	**489**	470
Consulting - Taxation Services	**168**	270
Directors' fees	**333**	275
Liquidity facility commitment, backup servicer and admin fees	**3,421**	3,105
Servicer fee	**18,992**	19,006
VAT apportionment expense (unclaimable VAT input)	**2,983**	2,780
Other expenses	**413**	-
	26,799	25,906

Notes to the Annual Financial Statements (continued)

	2023 R'000	2022 R'000

17. Taxation

	2023 R'000	2022 R'000
South African normal taxation:		
Current tax	**20,849**	15,237
- Current period change	**20,849**	15,208
- Recognised in current tax relating to prior periods	**-**	29
Deferred tax	**(1,860)**	(8,887)
- Origination and reversal of temporary differences - current year	**(1,860)**	(9,979)
- Effect of rate change	**-**	1,121
- Originating and reversing timing differences - prior years	**-**	(29)
	18,989	6,350

	2023	2022
Taxation rate reconciliation:		
Taxation at standard rate	**27.00%**	**28.00%**
- Prior year under / (over) provision - current taxation	**0.00%**	**0.15%**
- Prior year under / (over) provision - deferred taxation	**0.00%**	**-0.15%**
- Tax rate change	**0.00%**	**6.00%**
Effective tax rate per statement of comprehensive income	**27.00%**	**34.00%**

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

	2023 R'000	2022 R'000
Profit before tax from operations	**70,331**	18,676
Income tax calculated at 27% (28%)	**18,989**	5,229
Tax effect of		
- Tax rate change	**-**	1,121
Tax charge	**18,989**	6,350

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 2023. Notably, this rate adjustment has been implemented during the current financial year. The deferred tax balances as at 31 December 2022 are reflected at the 27% substantively enacted tax rate.

Notes to the Annual Financial Statements (continued)

	2023 R'000	2022 R'000

18. Cash utilised in operations

	2023 R'000	2022 R'000
Profit before taxation	**70,331**	18,676
Adjusted for non-cash items:		
Fair value changes of derivative instruments	**(1,355)**	11,869
Impairment charges	**23,999**	40,822
Cash generated before working capital changes	**92,975**	71,367
Changes in working capital:	**7,093**	(17,831)
Decrease / (increase) in trade and other receivables	**11,733**	(7,984)
(Decrease) in trade and other payables	**(3,011)**	(11,422)
(Increase) / decrease in derivative financial liability	**(1,629)**	1,575
Interest income	**(533,958)**	(390,321)
Interest expense	**444,453**	319,306
SARS Interest received (refer note 14)	**(166)**	-
Cash from / (utilised in) operations	**10,397**	(17,479)

18.1 Interest received

	2023 R'000	2022 R'000
Interest income	**533,958**	390,321
Movement in interest accrual	**9,765**	24,262
Interest accrued current year	**83,816**	74,053
Interest accrued prior year	**(74,051)**	(49,791)
Cashflow	**543,723**	414,583

