TUHF Urban Finance (RF) Limited
(Registration number 2018/563485/06)
Annual financial statements
for the period ended 31 March 2019

## General Information

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Nature of business and principal activities** | TUHF Urban Finance (RF) Limited is a securitisation of mortgage loans originated by TUHF Limited. The issuer is an insolvency remote entity operating in accordance with the requirements of the Commercial Paper Regulations and the Transaction Documents, with no employees and no administrative infrastructure of its own. However, the issuer's affairs are administered by TUHF Limited. |
| **Directors** | WA Nel<br>NR Clarke<br>R Thanthony<br>ML De Nysschen<br>PGN Jackson |
| **Business address** | 12th Floor, West Wing<br>Libridge Building<br>25 Ameshoff Street<br>Braamfontein<br>2001 |
| **Postal address** | PO Box 30872<br>Braamfontein<br>2017 |
| **Controlling company** | TUHF Limited<br>incorporated in South Africa |
| **Ultimate holding entity** | TUHF Urban Finance Owner Trust<br>incorporated in South Africa |
| **Auditor** | PricewaterhouseCoopers Inc. |
| **Secretary** | TMF Corporate Services (South Africa) (Pty) Ltd |
| **Determination date** | 31 March 2019 |
| **Transaction type** | Mortagage backed securitisation programme |
| **Revolving period** | Revolving up to the 4th interest payment date |
| **Revolving period end date** | 31 January 2020 |
| **Preparer** | The annual financial statements were internally compiled by:<br>Lutic Mosoane BAP (SA) - Accounting and Financial Advisory and reviewed by Ilona Roodt CA (SA) |
| **Issued** | 29 July 2019 |

# Contents

## Audit Committee Report

The audit committee is pleased to present it's report as required in terms of section 94(7) of the Companies Act 71 of 2008 (Companies Act).

The primary function of the audit committee is to assist the board of directors in appointing external auditors who are independent of the company and to oversee that management of the Servicer maintain adequate systems of internal control, the integrity of the annual financial statements of the company and that processes are in place to ensure compliance by the company with all applicable legal and regulatory requirements and company policy.

### 1. Members

The members of the audit committee are all independent non-executive directors of the company and include:

**Name**
R Thanthony
ML De Nysschen
NR Clarke

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

### 2. External auditor

The audit committee has nominated PricewaterhouseCoopers Inc. as the independent auditor and Gino Fraser as the designated partner, who is a registered independent auditor, for appointment of the 2019 audit.

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

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

The audit committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of the Servicer's management responsible for the finance function.

The audit committee has reviewed the accounting policies and the annual financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, and has accordingly reviewed and recommended effectiveness of the internal control process and internal audit, and has accordingly received and reviewed reports regarding the effectiveness and efficiency of internal controls.

### 3. Summary of key terms of the audit committee

The committee examined the following matters during the financial year:

The review of the external auditor's 2019 audit plan.

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

In discharging its responsibilities during the year under review, the committee has not found or become aware of any material failures, irregularities or misstatements affecting the company's internal controls, structures and systems. This includes financial controls, accounting policies and controls, and reporting, incorporating the maintenance and improvement of accounting and control systems.

### 4. Internal auditors

As this is the new entity, the committee will evaluated the role, independence and effectiveness of the internal auditor, KPMG in 2020.

# Audit Committee Report

**5. Statutory reporting**

The committee has evaluated the annual financial statements of TUHF Urban Finance (RF) Limited for the period ended 31 March 2019. Based on the information provided to the committee, it is of the opinion that the company complies in all respects with the requirements of the Companies Act and the International Financial Reporting Standards.

**6. Internal financial functions**

This function has been outsourced to the administrator, TUHF Limited.

**7. King IV register**

The company has completed a King IV application register. The register is available on the website: http://www.tuhf.co.za/investor-relations/#tuhf-urban-finance-rf-limited.

**8. Company secretary**

The committee has satisfied itself that the company secretary, TMF Corporate Services (South Africa) (Pty) Ltd, has the appropriate competence and experience and will maintain an arm's-length relationship with directors.

