



SuperDrive Investments (RF) Limited
(Reg. No. 2011/000895/06)

Annual Financial Statements

For the year ended 31 December 2016

In terms of S29(1)(e)(ii) of the Companies Act 71 of 2008 as amended, we confirm that the following financial statements were prepared by Jacqueline Platt at Maitland Outsourced Securitisation Services Proprietary Limited, the Administrator.

The following financial statements have been audited in compliance with S 29(1)(e)(i) of the Companies Act 71 of 2008 as amended.

SuperDrive Investments (RF) Limited
(Registration number: 2011/000895/06)

Annual financial statements
for the year ended 31 December 2016

Contents	Page
Directors' responsibility statement	3
Directors' report	4 - 5
Corporate governance statement	6
Audit committee report	7 - 8
Independent auditor's report	9 - 12
Statement of financial position	13
Statement of comprehensive income	14
Statement of changes in equity	15
Statement of cash flows	16
Notes to the annual financial statements	17 - 39

SuperDrive Investments (RF) Limited

Directors' responsibility statement
for the year ended 31 December 2016

The directors are responsible for the preparation and fair presentation of the financial statements of SuperDrive Investments (RF) Limited, comprising the statement of financial position at 31 December 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, as well as the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

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

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

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

Approval of financial statements

The annual financial statements, as identified in the first paragraph, were approved by the board of directors on 13 June 2017 and signed by:



AM Koser
Director



WH Swanepoel
Director

SuperDrive Investments (RF) Limited

Directors' report

for the year ended 31 December 2016

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 manage the assets so acquired. The ordinary shares of the company are owned by the SuperDrive Investments Issuer Owner Trust. A separate security special purpose vehicle, SuperDrive Investments Guarantor SPV (RF) Proprietary Limited ("Security SPV"), holds and will if obliged to, realise security in the form of the instalment sale vehicle assets for the benefit of the debt security holders, having furnished a limited recourse guarantee to these parties. The company has indemnified the Security SPV in respect of claims made by the debt security holders and other creditors who are secured under the guarantee. As security for the indemnity, the company has ceded and pledged the assets of the company to the Security SPV. The ordinary shares of the Security SPV are owned by the SuperDrive Investments Guarantor SPV Owner Trust.

Financial results

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

Directors' interest

The directors and officers have no interests in the company.

Directors' fees

Three of the directors of the company are employed by an external service provider, and are remunerated by their respective employers on a separate basis. There was no remuneration or benefit 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.

Directors' fees of R150 127 were paid to TMF Corporate Services SA Proprietary Limited, as employer of the Directors (2015: R139 788).

Share capital

Details of the authorised and issued share capital of the company appear in note 8 of the financial statements. As at 31 December 2016, BMW Financial Services (South Africa) Proprietary Limited owned the company's sole preference share. In terms of International Financial Reporting Standards (IFRS), the company is consolidated into BMW Financial Services (South Africa) Proprietary Limited's consolidated annual financial statements.

SuperDrive Investments (RF) Limited

Directors' report (continued)

for the year ended 31 December 2016

Directors

The directors of the company, during the year, were as follows:

Director	Appointed	Resigned
B Harmse	7 July 2011	31 December 2016
A Krieger	1 April 2012	31 January 2016
R Thanthony	15 February 2013	
W Swanepoel	13 March 2014	
AM Koser	1 February 2016	
BJ Korb	31 December 2016	
OA Ferreira (Alternate)	31 December 2016	

Secretary

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

Dividends

No dividends were declared or paid in the current year.

Social and Ethics

The social and ethics committee was formed during 2016, with AM Koser, R Thanthony and BJ Korb as members.

Service providers

Administrator:

Maitland Outsourced Securitisation Services Proprietary Limited

Auditor:

KPMG Inc.

Servicer:

BMW Financial Services (South Africa) Proprietary Limited

Going concern

The company's annual financial statements have been prepared on the going concern basis.

Subsequent events

Current tax

The objection of the company against additional assessments raised in respect of taxation years 2012 and 2013 was denied by SARS. The company has therefore filed an appeal against the outcome of the objection with a view of resolving the matter through the alternative dispute resolution process.

Business Address

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

Postal Address

Postnet suite 294
Private Bag X1005
Claremont
Cape Town
7735

SuperDrive Investments (RF) Limited

Corporate Governance Statement

for the year ended 31 December 2016

The Company is fully committed to the principles of the Code of Corporate Practices and Conduct ("the Code") as set out in the King III 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.

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

In terms of the JSE Debt Listings Requirements, the company has complied with the King III Code, and is required to provide an explanation of which principles are not applied along with reasons for non-application. At 31 December 2016 the company did not apply the below principles:

Status at 31 December 2016

Explanation

The board did not appoint a Chief Executive Officer (CEO).

The company is a ring fenced special purpose securitisation vehicle. All its services are outsourced to external service providers, as specified in the directors' report and the company has no employees. Therefore it is not necessary for the board to appoint a CEO.

The company does not pay remuneration to directors and executives and therefore does not disclose the remuneration of each individual director and certain senior executives.

All of the directors of SuperDrive Investments (RF) Limited are employed by external companies, and are remunerated by their respective employers on a separate basis. There were no benefits paid directly to the directors of the company during the current or prior years.