18.2 Interest paid

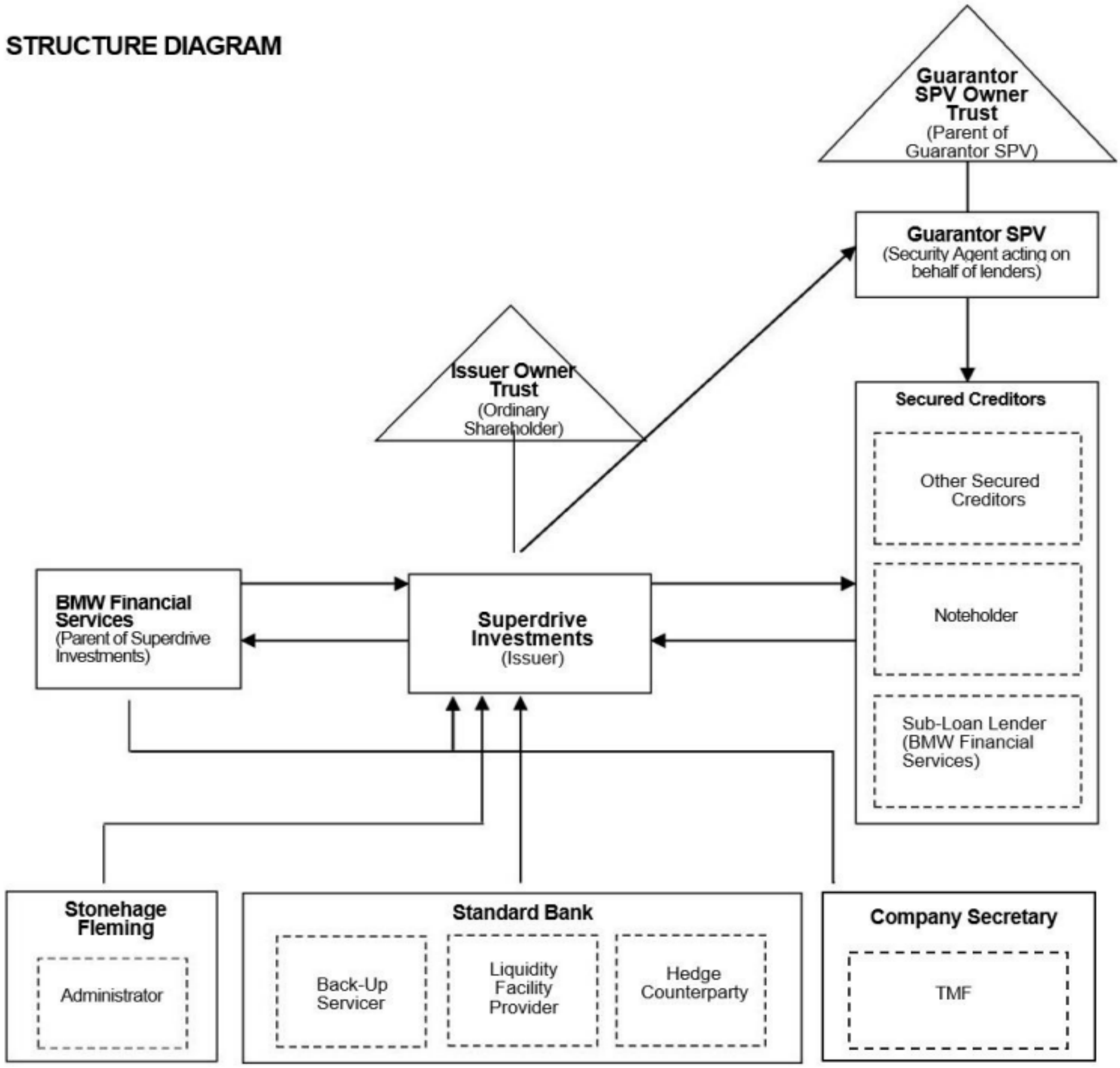
	2023 R'000	2022 R'000
Interest expense	**(444,453)**	(319,306)
Movement in interest accrual	**8,510**	14,146
Interest accrued current year	**50,145**	41,635
Interest accrued prior year	**(41,635)**	(27,489)
Cashflow	**(435,943)**	(305,160)

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.



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 R916,262,961 (2022: R914,561,014) for the year (note 10). Interest expense recognized on the subordinated funding amounted to R102,552,260 (2022: R76,623,466) during the year (note 13).

Purchase of additional auto loans

The Company had normal top ups of R2,630,668,447 (2022: R2,656,227,804) during the year (note 4).

Settlements

The Company paid settlements of R2,540,436,779 (2022: R2,512,067,103) during the year (note 4).

Buybacks

BMW Financial Services bought back assets to the value of R29,009,153 (2022: R24,166,152) during the year (note 4).

Interest income

The Company received interest income from BMW Financial Services to the value of R487,452,000 (2022: R356,551,274) during the year (note 12.1).

BMW Financial Services receivables (auto loans)

The Company has an amount receivable of R3,909,995,600 (2022: R3,908,436,666) from BMW Financial Services in respect of auto loans (note 4).

BMW Financial Services is the appointed Servicer. The Servicer fee amounted to R18,992,088 (2022: R19,006,335) for the year (note 16).

Trade and other receivables

The Company has an amount receivable of R214,690,870 (2022: R226,424,343) from BMW Financial Services in respect of auto loans remittance (note 3).

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 (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 R333,315 (2022: R275,135) were paid to TMF Corporate Services, 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 loan customers only partially fulfill their contractual obligations. The Portfolio of Participating Assets, as defined in the Programme Memorandum, is subject to Portfolio Covenants that aim to ensure a diverse and high-quality loan book. The company aims to comply fully with the Programme Memorandum and structure as approved by the South African Reserve Bank. 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 2023, the Portfolio of Participating Assets adhered to the Portfolio Covenants. Additionally, as mentioned in the Annual Financial Statement's going concern assessment, 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 continuously, and if deemed necessary, BMW Financial Services buys assets back from the Company.

