Harcourt Street 1 (RF) Limited

(Registration Number: 2015/047670/06)

Annual Financial Statements
for the year ended 31 March 2023
Audited

In terms of S 29(1)(e)(ii) of the Companies Act 71 of 2008 as amended we confirm that the preparation of the following financial statements is the responsibility of Bongani Ntuli CA(SA).

The following financial statements have been audited in compliance with the requirements of s30(2)(b) of the Companies Act 71 of 2008, as amended.

Harcourt Street 1 (RF) Ltd

(Registration Number : 2015/047670/06)

Annual Financial Statements

for the year ended 31 March 2023

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Company information

for the year ended 31 March 2023

Directors	N Clarke (Independent non-executive) - appointed 12 Oct 22 M Klopper (Independent non-executive) - appointed 7 Dec 22 KW Van Staden (Independent non-executive) DP Towers (Alternate director) BL Dube (Independent non-executive)
Date of incorporation	16 February 2015
Period covered by financial statements	1 April 2022 - 31 March 2023
Registration number	2015/047670/06
Nature of business and principal activities	Pursuant to the Secured Note Programme: To issue debt instruments, and/or to use funds borrowed or raised from such debt instruments to acquire assets of any kind; and/or enter into hedging transactions to mitigate its credit, currency, interest and other risks; and/or collateralise its debt instruments in respect of each asset or hedging transaction.
Secretary	Investec Group Data Proprietary Limited (Reg. No. 1937/009329/07)
Independent Auditor	KPMG Inc.
Bankers	Investec Bank Limited
Registered Office	c/o Company Secretarial Investec Bank Limited 100 Grayston Drive Sandown Sandton 2196
Postal address	c/o Company Secretarial Investec Bank Limited PO Box 785700 Sandton 2146
Service provider	The account bank, administrator, interest rate swap counterparty, credit default swap counterparty, servicer and liquidity facility provider is Investec Bank Limited.

Harcourt Street 1 (RF) Ltd

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the financial statements of Harcourt Street 1 (RF) Limited, comprising the statement of financial position at 31 March 2023, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and 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 Servicer and Administrator responsibilities for the Company are executed by Investec Bank Limited.

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

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

Approval of financial statements

The financial statements of Harcourt Street 1 (RF) Limited, as identified in the first paragraph, were approved by the board of directors on 29 June 2023 and signed on their behalf by:

DocuSigned by:
kurt van Staden
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Director
Date: 18 July 2023

DocuSigned by:
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Director
Date: 18 July 2023

Declaration by the Company Secretary

In terms of section 88(2)(e) of the South African Companies Act No 71 of 2008, as amended, I hereby certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2023, all such returns as are required in terms of the Act and that all such returns are true, correct and up to date.

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COMPANY SECRETARY
Date: 29 June 2023

Harcourt Street 1 (RF) Ltd

Directors' report

for the year ended 31 March 2023

The directors have pleasure in submitting their report on the activities of the Company for the year ended 31 March 2023.

Nature of business

Pursuant to the Secured Note Programme: To issue debt instruments, and/or to use funds borrowed or raised from such debt instruments to acquire assets of any kind; and/or enter into hedging transactions to mitigate its credit, currency, interest and other risks; and/or collateralise its debt instruments in respect of each asset or hedging transaction.

Operating results and financial position

The results of the Company's operations and cash flows for the year, and its financial position at 31 March 2023, are set out in the financial statements and require no further comment.

Share capital

Details of authorised and issued share capital are disclosed in Note 13 to the financial statements.

Directorate

The directors of the Company at the date of this report are BL Dube, N Clarke, M Klopper, KW van Staden, and DP Towers.

In accordance with paragraph 6.39 of the JSE Debt Listings Requirements, noteholders were advised of the emigration of Olivia van Gisbergen and Rishendrie Thanthony. Nicholas Clarke and Marlene Klopper were appointed as members of the Board and Audit Committee.

Interest of the director and officers

None of the directors and officers have any interest in the issued share capital or any of the contracts entered into by the Company.

Dividends

A preference dividend of R5,527,995.00 (2022: R3,156,860.00) was declared by the directors on 27 January 2023.

Events after the reporting date

No material events have occurred between 31 March 2023 and the date of this report.

Going Concern

Harcourt Street 1 (RF) Limited has been set up as an insolvency remote special purpose vehicle by incorporating ring-fencing provisions into its memorandum of incorporation. In addition, secured creditors have agreed to certain subordination, non-petition, and limited recourse clauses. In respect of a transaction, if the net proceeds of the enforcement of the transaction security are not sufficient to make all payments, then due in respect of the Notes issued in the transaction, the obligations of the Issuer will be limited to such net proceeds and the other assets of the Issuer will not be available to meet any shortfall. Please refer to Note 20 for further detail.

Auditor

KPMG Inc is the appointed auditor in accordance with section 90 of the Companies Act of South Africa

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Director	**Director**

Harcourt Street 1 (RF) Ltd

Audit committee report

for the year ended 31 March 2023

Members of the Audit Committee

The members of the audit committee were all independent non-executive directors and comprised:

M Klopper
N Clarke
KW Van Staden
BL Dube

The chairman of the Board of Directors (the Board), BL Dube, 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 under the laws of South Africa, 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. During the financial year under review, the meeting was held on 7 July 2022 and 15 February 2023.