**9. Recommendation of the annual financial statements**

The committee has fulfilled its oversight role regarding the reporting process for the annual financial statements and being satisfied with the integrity of this report, recommends that the annual financial statements be approved by the board of directors.

**Rishendrie Thanthony**
**Chairman Audit Committee**

**Monday, 29 July 2019**

## Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditor is responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditor and their report is presented on pages 9 to 14.

The annual financial statements set out on pages 15 to 32, which have been prepared on the going concern basis, were approved by the board of directors on 29 July 2019 and were signed on their behalf by:

| | |
|---|---|
| **ML De Nysschen** | **PGN Jackson** |

**Monday, 29 July 2019**

# Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of TUHF Urban Finance (RF) Limited for the period ended 31 March 2019.

### 1. Incorporation

The company was incorporated in South Africa on 26 October 2018 and obtained its certificate to commence business on the same day.

### 2. Nature of business

TUHF Urban Finance (RF) Limited is a securitisation of mortgage loans originated by TUHF Limited. The issuer is an insolvency remote entity operating in accordance with the requirements of the Commercial Paper Regulations and the Transaction Documents, with no employees and no administrative infrastructure of its own. However, the issuer's affairs are administered by TUHF Limited.

A total of R 500 000 000 of mortgage backed securities were issued on 19 December 2018, the proceeds of which were used to acquire mortgage assets to the value of R 450 074 475. The difference was initially held in cash and later invested in mortgages assets as further qualifying assets became available. Further top ups have occurred during the revolving period, based on meeting the qualifying loan criteria as monitored by the Calculation Agent. The revolving period ends in January 2020.

### 3. Review of financial results and activities

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

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

### 4. Share capital

| **Authorised** | 2019 Number of shares |
|---|---|
| Ordinary shares, no par value | 100 |
| Preference shares | 10 |

| **Issued** | 2019 R | 2019 Number of shares |
|---|---|---|
| Ordinary shares, no par value | 100 | 100 |
| Preference shares | 10 | 10 |
| | **110** | **110** |

There have been no changes to the authorised or issued share capital during the period under review.

### 5. Dividends

No dividends was declared for the period.

# Directors' Report

### 6. Directorate

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

| **Directors** | **Designation** |
|---|---|
| WA Nel | Non-executive |
| NR Clarke | Independent non-executive |
| R Thanthony | Independent non-executive |
| ML De Nysschen | Independent non-executive |
| PGN Jackson | Executive |

### 7. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the company.

### 8. Controlled entities

The company is a wholly owned by TUHF Urban Finance Owner Trust which is incorporated in South Africa. However in terms of IFRS 10 Consolidated Financial Statements, where it is determined that a company, can direct relevant activities of a Special Purpose Entity ("SPE") the SPE is classified as a controlled entity and such entity is consolidated in the same manner as a subsidiary company, despite the absence of any direct equity investment or voting rights. The TUHF Urban Finance (RF) Limited is a controlled entity of TUHF Limited and is consolidated in the TUHF Limited and TUHF Holdings Limited consolidated financial statements.

### 9. Directors' remuneration

Directors' fees amounting to R 30 188 in favour of TMF Corporate Services (South Africa) (Pty) Ltd were incurred during the year. Trustee fees of R 17 250 in respect of 2019 financial year paid to PT & A Trustees (Pty) Ltd.

### 10. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

### 11. Auditors

PricewaterhouseCoopers Inc. will be appointed in office as auditors for the company for 2020.

### 12. Secretary

The company secretary is TMF Corporate Services (South Africa) (Pty) Ltd.

### 13. Social and Ethics Committee

The public interest score will be monitored.

### 14. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

### 15. Service providers

Servicer: TUHF Limited
Standby servicer: Mettle Credit Services (Pty) Ltd
Corporate banker: The Standard Bank of South Africa Limited
Custodian banker: Nedbank Limited
Calculation agent: Africa Frontier Capital

## Company Secretary's Certification

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

**TMF Corporate Services (South Africa) (Pty) Ltd**
**Johannesburg**
**Monday, 29 July 2019**

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# *Independent auditor's report*

To the Shareholders of TUHF Urban Finance (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 TUHF Urban Finance (RF) Limited (the Company) as at 31 March 2019, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

**What we have audited**

TUHF Urban Finance (RF) Limited's financial statements set out on pages 15 to 32 comprise:

- the statement of financial position as at 31 March 2019;
- the statement of profit or loss and other comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended;
- the statement of cash flows for the period then ended;
- the accounting policies; and
- the notes to the annual financial statements.