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 Financial Services. 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)

20.1 Credit risk (continued)

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

Trade and other receivables

Included in the trade and other receivables, are receivables, from BMW Financial Services amounting to R214,690,870 (2022: R226,424,343) 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 2023 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)

20.1 Credit risk (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 (R'000)**	**1% increase**	**1% decrease**
2023	**1% ***	**55,272**	**55,825**	**54,719**
2022	1% *	58,753	59,340	58,165

* 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)

20.1 Credit risk (continued)

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

2023:

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	**3,047**	**1,180,682**	**5,289**	Active portfolio i.e. no delinquency, risk rated a 1 at application stage
	2	12 Months	**2,305**	**937,354**	**8,156**	Active portfolio i.e. no delinquency, risk rated a 2 at application stage
	3	12 Months	**1,635**	**661,996**	**9,420**	Active portfolio i.e. no delinquency, risk rated a 3 at application stage
	4 - 5	12 Months	**1,728**	**631,700**	**13,598**	Active portfolio i.e. no delinquency, risk rated a 4-5 at application stage
	6 - 7	12 Months	**247**	**106,585**	**4,498**	Active portfolio i.e. no delinquency, risk rated a 6-7 at application stage
Total stage 1			**8,962**	**3,518,317**	**40,961**	
Stage 2	8	LifeTime	**870**	**287,749**	**37,622**	Former delays - These are accounts that had either been in rating class 8 to default 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	**74**	**25,366**	**7,131**	Account is delinquent for 16-30 days
	10	LifeTime	**71**	**22,299**	**7,106**	Account is delinquent for 31-60 days
	11	LifeTime	**31**	**9,763**	**3,413**	Account is delinquent for 61-90 days
Total stage 2			**1,046**	**345,177**	**55,272**	
Stage 3	Default	LifeTime	**1,381**	**437,084**	**316,932**	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			**1,381**	**437,084**	**316,932**	
Total			**11,389**	**4,300,578**	**413,165**	

Notes to the Annual Financial Statements (continued)

20.1 Credit risk (continued)

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)

20.1 Credit risk (continued)

Expected Credit Loss allowance

Transfers

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

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

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

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

2023:	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Expected credit loss allowance opening balance	37,022	58,753	266,574	362,349
Transfer to stage 1	129	(129)	-	-
Transfer to stage 2	(1,574)	7,000	(5,426)	-
Transfer to stage 3	(694)	(9,706)	10,400	-
Increase / (decrease) during the year for existing loan	8,164	1,262	49,508	58,934
Derecognition	(6,847)	(4,341)	(5,212)	(16,400)
Origination	3,871	1,614	609	6,094
Changes in models and risk parameters	890	1,414	479	2,783
Write-offs	-	(595)	-	(595)
Expected credit loss allowance 31 December 2023	**40,961**	**55,272**	**316,932**	**413,165**

The increase is driven by an increase in lending rates and poor economic conditions, which led to an increase in delinquency rates.

Notes to the Annual Financial Statements (continued)

20.1 Credit risk (continued)

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**

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)

20.2 Liquidity risk (continued)

Maturity analysis of financial liabilities:

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

2023:	0-12 months R '000	1-2 years R '000	3-5 years R '000	Total R '000	Carrying Value R '000
Trade and other payables	**(9,471)**			**(9,471)**	**(9,471)**
Subordinated loans	**(570,919)**	**(322,552)**	**(158,258)**	**(1,051,729)**	**(916,263)**
Debt securities	**(2,155,750)**	**(1,427,628)**	**(659,377)**	**(4,242,755)**	**(3,656,382)**
Derivative financial liability	**(3,736)**	**(3,574)**	**-**	**(7,310)**	**(7,760)**
	(2,739,876)	**(1,753,754)**	**(817,635)**	**(5,311,265)**	**(4,589,876)**

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)**

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).

Derivative financial liability - There is a liquidity risk associated with making quarterly net interest payments on the swap as rates fluctuate.

The above mentioned risks have been assessed as low.

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)

20.3 Interest rate risk (continued)

Basis risk

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

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

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

Prime – JIBAR risk

The Prime-JIBAR rate basis risk is managed on a ratio basis, i.e. ratio of the portion of 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.

2023:		**Carrying value R'000**	
Sensitivity	**-1%**		**+1%**
Interest expense on debt securities		**3,656,382**	
Impact on profit or loss	**36,564**		**(36,564)**
Sensitivity	**-1%**		**+1%**
Interest expense on subordinated loan		**916,263**	
Impact on profit or loss	**9,163**		**(9,163)**
Sensitivity	**-1%**		**+1%**
Cash and cash equivalents		**557,799**	
Impact on profit or loss	**(5,578)**		**5,578**
Sensitivity	**-1%**		**+1%**
BMW Financial Services receivable (auto loans)		**3,909,996**	
Impact on profit or loss	**(39,100)**		**39,100**
Sensitivity	**-1%**		**+1%**
Derivative financial liability		**7,760**	
Impact on profit or loss	**78**		**(78)**

Sensitivity net of the above items:	**1,127**	**(1,127)**
Sensitivity after tax:	**823**	**(823)**

Notes to the Annual Financial Statements (continued)

20.3 Interest rate risk (continued)

2022:

	-1%	Carrying value R'000	+1%
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 liability		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)**