Shareholders did not approve the company's remuneration policy.

The company is a ring fenced special purpose securitisation vehicle. All its services are outsourced to external service providers, as specified in the directors' report and the company has no employees.

The board of directors does not delegate its functions to a risk, nomination or remuneration committee.

The company is a ring fenced special purpose securitisation vehicle. All its services are outsourced to external service providers, as specified in the directors' report and the company has no employees. Therefore it is not necessary for the company to have a remuneration committee.

Evaluations of the board have not been performed every year.

An evaluation of the Board will be performed in 2017.

SuperDrive Investments (RF) Limited

Audit committee report

for the year ended 31 December 2016

Members of the audit committee

R Thanthony (Chairperson)

WH Swanepoel

BJ Korb

The chairman of the Board, WH Swanepoel, serves on the audit committee, but another independent non-executive director acts as chairman thereof. Given that the company is a special purpose vehicle incorporated as an Issuer in the securitisation scheme (as regulatory defined), the afore-going is considered acceptable and reasonable.

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

Meetings held by the Audit Committee

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

The audit committee held meetings 24 May 2016 and 29 November 2016 during which it reviewed its audit committee charter and fulfilled its responsibilities in terms thereof.

Expertise and experience of finance function

The servicing of the company's assets is performed by BMW Financial Services (South Africa) Proprietary Limited, whilst the accounting records are prepared by Maitland Outsourced Securitisation Services Proprietary Limited ("Administrator") (jointly hereinafter "Management"). The Servicer's internal audit function does not directly report to the audit committee, but highlights any matters relevant to the company's annual financial statements via the Servicer who reports to the Board.

The on-going secretarial administration of the company's statutory records is done by TMF Corporate Services (South Africa) Proprietary Limited, a specialist trust company that provides independent directors and trustees.

Independence of external auditor

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

The company's auditor is KPMG Inc.

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 15 in the financial statements on page 30.

SuperDrive Investments (RF) Limited

Audit committee report (continued) for the year ended 31 December 2016

Discharge of responsibilities

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

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

- Reviewed the reports of the external auditor regarding their audit and requested appropriate responses from management;
- Approved the external auditor's fees for the 2016 annual financial statement audit; and
- Considered the independence and objectivity of the external auditor.

Annual Financial Statements

Following the review by the committee of the annual financial statements of the company for the year ended 31 December 2016 and based on the information provided to it, the committee considers that, in all material respects, the company complies with the provisions of the Companies Act 71 of 2008, as amended, International Financial Reporting Standards, and that the accounting policies applied, are appropriate.

The committee recommended the company's 2016 annual financial statements for approval by the Board on 13 June 2017.

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

On behalf of the audit committee:



R Thanthony
Chairperson Audit Committee
13 June 2017

Independent auditor's report

To the members of SuperDrive Investments (RF) Limited



KPMG Inc
KPMG Crescent
85 Empire Road, Parktown, 2193
Private Bag 9, Parkview, 2122, South Africa

Telephone +27 (0)11 647 7111
Fax +27 (0)11 647 8000
Docex 472 Johannesburg
Internet kpmg.co.za

Independent Auditor's Report

To the Shareholders of SuperDrive Investments (RF) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SuperDrive Investments (RF) Limited (the Company), set out on pages 13 to 39 which comprise the statement of financial position at 31 December 2016, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of the 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 International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Policy Board
Chief Executive: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Malaba,
M Oddy, CAT Smit

Other Directors: ZA Beseti, LP Fourie, N Fubu,
AH Jaffer (Chairman of the Board), ME Magondo,
F Mall, GM Pickering, JN Pierce

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.



Valuation of BMW Financial Services receivable	
Refer to accounting policy 1.2.4 and note 5	
Key audit matter	How the matter was addressed
<p>Included in the Statement of financial position is an amount of R4 838 388 000 relating to BMW financial services receivable.</p> <p>Significant financial assets within this receivable are assessed for impairment at year end on an individual basis and the balance is assessed on a collective basis that share similar credit risk characteristics.</p> <p>This impairment calculation is complex and requires significant judgement by management.</p> <p>The following key assumptions were applied in management's assessment:</p> <ul style="list-style-type: none"> - the probability of default - the loss given default - the emergence periods between the impairment event occurring and an individual or collective Impairment being recognised. <p>Due to the complexity and judgement required by management in the calculation of the impairment and the work effort from the team, the valuation of BMW financial services receivable was considered a key audit matter.</p>	<p>Our procedures included the following for both the collective and individual impairment:</p> <p>We considered the appropriateness of accounting policies and assessed the loan impairment methodologies applied by comparing these to the requirements of IAS 39 Financial Instruments: Recognition and Measurements</p> <p>We obtained an understanding and tested the relevant controls over the credit origination processes, the credit monitoring processes and credit remediation processes.</p> <p>We used a valuation expert as part of our audit team to perform an independent assessment of the impairment of BMW financial receivable. As part of the assessment:</p> <p>We used an independent modelling approach to estimate the impairments for both the collective and individual basis</p> <p>In performing this independent calculation, we challenged management's assumptions and inputs used in calculating the impairments based on our knowledge of the Company and the industry.</p> <p>We compared results from our independent impairment calculation to the Company's impairment calculation to assess the reasonableness of the impairment recognised in the financial statements.</p>

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and the Audit Committee's Report as required by the Companies Act of South Africa, the Corporate Governance Statement as required in terms of the JSE Debt Listings Requirements and the Directors' responsibility statement. 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially



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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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, 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 KPMG Inc. has been the auditor of SuperDrive Investments (RF) Limited for 6 years.