### *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.

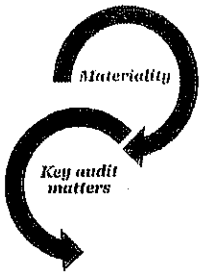
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

*Our audit approach*

**Overview**




**Overall materiality**

- *Overall materiality: R5,187,000, which represents 1% of total assets*

**Key audit matters**

- *Expected credit losses on loans and advances*

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 company 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* | *R5,187,000* |
| *How we determined it* | *1% of total assets* |
| *Rationale for the materiality benchmark applied* | *We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the entity will be measured and is a generally accepted benchmark. The securitisation vehicle was established to raise financing via notes issued and is not for profit making purposes.*<br>*We chose 1% which is consistent with the quantitative materiality thresholds that we would typically apply when using total assets to compute materiality.* |

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## *Key audit matters*

Key audit matters are those matters that, in our professional judgment, 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 losses on loans and advances*<br><br>Refer to the following accounting policies and notes to the financial statements:<br><br>• Note 1.2 - Significant judgements and sources of estimation uncertainty, Expected credit losses;<br>• Note 3 - Risk management, Credit risk;<br>• Note 7 - Loans and advances; and<br>• Note 15 - Expected credit losses.<br><br>The Company has adopted IFRS 9 - *Financial Instruments* (IFRS 9) in the 2019 reporting period.<br><br>IFRS 9 requires the recognition of expected credit losses (ECLs) on all financial assets within the scope of its impairment model.<br><br>The expected credit losses on loans and advances have been identified as a matter of most significance to the current year audit due to the magnitude of the ECL and the level of significant judgement applied by management.<br><br>The key areas of significant judgement applied by management in the ECL calculations includes the following:<br><br>• Evaluation of significant increase in credit risk (SICR) and the resultant classification of the loans as stage 1, 2 or 3 in accordance with the requirements of IFRS 9;<br><br>*Management takes into account qualitative factors such as financial distress, significant change in collateral value, significant adverse changes in business, financial and/or economic conditions in which the client operates in order to determine whether a* | We obtained an understanding of and tested the relevant controls relating to the approval of credit facilities, subsequent monitoring and remediation of exposures, and collateral valuation.<br><br>We further performed the following procedures:<br><br>• Evaluation of significant increase in credit risk (SICR) and the resultant classification of the loans as stage 1, 2 or 3 in accordance with the requirements of IFRS 9:<br><br>*We selected a sample of exposures and assessed whether the stage classification of these exposures is appropriate in terms of the requirements of IFRS 9. These procedures included the inspection of the minutes of the arrears and problematic project committee, discussions with management on a sample of clients included in the problematic project committee and inspection of the payment history of the relevant counterparties. No exceptions were noted in terms of the classification of the loans as stage 1, 2 or 3 in accordance with the requirements of IFRS 9.*<br><br>• Incorporation of macro-economic inputs and forward looking information into the SICR assessment and ECL measurement:<br><br>*With the assistance of our economic experts, we independently assessed the* |

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*significant increase in credit risk has occurred.*

- Incorporation of macro-economic inputs and forward looking information into the SICR assessment and ECL measurement;

  *The assessment of SICR and the calculation of ECL both incorporate forward looking information. Forward looking economic expectations are included in the ECL based on the Company's macro-economic outlook, using models that correlate these parameters with macro-economic variables.*

- Input assumptions applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) within the ECL measurement; and

  *The ECL is calculated using statistical models which incorporate observable data, assumptions and estimates relating to historical default experience, timing and amount of forecasted cash flows and the value of collateral.*

- Input assumptions relating to the fair value of collateral.