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

2023:

	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	-	-	4,495	4,495	-	4,495
Deferred taxation	-	-	32,125	32,125	32,125	-
BMW Financial Services receivable	3,909,995	-	-	3,909,995	3,097,215	812,780
Trade and other receivables	215,039	-	-	215,039	-	215,039
Cash and cash equivalents	557,799	-	-	557,799	-	557,799
Total assets	**4,682,833**	**-**	**36,620**	**4,719,453**	**3,129,340**	**1,590,113**

Liabilities						
	R'000	R'000	R'000	R'000	R'000	R'000
Derivative financial liability	-	7,760	-	7,760	4,472	3,288
Debt securities	3,656,382	-	-	3,656,382	1,500,632	2,155,750
Subordinated loans	916,263	-	-	916,263	345,344	570,919
Trade and other payables	9,474	-	-	9,474	-	9,474
Total Liabilities	**4,582,119**	**7,760**	**-**	**4,589,879**	**1,850,448**	**2,739,431**

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	-	-	30,260	30,260	30,260	-
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**	**-**	**43,429**	**4,665,591**	**2,907,128**	**1,758,463**

Liabilities						
	R'000	R'000	R'000	R'000	R'000	R'000
Derivative financial liability	-	10,743	-	10,743	8,666	2,077
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**	**10,743**	**-**	**4,587,359**	**4,155,476**	**431,883**

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 2023 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 2023

The table below sets out the carrying 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 2023:

	31 December 2023		
	Carrying value	**Fair value**	**Fair value hierarchy**
	R'000	**R'000**	
BMW Financial Services receivable (auto loans) (Including accrued interest, excluding impairments)	**4,323,160**	**4,490,844**	**Level 3**
	4,323,160	**4,490,844**	
Debt Securities (Including accrued interest)	**3,656,382**	**3,728,734**	**Level 2**
Subordinated loans	**916,263**	**926,911**	**Level 3**
	4,572,645	**4,655,645**	

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)

22. Fair value management (continued)

	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**	

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 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	R' 000	**R' 000**	**R' 000**	**R' 000**
Measured at fair value				
Derivatives	**-**	**(7,760)**	**-**	**(7,760)**
	-	**(7,760)**	**-**	**(7,760)**

	31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	R' 000	**R' 000**	**R' 000**	**R' 000**
Measured at fair value				
Derivatives	-	(10,743)	-	(10,743)
	-	**(10,743)**	**-**	**(10,743)**

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

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue operating for at least 12 months from the reporting date.

In assessing whether the going concern assumption is appropriate, management has considered all available information about the future, including macroeconomic, geopolitical, power outages and political uncertainty in anticipation of the upcoming elections in May 2024. This assessment covers at least 12 months following the approval of these financial statements. In particular, management has assessed the existing and anticipated effects of rising interest rates, higher inflation, persistent unemployment and frequent loadshedding on household finances.

While the Company has been profitable in recent years, higher interest rates have resulted in some auto loan customers struggling to make payments. The Company has increased its provision for loan losses to account for this. If these trends continue over the next 12 months, it could impact the Company's cash flows and profitability.

However, the Company has a strong financial position and diverse sources of financing in place. Existing cash reserves provide an adequate buffer to withstand further increases in provisioning over the next 12-18 months should economic conditions not improve.

Additionally, as at 31 December, current liabilities exceeded current assets by R1.1 million. This is primarily due to notes A13 and A14 maturing in August 2024. The company expects to refinance the maturing notes with new Class A notes in August 2024. This refinancing plan strengthens the Company's ability to meet its short-term obligations.

Therefore, while some uncertainty exists around the impact of the macroeconomic environment on operations over the next 12 months, management judges that the Company has sufficient resources to continue operating and meeting obligations as they become due. Accordingly, management continues to adopt the going concern basis in preparing these financial statements.

24. Subsequent events

The Company settled a revised assessment amount of R9,689,474.04 with the South African Revenue Services (SARS) relating to a Value-Added Tax (VAT) dispute. This amount was paid while the assessment is under dispute with the Tax Court (refer to Contingent Liability).

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.

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 matter remained unresolved through the normal dispute resolution process and the Directors, upon advice of Senior Counsel, decided that the matter should be referred to the Tax Court.

The litigation department of SARS is currently dealing with the dispute and the Company is co-operating fully with all information requests as required by the Tax Administration Act.

Notes to the Annual Financial Statements (continued)

25. Contingent liability (continued)

Based upon advice from Senior Counsel, the Company 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 recorded.

Subsequent to the closing of the financial year, the Company has settled the revised assessment amount of R9,689,474.04 while the assessment is under dispute with the Tax Court. This amount will be recognised as an asset in the subsequent financial year should the appeal be successful.