KPMG Inc.

A handwritten signature in cursive script that reads 'Tracy Middlemiss'.

Tracy Middlemiss

Chartered Accountant (SA)

Director

Registered Auditor

27 June 2017

SuperDrive Investments (RF) Limited

Statement of financial position
at 31 December 2016

	<u>Notes</u>	<u>2016</u> R '000	<u>2015</u> R '000
ASSETS			
Deferred tax	2	4 449	1 068
Current tax asset	3	18 527	15 329
Derivative financial asset	4	7 249	4 514
BMW Financial Services receivable	5	4 838 388	3 145 634
Trade and other receivables	6	608	475
Cash and cash equivalents	7	599 162	455 816
		<hr/>	<hr/>
Total assets		5 468 383	3 622 836
		<hr/> <hr/>	<hr/> <hr/>
EQUITY AND LIABILITIES			
Capital and reserves		143 659	100 022
Share Capital	8	-	-
Retained earnings		143 659	100 022
		<hr/>	<hr/>
Liabilities		5 324 724	3 522 814
Debt securities	9	4 111 003	2 725 788
Subordinated loans	10	1 208 057	793 120
Trade and other payables	11	5 664	3 906
		<hr/>	<hr/>
Total equity and liabilities		5 468 383	3 622 836
		<hr/> <hr/>	<hr/> <hr/>

SuperDrive Investments (RF) Limited

Statement of comprehensive income for the year ended 31 December 2016

	<u>Notes</u>	<u>2016</u> R '000	<u>2015</u> R '000
Interest income	12	515 726	389 102
Interest expense	12	(407 115)	(336 056)
		<hr/>	<hr/>
Net interest income		108 611	53 046
Other income	13	26 853	27 177
Fair value changes of derivative instruments	4	3 022	(3 111)
		<hr/>	<hr/>
Total income		138 486	77 112
Impairment charges	14	(50 324)	(2 533)
Other expenses	15	(27 555)	(27 163)
		<hr/>	<hr/>
Profit before taxation		60 607	47 416
Taxation	16	(16 970)	(13 597)
		<hr/>	<hr/>
Total comprehensive income for the year		<u>43 637</u>	<u>33 819</u>

SuperDrive Investments (RF) Limited

Statement of changes in equity

for the year ended 31 December 2016

	<u>Share Capital</u> R '000	<u>Retained income</u> R '000	<u>Total</u> R '000
Balance at 1 January 2015	-	66 203	66 203
Total comprehensive income for the year	-	33 819	33 819
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	-	100 022	100 022
Total comprehensive income for the year	-	43 637	43 637
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	-	143 659	143 659
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* Due to the financial statements being disclosed in R'000, the share capital of R 100 does not reflect above. Please refer note 8.

SuperDrive Investments (RF) Limited

Statement of cash flows

for the year ended 31 December 2016

	<u>Notes</u>	<u>2016</u> R '000	<u>2015</u> R '000
Cash flows from operating activities			
Cash generated from / (utilised in) operations	17	1 433	(344)
Interest received	17.1	515 504	389 153
Interest paid	17.2	(384 214)	(345 683)
Taxation (paid) / received	3	(23 550)	12 662
		<hr/>	<hr/>
<i>Net cash inflow from operating activities</i>		109 173	55 788
		<hr/>	<hr/>
Cash flows from investing activities			
(Acquisitions) / settlements of income earning assets		(1 743 078)	1 011 762
		<hr/>	<hr/>
<i>Net cash (outflow) / inflow from investing activities</i>		(1 743 078)	1 011 762
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from redemption of debt securities		(1 074 000)	(821 000)
Proceeds from debt securities issued		2 442 000	-
Increase / (repayment) of subordinated loan		409 251	(266 438)
		<hr/>	<hr/>
<i>Net cash inflow / (outflow) from financing activities</i>		1 777 251	(1 087 438)
		<hr/>	<hr/>
Net increase / (decrease) in cash and cash equivalents		143 346	(19 888)
Cash and cash equivalents at beginning of the year		455 816	475 704
		<hr/>	<hr/>
Cash and cash equivalents at end of the year	7	599 162	455 816
		<hr/> <hr/>	<hr/> <hr/>

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

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 International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

1.1 Basis of preparation

The annual financial statements at 31 December 2016 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 following assets and liabilities which are stated at fair value: derivative financial instruments.

1.1.1 Judgements and estimates

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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

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.

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

- Note 1.2.4 – Impairment of financial assets
- Note 1.2.5 – Impairment of non-financial assets

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

1. Accounting policies (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.

1.2.2 Measurement

Financial instruments are initially measured at their fair value plus, in case of financial instruments 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 these instruments are measured as set out below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits 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. 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 less impairment. Trade and other receivables are impaired when objective evidence exists that a loss will result after initial recognition of trade and other receivables.

Financial liabilities

Non-derivative financial liabilities are measured at amortised cost, using the effective interest rate method. Non-derivative financial instruments comprise debt securities, subordinated loans and trade and other payables.