  *The Company determines the fair value of collateral in accordance with the Company's valuation policy. The policy requires the properties to be valued by an independent valuation expert every 3 years.*

*reasonableness of the macro-economic factors that have been taken into account in the determination of the ECL. No exceptions were noted.*

- Input assumptions applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) within the ECL measurement:

  *With the assistance of our internal actuarial expertise, we assessed the input assumptions applied within the PD, EAD and LGD models (including forward looking information) in compliance with the requirements of IFRS 9. We found the models applied by management to loans and advances to be in accordance with IFRS 9.*

- Input assumptions relating to the fair value of collateral:

  *For a sample of properties, we performed the following procedures to test the fair value of collateral:*

  a. *We assessed the competence of the externally appointed valuation expert by reviewing their accreditation and relevant experience;*
  b. *We recalculated the fair value of the collateral and agreed the values to the accounting records with no material differences noted; and*
  c. *We assessed whether the Company has appropriate title to the collateral through inspection of title deeds and other relevant legal documentation and no exceptions noted.*

## *Other information*

The directors are responsible for the other information. The other information comprises the information included in the document titled "TUHF Urban Finance (RF) Limited Annual financial statements for the period ended 31 March 2019", which includes the Directors' Report, the Audit and

Risk Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

### *Responsibilities of the directors for the financial statements*

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

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

### *Auditor's responsibilities for the audit of the financial statements*

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

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

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

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- 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 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 TUHF Urban Finance (RF) Limited for 1 year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Gino Fraser

Registered Auditor

Waterfall city

29 July 2019

## Statement of Financial Position as at 31 March 2019

| Figures in Rand | Note(s) | 2019 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 6 | 50 277 837 |
| Current tax receivable | | 351 415 |
| Loans and advances | 7 | 466 781 730 |
| Other assets | 8 | 373 616 |
| Deferred tax | 9 | 971 660 |
| | | **518 756 258** |
| **Equity and Liabilities** | | |
| **Equity** | | |
| Share capital | 10 | 110 |
| Retained income | | 1 250 481 |
| | | **1 250 591** |
| **Liabilities** | | |
| Trade and other payables | 11 | 2 455 824 |
| Mortgage-backed securities | 12 | 515 049 843 |
| | | **517 505 667** |
| **Total Equity and Liabilities** | | **518 756 258** |

# Statement of Profit or Loss and Other Comprehensive Income

| Figures in Rand | Note(s) | 4 months ended 31 March 2019 |
|---|---|---|
| Interest income | 13 | 23 183 109 |
| Interest expenses | 14 | (15 050 426) |
| Expected credit losses | 15 | (3 994 467) |
| **Income from lending activities** | | **4 138 216** |
| Non-interest income | | 76 012 |
| Other operating expenses | 16 | (2 477 449) |
| **Profit before taxation** | | **1 736 779** |
| Taxation | 17 | (486 298) |
| **Total comprehensive income for the period** | | **1 250 481** |

## Statement of Changes in Equity

| Figures in Rand | Share capital | Retained income | Total equity |
| --- | --- | --- | --- |
| **Balance at 26 October 2018** | - | - | - |
| **Total comprehensive income for the period** | - | **1 250 481** | **1 250 481** |
| Issue of shares | 110 | - | 110 |
| **Balance at 31 March 2019** | **110** | **1 250 481** | **1 250 591** |

## Statement of Cash Flows

| Figures in Rand | Note(s) | 4 months ended 31 March 2019 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Interest income | | 17 415 223 |
| Interest expenses | | (583) |
| Tax paid | | (1 809 373) |
| Cash paid to suppliers and employees | | (35 868) |
| Cash received from clients | | 14 244 |
| Mortgages acquired | | (465 305 806) |
| **Net cash from operating activities** | | **(449 722 163)** |
| **Cash flows from financing activities** | | |
| Mortgage backed securities Issued | 12 | 500 000 000 |
| **Total cash movement for the period** | | **50 277 837** |
| **Total cash at end of the period** | 6 | **50 277 837** |

# Accounting Policies

### Corporate information

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

The annual financial statements for the period ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors on Monday, 29 July 2019.

### 1. Significant accounting policies

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

### 1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

The significant accounting policies are set out below. The statement of financial position is presented in order of liquidity. Reference to the current maturities of these financial assets and liabilities are disclosed in the notes to the financial statements.