Derivative instruments

Derivative instruments are measured at fair value, with any fair value gains and losses being recognised in profit or loss.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments are included in profit or loss in the period in which the change arises.

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

1. Accounting policies (continued)

1.2 Financial instruments (continued)

1.2.3 Off-set

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.

1.2.4 Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. The criteria, which is used to determine if there is objective evidence, includes an analysis of the historical performance of the portfolio and a review of the delinquency statistics.

Any impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in profit or loss.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in companies that share similar credit risk characteristics.

1.2.5 Impairment of non-financial assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss.

An impairment loss is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

1. Accounting policies (continued)

1.3 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

1.4 Taxation

Income tax expense includes current and deferred tax. Income tax expense is recognised in profit and 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.

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.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

1.5 Income

Net interest income

Interest income is recognised at the effective yield method rates of interest 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.

Other income

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

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

1. Accounting policies (continued)

1.6 Standards and interpretations not yet effective

The following standards and interpretations have been issued but are not yet effective and management is in the process of assessing the impact of these standards:

Standard:	Expected changes and impact:	Effective date (periods beginning on or after):
IFRS 9: Financial Instruments	<ul style="list-style-type: none">• A new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics.• The new model introduces a single impairment model being applied to all financial instruments, as well as an “expected credit loss” model for the measurement of financial assets.• A new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. <p>The impact of adoption of IFRS 9 on the Company is currently being investigated by the administrator, in alignment with the servicer.</p> <p>The implementation of the new impairment model requires substantial modifications to existing processes and systems. The implementation of these modifications is in progress.</p> <p>The overall impact cannot be quantified reliably as yet.</p>	1 January 2018
IFRS 15: Revenue from contracts with customers	<ul style="list-style-type: none">• New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.• The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. <p>The administrator, in alignment with the servicer, is in the process of assessing the impact of IFRS 15 on the Company. Until the process has been completed, the Company is unable to determine the significance of the impact.</p>	1 January 2018

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

1. Accounting policies (continued)

1.6 Standards and interpretations not yet effective (continued)

Standard:	Expected changes:	Effective date (periods beginning on or after):
IFRS 16: Leases	<ul style="list-style-type: none">• New standard introducing a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This will result in almost all leases being included in the Statement of Financial Position. It sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (“lessee”) and the supplier (“lessor”). No significant changes have been included for lessors.• IFRS 16 contains expanded disclosure requirements for lessees.• IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.• IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor’s risk exposure, particularly to residual value risk. <p>The administrator, in alignment with the servicer, is in the process of assessing the impact of IFRS 15 on the Company. Until the process has been completed, the Company is unable to determine the significance of the impact.</p>	1 January 2019
IAS 7: Statement of Cash Flows	<ul style="list-style-type: none">• Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses). <p>No significant disclosure changes are expected.</p>	1 January 2017
IAS 12: Income taxes	<ul style="list-style-type: none">• Recognition of Deferred Tax Assets for Unrealised Losses: Narrow-scope amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. <p>No significant disclosure changes are expected.</p>	1 January 2017

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

	<u>2016</u> R '000	<u>2015</u> R '000
2. Deferred tax asset		
The following are the major deferred tax assets recognised by the company and movements thereon, during the current reporting period.		
Deferred tax analysis		
Allowances for credit losses	6 371	2 143
Derivative financial asset	(1 931)	(1 084)
Provisions	9	9
	<hr/>	<hr/>
	4 449	1 068
	<hr/>	<hr/>
Deferred tax reconciliation		
Deferred tax asset at beginning of the year	1 068	1 250
Fair value changes of derivative instrument	(847)	871
Allowances for credit losses	4 228	(1 053)
	<hr/>	<hr/>
Deferred tax asset at end of the year	4 449	1 068
	<hr/>	<hr/>
3. Current tax asset		
Balance at the beginning of the year	15 329	41 406
Payment to / (received from) SARS	23 550	(12 662)
Current taxation	(20 352)	(13 415)
	<hr/>	<hr/>
Balance owing by SARS at year end	18 527	15 329
	<hr/>	<hr/>

Contingent Liability on Doubtful Debt allowance for Superdrive

The company is entitled to a discretionary doubtful debt allowance for tax purposes in terms of section 11(j) of the Income Tax Act. This allowance has been claimed based on the practice generally applied by SARS to major South African Banks recorded in a written guideline to the members of the Banking Association of South Africa ("BASA Ruling). This method has been fully recorded in the annual tax returns.

In November 2015, the company received additional assessments relating to the doubtful debt allowance claimed by the company in the 2012 and 2013 financial years. SARS indicated that the company was only entitled to claim a straight 25% allowance as opposed to the increased allowances in terms of the BASA Ruling. The amounts relating to the additional assessments were set off from a refund which was due to the company.

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

3. Current tax asset (continued)

Contingent Liability on Doubtful Debt allowance

SARS investigated the doubtful debt allowance claimed by SuperDrive during mid-2015 and verbally raised concerns that the company may not apply the BASA Ruling since it is not a member of BASA. SARS argued that a straight 25% allowance will be allowed as opposed to the increased allowances (up to 100%) in terms of the BASA Ruling.

Included in the current taxation receivable is an amount of R11m pertaining to the revised assessments issued by SARS in respect of SuperDrive's 2012 and 2013 taxation years. An understatement penalty of R1.1m was levied in the revised assessments.

SuperDrive has filed an objection against the revised assessments. The outcome of the objection was not yet finalised as at 31 December 2016.

To the extent that SARS may assess the companies and limit the company to the general 25% allowance for the 2014 – 2015 financial years, the deferred taxation liability would be overstated and the normal tax liability understated by the same amount. The following exposures have been calculated by management as at 31 December 2016:

- Total additional tax liability of R6.8m (offset by an increase in the deferred tax asset);
- Potential understatement penalty levied on the additional tax liability of R679k; and
- Total interest thereon of R1.6m

No formal letter of findings or revised assessments have been received from SARS. Management consulted with Senior Counsel and both management and senior counsel are confident that it will successfully defend any potential challenge by SARS from a taxation technical and taxation procedural perspective.

	<u>2016</u> R '000	<u>2015</u> R '000
4. Derivative financial asset		
Held for trading		
Interest rate swap		
Balance at beginning of the year	4 514	8 220
Fair value changes of interest rate swap	3 022	(3 111)
Interest received	(641)	(1 236)
Interest accrued	354	641
	<hr/>	<hr/>
Balance at the end of the year	7 249	4 514
	<hr/>	<hr/>

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

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

	<u>2016</u> R '000	<u>2015</u> R '000
5. BMW Financial Services receivable		
<p>BMW Financial Services (South Africa) Proprietary Limited legally sold a portion of auto loans to SuperDrive Investments (RF) Limited. However, since BMW Financial Services (South Africa) Proprietary Limited 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.</p> <p>Thus an intercompany receivable is recognised for the consideration paid for these assets to BMW Financial Services. The cash flows arising from this asset are directly attributable to the auto loans and thus, the following disclosure is appropriate and useful to the users of these financial statements, as the carrying amount of the receivable will fluctuate in line with the auto loan balances.</p>		
Gross investment in BMW Financial services receivable	6 202 045	3 898 275
Unearned finance charges	(1 216 279)	(655 587)
Impairments	(147 378)	(97 054)
	<hr/>	<hr/>
	4 838 388	3 145 634
	<hr/>	<hr/>
Reconciliation of movement in balance		
Balance at beginning of the year	3 145 634	4 159 929
Acquisitions	2 298 137	1 381 612
Top ups for the year	2 298 137	1 381 612
Settlements	(536 840)	(1 832 864)
Buybacks	(14 074)	(558 643)
Write-offs	(4 145)	(1 867)
Impairments	(50 324)	(2 533)
Impairment (raised) on non-performing loans	(36 865)	(5 238)
Impairment (raised) / reversed on performing loans	(13 459)	2 705
	<hr/>	<hr/>
At end of the year	4 838 388	3 145 634
	<hr/>	<hr/>

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

	<u>2016</u> R '000	<u>2015</u> R '000
6. Trade and other receivables		
Interest accrued	408	186
Prepayments	(55)	156
VAT receivable	255	133
	<hr/>	<hr/>
	608	475
	<hr/>	<hr/>
7. Cash and cash equivalents		
Current bank account	2	2
Collections bank account	558 450	428 784
Permitted investments bank account	40 710	27 030
	<hr/>	<hr/>
	599 162	455 816
	<hr/>	<hr/>

The permitted investment bank account includes the cash reserve of R40 710 000 (2015: R27 030 000), which is available for use in the event of a shortfall in available funds which is needed to meet the payment of specified items in terms of the priority of payments per the programme memorandum. The carrying value of cash and cash equivalents approximates fair value, since they are short term in nature.

8. Share capital

Ordinary shares

Authorised

995 Ordinary shares of R1 par value each

Issued

100 Ordinary shares of R1 par value each

- -

Preference shares

Authorised

500 cumulative redeemable preference shares of R0.01 each

Issued

1 cumulative redeemable preference share of R0.01 each

- -

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

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

8. Share capital (continued)

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

One cumulative redeemable preference share with a par value of R0.01 has been issued to BMW Financial Services. Dividends are payable as and when declared by the directors with reference to a priority of payments agreement, which is after the payment of trade creditors, servicing and administration fees, derivative amounts due, interest payment to debt security holders, payment to the cash reserve, repayment of the debt securities outstanding and interest and repayment to the subordinated lender. 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. Debt securities

2016:	Total	Debt	Accrued
	R '000	Securities	Interest
		R '000	R '000
Class A1	-	-	-
Class A2	-	-	-
Class A3	-	-	-
Class A4	685 554	679 000	6 554
Class A5	436 075	432 000	4 075
Class A6	523 000	518 000	5 000
Class A7	301 929	299 000	2 929
Class A8	919 183	910 000	9 183
Class A9	639 241	633 000	6 241
Class A10	606 021	600 000	6 021
	<hr/>	<hr/>	<hr/>
	4 111 003	4 071 000	40 003
	<hr/>	<hr/>	<hr/>
2015:	Total	Debt	Accrued
	R '000	Securities	Interest
		R '000	R '000
Class A1	-	-	-
Class A2	1 083 056	1 074 000	9 056
Class A3	-	-	-
Class A4	684 762	679 000	5 762
Class A5	435 574	432 000	3 574
Class A6	522 396	518 000	4 396
	<hr/>	<hr/>	<hr/>
	2 725 788	2 703 000	22 788
	<hr/>	<hr/>	<hr/>