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

### 1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

### Expected credit losses (ECL's)

In respect of the ECL's for loans in the non-performing category we reported ECL's of R 2 097 012. For all Stage 3 loans, a worst case or downturn situation is taken into account and is provided for a base case and upturn is not considered.

In respect of the ECL's for loans in the performing category we reported ECL's of R 1 897 455. For Stage 1 and Stage 2 loans, the average of the downturn, base case and upturn scenario is provided for.

| | |
|---|---|
| Downturn | R 2 070 813 |
| Base case | R 1 894 599 |
| Upturn | R 1 726 953 |

Total expected credit losses, Stage 1, 2 and 3 combined reported are: R 3 994 467. A 50% recovery of the underlying property value is taken into account in the model.

# Accounting Policies

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

**Property prices**

- The property price downturn, base case and upturn is based on research obtained from Lightstone Properties
- 10 geographic areas were considered and forecasts for each area obtained
- The stresses and % used in each area differ according to the outlook for each area

**PD Adjustment Factors - correlated to prime interest rate**

| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| 1 - Downturn | 96% | 100% | 102% | 104% |
| 2 - Base case | 96% | 99% | 100% | 100% |
| 3 - Upturn | 96% | 98% | 98% | 98% |

### 1.3 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

IFRS 9 introduces requirements for the classification and measurement of financial assets and liabilities as well as accounting requirements for impairment of financial assets measured at amortised cost. The significant amendments are:

Classification and subsequent measurement of debt instruments depends on:
- the entity's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the entity classifies its debt instruments into one of the following three measurement categorise:
- Amortised cost. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows; or
- Fair value through other comprehensive income. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments; or
- Fair value through profit or loss. This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income.

Loans and advances (note 7) are subsequently classified at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

# Accounting Policies

### 1.3 Financial instruments (continued)

**Application of the effective interest method**

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

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:
- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.
- The origination fee is earned in full by the loan originator, TUHF Limited, when the loan is sold to the company.
- Other fees earned, such as penalty fees on late payment of instalments and early settlement penalty amounts, accrue to the company.

**Impairment (IFRS 9)**

**IFRS 9 Three Stage Model**

| | Staging | ECL - Measurement |
|---|---|---|
| Stage 1 | Loans and advances that are not credit impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the company. | Loans and advances in Stage 1 have their ECL measured based on an amount equal to the portion of 12 months expected credit losses that result from default events possible within the next 12 months. |
| Stage 2 | If a significant increase in credit risk ('SICR') since initial recognition is identified, the loans and advances are moved to "Stage 2" but are not yet deemed to be credit-impaired. | Loans in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. |
| Stage 3 | If the loan is in default, the financial instrument is then moved to "Stage 3". | |
| Forward looking information | A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. | |
| Significant increase in credit risk | SICR- is determined through a watchlist process whereby financial and project performance of the counterparties is discussed. In addition, the status of the construction of ongoing projects is taken into account as well as other ad hoc indicators. | |

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

- A financial instrument that is not credit impaired on initial recognition is classified in "Stage 1" as has its credit risk continuously monitored by the company.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instruments is moved to "Stage 2" but is not yet deemed to be credit-impaired.

- If the financial instrument is in default, the financial instrument is then moved to "Stage 3".

- Financial Instruments in Stage 1 have their ECL measured based on an amount equal to the portion of 12 months expected credit losses that result from default events possible within the next 12 months.

- Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

# Accounting Policies

### 1.3 Financial instruments (continued)

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

Expected credit losses are the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12M PD), or over the remaining lifetime (lifetime PD) of the obligation

- EAD is based on the amounts the company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (lifetime EAD).

- LGD represents the company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure.

These three components are multiplied together and adjusted for the likelihood of survival, (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates the ECL for each future month, which is then discounted back to the reporting date and summed.

The discount rate used in the ECL calculation is the original effective interest rate thereof.

The Lifetime PD is developed by applying a maturing profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans.

The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and risk assessments. This is supported by historical analysis.

The 12-month and Lifetime EADs are determined based on the expected payment profile. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month of lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

These assumptions vary by product type and current limit utilisation band, based on an analysis of the company's recent default data.

The 12-month and Lifetime LGDs are determined based on the factors which impact the recoveries made post default and this is based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs incurred.

Forward-looking economic information such as the prime interest rate and property prices are also included in determining the 12-month and Lifetime PD, EAD and LGD. Refer below for an explanation of forward-looking information and its inclusion in the ECL calculations.

For Stage 3 loans that are 90 days past due, interest income is suspended from the date that the individual exposure is 90 days past due.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how the collateral values change etc. - are monitored and reviewed on an annual basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

# Accounting Policies

### 1.3 Financial instruments (continued)

**Definitions**

**SICR:**

- Qualitative criteria: SICR is primarily determined through the watchlist process whereby the financial performance of the counterparties are discussed. In addition, the status of the construction of ongoing projects is taken into account and as well as other ad hoc indicators.
- A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.
- The company has not used the low credit risk exemption for any financial instruments in the period ended 31 March 2019.
- The assessment of SICR incorporates forward looking information (see below) and is performed annually for all loans.

**DEFAULT:**

The definition of default, which triggers the credit impaired classification (stage 3), is based on the company's internal credit risk management approach and definitions and occurs at the earlier of:

1. In the company's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
2. When the counterparty is past due for more than 90 days. The company has not rebutted IFRS 9's 90 days past due rebuttable presumption.

**WRITE-OFF POLICY:**

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the 90 days period which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with no reasonable expectations of recovery of the asset, or a portion thereof. As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

**CURING:**

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist.

Qualitative factors include compliance with covenants and compliance with existing financial asset terms and conditions.

Where it has been determined that a financial asset no longer meets the criteria for SICR, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively.

**Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired or incurred in the ordinary course of business from suppliers and service providers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current liabilities.

### 1.3 Financial instruments (continued)

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

**Cash and cash equivalents**

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in changing value. Cash and cash equivalents are measured at fair value.

For the purpose of the statement of cash flows, cash and cash equivalents include money market assets as these are short term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Mortgage-backed securities**

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

**Derecognition of financial assets and liabilities**

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the company has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred subsantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the company is recognised as a seperate asset or liability. Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

### 1.4 Income tax

**Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

# Accounting Policies

### 1.4 Income tax (continued)

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

### 1.5 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity.

### 1.6 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of discounts and value added tax. Revenue comprises interest income and non-interest income.

**Interest income:**

Interest income and expenses are recognised in the statement of profit or loss and other comprehensive income using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the financial asset of financial liability. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument (eg. prepayment options) but does not consider future credit losses.

## 2. New Standards and Interpretations

### Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

The effective date of the amendment is for years beginning on or after 01 January 2019.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

### Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

The effective date of the amendment is for years beginning on or after 01 January 2019.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

### Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after 01 January 2019.

The company has adopted the interpretation for the first time in the 2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the company's annual financial statements.

## 3. Risk management

### Liquidity risk

Debt capital to meet secured lending commitments is primarily raised from the debt capital market.

The funding structure was launched on 19 December 2018 and investors invested a total of R 500 million in terms of the JSE approved programme memorandum.

The company is bankruptcy remote and self-liquidating. Investors subscribed for notes as outlined in the approved programme memorandum and approved pricing supplement.

Liquidity risk is the risk that the company is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn.

In this structure, the payment of capital and interest is managed through agreed upon procedures in the Priority of Payments calculation.

The pricing of the various classes of notes takes investor risk into account and the management of the process is monitored by independent trustees, a calculation agent and the JSE debt sponsor.

The table below analyses the company's financial liabilities at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

## Notes to the Annual Financial Statements

| At 31 March 2019 | Less than 1 year | 1 to 5 years | Over 5 years | Total interest | Carrying value |
|---|---|---|---|---|---|
| Other liabilities and accruals | 2 455 824 | - | - | - | 2 455 824 |
| Interest bearing liabilities | 57 790 559 | 513 704 873 | 134 045 391 | (190 490 980) | 515 049 843 |

**Interest rate risk**

Interest rate risk: the risk that the fair value or future cash flows of a financial instrument fluctuate because of changes in market interest rates.

The company is exposed to cash flow interest rate risk on both loan advances and interest bearing liabilities that are linked to the prime interest rate. Loans and advances, cash and cash equivalents and money market assets as well as interest bearing liabilities are stated at amortised cost derived from a market related interest rate.