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

9. Debt securities (continued)

Class of securities	Interest rate	Rate at year end 2016	Rate at year end 2015	Maturity Date
Class A2	1.40% above 3 month JIBAR	N/A	7.892%	21 August 2016
Class A3	1.25% above 3 month JIBAR	N/A	7.333%	21 August 2015
Class A4	1.45% above 3 month JIBAR	8.808%	7.942%	21 August 2017
Class A5	1.25% above 3 month JIBAR	8.608%	7.742%	21 August 2017
Class A6	1.45% above 3 month JIBAR	8.808%	7.942%	21 August 2019
Class A7	1.58% above 3 month JIBAR	8.938%	N/A	21 August 2019
Class A8	1.85% above 3 month JIBAR	9.208%	N/A	21 August 2021
Class A9	1.63% above 3 month JIBAR	8.997%	N/A	21 August 2019
Class A10	1.79% above 3 month JIBAR	9.157%	N/A	21 August 2021

Interest rates on all notes are reset quarterly.

10. Subordinated loans

Movement in subordinated loans

Balance at the beginning of the year	793 120	1 062 495
Increase/ (Repayment) of subordinated loan	409 251	(266 438)
Repayment of accrued interest	(8 378)	(11 315)
Accrued unpaid interest	14 064	8 378
	<hr/>	<hr/>
	1 208 057	793 120
	<hr/>	<hr/>

The carrying amount of the subordinated loan approximates fair value. This loan was provided by BMW Financial Services, a subsidiary of BMW Group and was subordinated to creditors in terms of a 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, subject to the priority of payments. The loan is repayable as and when cash was available to make such payments in accordance with the priority of payments agreement.

11. Trade and other payables

Accrual accounts payables	2 939	1 763
Surplus funds	2 725	2 143
	<hr/>	<hr/>
	5 664	3 906
	<hr/>	<hr/>

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

	<u>2016</u> R '000	<u>2015</u> R '000
12. Net interest income		
Interest income		
<i>Interest income on financial assets at amortised cost:</i>		
Interest on BMW Financial Services receivable	481 904	354 157
Interest on call account	25 270	23 843
Interest on cash reserves	2 507	1 972
	<hr/>	<hr/>
	509 681	379 972
 <i>Interest income on financial assets at fair value through profit or loss:</i>		
Interest on swap	6 045	9 130
	<hr/>	<hr/>
	515 726	389 102
	<hr/>	<hr/>
Interest expense		
<i>Interest expense on financial liabilities at amortised cost:</i>		
Interest on subordinated loan	108 167	92 366
Interest on Class A1 notes	-	-
Interest on Class A2 notes	57 841	81 594
Interest on Class A3 notes	-	38 387
Interest on Class A4 notes	58 223	51 925
Interest on Class A5 notes	36 179	32 172
Interest on Class A6 notes	44 418	39 612
Interest on Class A7 notes	16 007	-
Interest on Class A8 notes	48 905	-
Interest on Class A9 notes	19 023	-
Interest on Class A10 notes	18 352	-
	<hr/>	<hr/>
	407 115	336 056
	<hr/>	<hr/>
13. Other Income		
Retail interest revenue	1 533	1 465
Retail settlement revenue	16 429	13 791
Retail administration fee	8 891	8 935
SARS interest received	-	2 986
	<hr/>	<hr/>
	26 853	27 177
	<hr/>	<hr/>

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

	<u>2016</u> R '000	<u>2015</u> R '000
14. Impairment charges		
Impairment of BMW Financial Services receivable		
– non-performing loans	36 865	5 238
Impairment (reversed) / raised of BMW Financial Services receivable		
– performing loans	13 459	(2 705)
	<hr/>	<hr/>
	50 324	2 533
	<hr/>	<hr/>
15. Other expenses		
Other expenses include the following:		
Audit fees	285	285
Servicer fee	18 552	19 472
Directors' fees	150	139
Rating agency fees	232	852
Liquidity facility commitment, backup servicer and admin fees	1 717	651
VAT apportionment expense	2 474	2 752
Other expenses	4 145	3 012
	<hr/>	<hr/>
	27 555	27 163
	<hr/>	<hr/>
16. Taxation		
South African normal taxation:		
- current year tax	20 351	13 415
- deferred tax (note 2)	(3 381)	182
	<hr/>	<hr/>
	16 970	13 597
	<hr/>	<hr/>
Taxation rate reconciliation:		
Taxation at standard rate	28.00%	28.00%
Permanent differences	0.00%	0.68%
	<hr/>	<hr/>
Effective tax rate per statement of comprehensive income	28.00%	28.68%
	<hr/>	<hr/>