The market risk exposure relates to the potential adverse effect of interest rate movements on net interest income.

If interest rates increased by 1,0%, income from lending would increase by R 633 423.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause financial loss for another party by failing to discharge an obligation.

The credit risk that the company faces arises mainly from commercial loans and advances. The company has policies, procedures and processes dedicated to controlling and monitoring risk from all such activities.

While credit exposures principally arise in loans and advances, the company can be exposed to other credit risks. These exposures comprise loan commitments and contingent liabilities. The risks are managed in a similar way to those loans in loans and advances, and are subject to the same or similar approval and governance processes.

The granting of credit is one of the company's major sources of income and is therefore one of the most significant risks, and the company dedicates considerable resources to controlling it effectively. A system based loan workflow process is used to facilitate the loan approval process. The granting of credit is considered on a project by project basis and various hurdle rates are considered in terms of our loan and credit policy which is fully compliant with the National Credit Act.

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

| Figures in Rand | 2019 |
|---|---|
| **Financial instrument** | |
| Cash and cash equivalents | 50 277 837 |
| Loans and advances | 466 781 730 |
| Other assets excluding prepayments | 373 616 |
| | **517 433 183** |

### 4. Financial assets by category

| 2019 | Amortised cost | Total |
|---|---|---|
| Cash and cash equivalents | 50 277 837 | 50 277 837 |
| Loans and advances | 466 781 730 | 466 781 730 |
| Other assets excluding prepayments | 373 616 | 373 616 |
| | **517 433 183** | **517 433 183** |

## Notes to the Annual Financial Statements

### 5. Financial liabilities by category

| 2019 | Financial liabilities at amortised cost | Total |
| --- | --- | --- |
| Interest bearing liabilities | 515 049 843 | 515 049 843 |
| Other liabilities | 2 455 824 | 2 455 824 |
| | **517 505 667** | **517 505 667** |

### 6. Cash and cash equivalents

| Figures in Rand | 2019 |
| --- | --- |
| Current and call accounts | 50 277 837 |

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

### 7. Loans and advances

| | |
| --- | --- |
| Loans and advances | 470 776 197 |
| Expected credit losses | (3 994 467) |
| | **466 781 730** |

### 7. Loans and advances (continued)

**Exposure to credit risk**

Loans and advances inherently exposes the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained in all cases. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | **Standard monitoring** | **Special monitoring** | **Default** | |
| Gross loans | 425 923 215 | 22 067 543 | 22 785 439 | 470 776 197 |
| **Expected credit losses** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance at 26 October 2018 | - | - | - | - |
| **Transfers between stages** | - | - | - | - |
| Transfer to/ (from) stage 1 | - | - | - | - |
| Transfer to/ (from) stage 2 | - | - | - | - |
| Transfer to/ (from) stage 3 | - | - | - | - |
| (released) | 1 739 250 | 158 205 | 2 097 012 | 3 994 467 |
| ECL on new exposures raised | 1 739 250 | 158 205 | 2 097 012 | 3 994 467 |
| Change in ECL due to derecognition | - | - | - | - |
| Impaired accounts written off | - | - | - | - |
| **Closing balance** | **1 739 250** | **158 205** | **2 097 012** | **3 994 467** |
| Net Advances | 424 183 965 | 21 909 338 | 20 688 427 | 466 781 730 |

**Renegotiated terms**

None of the loans and advances have been renegotiated in the last year. Funds received are first applied to any past due amounts.

**Credit quality and concentration of other financial assets**

| Figures in Rand | 2019 |
|---|---|
| **Geographical analysis** | |
| Eastern Cape | 47 088 099 |
| Free State | 15 806 137 |
| Gauteng | 306 941 245 |
| Kwazulu Natal | 99 191 320 |
| Western Cape | 1 749 396 |
| | **470 776 197** |

| Figures in Rand | 4 months ended 2019 |
|---|---|

### 7. Loans and advances (continued)

**Maturity analysis**

| | |
|---|---|
| Within 1 year | 23 008 541 |
| Within 2 to 5 years | 126 669 134 |
| Within 6 to 10 years | 198 952 294 |
| Within 11 to 15 years | 122 146 228 |
| | **470 776 197** |

**Collateral held**

| **Summary** | **Collateral** | **Balance** | **ECL** |
|---|---|---|---|
| Stage 1 | 731 632 083 | 425 923 215 | 1 739 250 |
| Stage 2 | 63 251 313 | 22 067 543 | 158 205 |
| Stage 3 | 70 400 397 | 22 785 439 | 2 097 012 |
| **Total** | **865 283 793** | **470 776 197** | **3 994 467** |

| Figures in Rand | 2019 |
|---|---|

### 8. Other assets

| | |
|---|---|
| Other receivables - staff debtors and other sundry | 373 616 |

Amounts receivable are all current. No amounts are past due or impaired.

### 9. Deferred tax

**Deferred tax asset**

| | |
|---|---|
| Expected credit losses | 971 660 |
| Deferred tax asset | 971 660 |

**Reconciliation of deferred tax asset**

| | |
|---|---|
| Increases in tax loss available for set off against future taxable income | 971 660 |

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

## Notes to the Annual Financial Statements

| Figures in Rand | 4 months ended 2019 |
|---|---|

### 10. Share capital

| | |
|---|---|
| **Authorised** | |
| 100 Ordinary shares of R1 each | 100 |
| 100 Preference shares of R1 each | 10 |
| | **110** |
| **Issued** | |
| Ordinary shares | 100 |
| Preference shares | 10 |
| | **110** |

### 11. Trade and other payables

| | |
|---|---|
| **Financial instruments:** | |
| Trade payables | 2 455 824 |

The balance at year end is considered current.

### 12. Mortgage-backed securities

| | |
|---|---|
| A Class Noteholders | 395 477 514 |
| B Class Noteholders | 46 450 680 |
| D Class Noteholders | 20 687 075 |
| E Class Noteholders | 52 434 574 |
| | **515 049 843** |

The variable rate mortgage-backed securities bear interest at the 3-month JIBAR plus a specified margin, with the 3-month JIBAR rate resetting quartely. Interest on these variable rate securities is settled quarterly on the Interest Payment Date.

**Maturity analysis**

| | |
|---|---|
| Within 1 year | 57 790 558 |
| Within 2 to 5 years | 264 830 954 |
| Within 6 to 10 years | 248 873 919 |
| Within 11 to 15 years | 134 045 392 |
| Interest | (190 490 980) |
| | **515 049 843** |

### 13. Interest income

| | |
|---|---|
| Interest on advances | 20 706 485 |
| Interest on call deposits | 2 476 624 |
| | **23 183 109** |

### 14. Interest expenses

| | |
|---|---|
| Interest on borrowings | 15 049 843 |
| Interest on fees on current account | 583 |
| | **15 050 426** |

## Notes to the Annual Financial Statements

| Figures in Rand | 4 months ended 2019 |
|---|---|

### 15. Expected credit losses

**IFRS 9**

| | |
|---|---|
| Stage 1 | 1 713 589 |
| Stage 2 | 183 866 |
| Stage 3 | 2 097 012 |
| | **3 994 467** |

### 16. Expenses by nature

| | |
|---|---|
| Auditors remuneration | 250 000 |
| Servicing fee | 1 316 159 |
| Other expenses | 596 164 |
| Trustees Fees | 35 938 |
| VAT - input VAT not claimable as it relates to non taxable supplies | 279 188 |
| | **2 477 449** |

### 17. Taxation

**Major components of the tax expense**

| | |
|---|---|
| **Current** | |
| Local income tax - current period | 1 457 958 |
| **Deferred** | |
| Originating and reversing temporary differences | (971 660) |
| | **486 298** |

**Reconciliation of the tax expense**

Reconciliation between accounting profit and tax expense.

| | |
|---|---|
| Accounting profit | 1 736 779 |
| Tax at the applicable tax rate of 28%. | 486 298 |

### 18. Related parties

| | |
|---|---|
| Wholly owned by | TUHF Urban Finance Owner Trust |
| Controlled entity | TUHF Limited |
| Consolidated in results of | TUHF Limited and TUHF Holdings Limited |

### 19. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the period.

### 20. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.