SuperDrive Investments (RF) Limited

Notes to the annual financial statements
for the year ended 31 December 2016

	<u>2016</u> R '000	<u>2015</u> R '000
17. Cash generated from operations		
Profit before taxation	60 607	47 416
Adjusted for non-cash items:		
Fair value changes of derivative instruments	(3 022)	3 111
Impairment charges	50 324	2 533
	<hr/>	<hr/>
Cash generated before working capital changes	107 909	53 060
Changes in working capital:	2 136	(358)
Decrease / (increase) in trade and other receivables	90	(120)
Increase / (decrease) in trade and other payables	1 758	(832)
Decrease in derivative financial asset	288	594
	<hr/>	<hr/>
Interest income	(515 726)	(389 102)
Interest expense	407 114	336 056
	<hr/>	<hr/>
Cash generated from / (utilised in) operations	1 433	(344)
	<hr/>	<hr/>
17.1 Interest received		
Interest income	515 726	389 102
Movement in interest accrual	(222)	51
Interest accrued current year	(408)	(186)
Interest accrued prior year	186	237
	<hr/>	<hr/>
Cashflow	515 504	389 153
	<hr/>	<hr/>
17.2 Interest paid		
Interest expense	(407 115)	(336 056)
Movement in interest accrual	22 901	(9 627)
Interest accrued current year	54 066	31 165
Interest accrued prior year	(31 165)	(40 792)
	<hr/>	<hr/>
Cashflow	(384 214)	(345 683)
	<hr/>	<hr/>

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

18. Risk management

The company has exposure to the following risk from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk

Credit risk

Exposure to credit risk arises in the normal course of the company's business. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit.

End-users of the company, being retail customers, are evaluated by using a scoring system developed by BMW Financial Services. Based on the applicant's score, the risk of default is assessed and if acceptable, an appropriate interest rate is agreed.

The retail finance contracts are secured by the underlying vehicle, so that in the event of non-payment, the company has a secured claim.

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.

Impairment losses

The ageing of BMW Financial Services receivable at the end of the reporting period:

2016:

Description	Total Capital Amount R '000	Capital Arrears R '000	%	Number of accounts
Up To Date	4 482 944	-	-	15 677
Distressed not overdue	84 460	-	-	361
0-30 days	163 078	163 078	3.37%	577
31-60 days	50 772	50 772	1.05%	179
61-90 days	23 202	23 202	0.48%	64
91-120 days	33 929	33 929	0.70%	28
Total	4 838 388	270 981	5.60%	16 886

SuperDrive Investments (RF) Limited
Notes to the annual financial statements
for the year ended 31 December 2016

18. Risk management (continued)

Impairment losses (continued)

2015:

Description	Total Capital Amount R '000	Capital Arrears R '000	%	Number of accounts
Up To Date	2 900 878	-	-	11 199
Distressed not overdue	65 355	380	0.01%	293
0-30 days	120 555	120 555	3.83%	444
31-60 days	38 029	38 029	1.21%	142
61-90 days	12 693	12 693	0.40%	43
91-120 days	8 124	8 124	0.26%	30
Total	3 145 634	179 781	5.71%	12 151

The movement in the allowance for impairment in respect of BMW Financial Services receivable during the year was as follows:

	Specific impairments R '000	Portfolio impairments R '000	Total impairments R '000
Balance at 1 January 2015	85 124	9 397	94 521
Impairment loss recognised	5 238	(2 705)	2 533
Amount written off	-	-	-
Balance at 31 December 2015	90 362	6 692	97 054
Impairment loss recognised	36 865	13 459	50 324
Amount written off	-	-	-
Balance at 31 December 2016	127 227	20 151	147 378

Total receivables

Impaired loans

Impaired loans are loans for which the company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been structured due to deterioration in the borrower's financial position and where the company made concessions that it would not necessarily consider under normal circumstances.

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

18. Risk management (continued)

Impairment of assets

The company established an allowance for impairment that represents its estimate of incurred losses in respect of instalment sales. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for companies of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Assets in default

The company defines assets in default as assets that are more than one day overdue. The company have legal recovery policies in place for the repossession of vehicles which are held as collateral for retail financial contracts. Repossessed assets are sold on a public auction to the highest bidder. Proceeds from the sale of the assets are used to offset retail finance balances which are owed by the client. Any remaining balances are recovered from the client in terms of a legal recovery process.

Collateral

The company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security deposits for funds advances, which is common practice. The company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are vehicles against loans and receivables to customers.

Estimate of the fair value of collateral held against financial assets in default are shown below:

	<u>2016</u> R '000	<u>2015</u> R '000
BMW Financial Services receivable	162 604	153 560

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 R175 000 000 in place with Standard Bank of South Africa to meet 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 short fall.

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

18. Risk management (continued)

Liquidity risk (continued)

Maturity analysis of financial liabilities:

2016:

	6 - 12 months R '000	1 – 2 years R '000	2 - 5 years R '000	Total R '000
Trade and other payables	(5 664)	-	-	(5 664)
Subordinated loans	(326 176)	(434 900)	(446 981)	(1 208 057)
Debt securities	(1 151 003)	(1 450 000)	(1 510 000)	(4 111 003)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(1 482 843)	(1 844 900)	(1 956 981)	(5 324 724)

2015:

	6 - 12 months R '000	1 – 2 years R '000	2 - 5 years R '000	Total R '000
Trade and other payables	(3 906)	-	-	(3 906)
Subordinated loans	(320 185)	(322 548)	(150 387)	(793 120)
Debt securities	(1 096 787)	(1 111 000)	(518 000)	(2 725 787)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(1 420 878)	(1 433 548)	(668 387)	(3 522 813)

Interest rate risk

Interest rate risk refers to the risk of loss arising from cash inflows being based on a lower interest rate basis to the interest rate basis of cash outflows.

Basis risk

Our basis risk on floating rate customer contracts (vehicle financing contracts linked to Prime) and floating rate funding is the spread between both the Prime and JIBAR rates and the Prime rate.

This can be reduced by entering into Prime-JIBAR swaps.

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

18. Risk management (continued)

Interest rate risk (continued)

Prime – JIBAR risk

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

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

2016		Carrying value R '000	
Sensitivity Interest expense on debt securities Impact on profit or loss	-1% 41 110	4 111 003	+1% (41 110)
Sensitivity Interest expense on subordinated loan Impact on profit or loss	-1% 12 081	1 208 057	+1% (12 081)
Sensitivity Cash and cash equivalents Impact on profit or loss	-1% (5 992)	599 162	+1% 5 992
Sensitivity BMW Financial Services receivable Impact on profit or loss	-1% (48 384)	4 838 388	+1% 48 384

2015		Carrying value R '000	
Sensitivity Interest expense on debt securities Impact on profit or loss	-1% 27 258	2 725 788	+1% (27 258)
Sensitivity Interest expense on subordinated loan Impact on profit or loss	-1% 7 931	793 120	+1% (7 931)
Sensitivity Cash and cash equivalents Impact on profit or loss	-1% (4 558)	455 816	+1% 4 558
Sensitivity BMW Financial Services receivable Impact on profit or loss	-1% (31 456)	3 145 634	+1% 31 456

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

18. Risk management (continued)

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.

19. Fair value management

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values:

	31 December 2016		31 December 2015	
	Carrying value R '000	Fair value R '000	Carrying value R '000	Fair value R '000
BMW Financial Services receivable (including accrued interest)	4 838 388	5 171 363	3 145 634	3 295 499
	<u>4 838 388</u>	<u>5 171 363</u>	<u>3 145 634</u>	<u>3 295 499</u>
Debt Securities (including accrued interest)	4 111 003	4 137 157	2 725 788	2 725 806
	<u>4 111 003</u>	<u>4 137 157</u>	<u>2 725 788</u>	<u>2 725 806</u>

Fair Value Hierarchy

At the reporting date, the carrying amounts of financial instruments held at amortised cost 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 2016			
	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000
Not measured at fair value				
Financial assets	-	5 171 363	-	5 171 364
Financial liabilities	-	(4 137 157)	-	(4 137 157)
Measured at fair value				
Derivatives	-	7 249	-	7 249
	<u>-</u>	<u>1 041 455</u>	<u>-</u>	<u>1 041 455</u>

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

19. Fair value management (continued)

Fair Value Hierarchy (continued)

	31 December 2015			
	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000
Not measured at fair value				
Financial assets	-	3 295 499	-	3 295 499
Financial liabilities	-	(2 725 806)	-	(2 725 806)
Measured at fair value				
Derivatives	-	4 514	-	4 514
	-	574 207	-	574 207

The fair values of the financial assets 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 discount rate that reflects the credit risk of counterparties.

20. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. In the ordinary course of business, the company enters into various transactions with related parties. These transactions are at arm's length.

SuperDrive Investments Issuer Owner Trust owns the company's shares. In terms of International Financial Reporting Standards (IFRS), the company is consolidated into BMW Financial Services' consolidated annual financial statements and BMW South Africa's consolidated annual financial statements.

20.1 Related party transaction with BMW Financial Services Proprietary Limited

Financing

Subordinated funding has been provided by BMW Financial Services. Interest expense on subordinated funding amounted to R108 166 690 (2015: R92 366 222) for the year.

The following transactions took place between BMW Financial Services Proprietary Limited and SuperDrive Investments (RF) Limited:

Purchase of additional instalment sale agreements

The company had normal top ups of R 2 298 138 123 (2015: R1 381 612 035) for the year.

SuperDrive Investments (RF) Limited

Notes to the annual financial statements for the year ended 31 December 2016

20. Related party transactions (continued)

20.1 Related party transaction with BMW Financial Services Proprietary Limited (continued)

BMW Financial Services receivable

The company has an amount receivable of R4 838 387 870 (2015: R3 145 633 658) from BMW Financial Services in respect of auto loans legally acquired. Refer to note 5.

BMW Financial Services is the appointed service provider. The servicing fee for the year amounted to R18 551 815 (2015: R19 471 768). Refer to note 15.

20.2 Key management personnel

The company has no employees, and therefore were no key management personnel compensation was paid during the year.

20.3 Directors' remuneration

The following fees were paid to an independent service provider for corporate governance and other related fiduciary services provided to the company. All of the directors of SuperDrive Investments (RF) Limited are employed by external companies, and are remunerated by their respective employers on a separate basis. There were no benefits paid directly to the directors of the company during the current or prior years.

TMF Corporate Services (South Africa) Proprietary Limited 2016: R150 172 (2015: R139 788), (refer to note 15).

21. Going concern

The company's annual financial statements have been prepared on the going concern basis.

22. Subsequent events

Current Tax

The company's objection against additional assessments raised in respect of tax years 2012 and 2013 was denied by SARS. The company has therefore filed an appeal against the outcome of the objection with a view of resolving the matter through the alternative dispute resolution process.