Date	Attendees
7 Jul 2022 15 Feb 2023	B Dube R Thanthony* OA Ferreira* KW Van Staden M Klopper^ N Clarke#

*resigned 26 Oct 2022
appointed 12 Oct 2022
^appointed 7 Dec 2022

Expertise and experience of finance function

The administration of the Company's assets is performed and prepared by Investec Bank Limited (hereinafter "Administrator"). The 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 Administrator to the Audit Committee.

The on-going secretarial administration of the Company's statutory records is done by Investec Group Data Proprietary Limited.

Independence of external auditor

The Company's auditor is KPMG Inc.

The Audit 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 Audit Committee, after consultation with the 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 timing of the audit, the extent of the work required and the scope.

Harcourt Street 1 (RF) Ltd

Audit Committee Report (Continued)

for the year ended 31 March 2023

Discharge of responsibilities

The Audit 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 Audit Committee, inter alia, performed the following activities during the year under review:

- The contents of the Audit Committee's ToR (Terms of Reference)
- Considered and approved the external auditor's fees for the 2023 audit;
- Consider and approve other services provided by the auditor including but not limited to Commercial Paper Compliance Certifications in terms a separate engagement letter; and
- Considered the independence and objectivity of the external auditor.

Annual Financial Statements

Following the review by the Audit Committee of the annual financial statements of the Harcourt Street 1 (RF) Limited for the year ended 31 March 2023 and based on the information provided to it, the Audit Committee considers that, in all material respects, the Company complies with the provisions of the Companies Act No 71 of 2008, as amended, International Financial Reporting Standards, and that the accounting policies applied are appropriate.

The Audit Committee recommended the Company's 2023 annual financial statements for approval by the Board on 29 June 2023.

The Audit Committee concurs with the Board and management that the adoption of the going-concern status in preparation of the annual financial statements is appropriate.

On behalf of the Audit Committee:

DocuSigned by:

Marlene Klopper

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Marlene Klopper
Chairman: Audit Committee
Date: 18 July 2023

KPMG Inc
KPMG Crescent
85 Empire Road, Parktown, 2193,
Private Bag 9, Parkview, 2122, South Africa
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Independent Auditor's Report

To the shareholder of Harcourt Street 1 (RF) Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Harcourt Street 1 (RF) Limited (the Company) set out on pages 11 to 57, which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of changes in equity and 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 financial statements present fairly, in all material respects, the financial position of Harcourt Street 1 (RF) Limited as at 31 March 2023, and its financial performance and cash flows for the year then ended then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board 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 financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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.

We have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Harcourt Street 1 (RF) Limited Annual Financial Statements for the year ended 31 March 2023", which includes the Directors' report, the Audit Committee report and the Declaration by the Company Secretary as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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 as issued by the International Accounting Standards Board 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Harcourt Street 1 (RF) Limited for 8 years.

KPMG Inc.

Per R Muradmia
Chartered Accountant (SA)
Registered Auditor
Director
19 July 2023

Harcourt Street 1 (RF) Ltd

Statement of financial position

as at 31 March 2023

	Notes	**2023**	2022
Assets		**R**	R
Loans and advances	*3*	**885,548,900**	888,664,809
Investment in securities	*4*	**1,195,841,318**	1,165,139,072
Derivative financial instruments	*5*	**34,418,100**	-
Other receivable	*8*	**2,028,919**	450,126
Cash and cash equivalents	*2*	**8,640,220**	9,917,741
Total assets		**2,126,477,457**	**2,064,171,748**
Equity and liabilities			
Equity		**12,033,567**	9,373,239
Ordinary share capital	*13*	**100**	100
Preference share capital	*13*	**1**	1
Cash flow hedge reserve		**6,702,643**	2,779,761
Retained earnings		**5,330,823**	6,593,377
Liabilities		**2,114,443,890**	2,054,798,509
Deferred tax liability	*9*	**2,301,721**	1,327,786
Commercial paper issued	*6*	**2,111,152,754**	2,049,675,368
Derivative financial instruments	*5*	**-**	1,430,192
Other liabilities	*7*	**480,131**	368,513
Taxation payable		**509,284**	1,996,650
Total equity and liabilities		**2,126,477,457**	**2,064,171,748**

Harcourt Street 1 (RF) Ltd

Statement of comprehensive income

for the year ended 31 March 2023

	Notes	**2023**	**2022**
		R	R
Interest income calculated using the effective interest rate method	*11*	165,503,682	102,527,622
Other income	*11*	3,704,690	117,448
Interest expense	*12*	(164,857,300)	(100,135,179)
Net interest income		**4,351,072**	**2,509,891**
Fair value gains/(losses) on credit default swaps		210,156	(4,211,030)
Premium income on credit default swaps		5,555,749	6,775,812
Other operating expenses	*10*	(2,074,281)	(1,813,516)
Total operating income before expected credit losses/ impairment losses		**8,042,696**	**3,261,157**
Expected credit losses/ impairment losses	*18*	(2,635,737)	(1,248,503)
Profit on sale of asset	*4*	877,580	-
Profit before taxation		**6,284,539**	**2,012,654**
Taxation	*14*	(2,019,097)	(552,445)
Profit for the year		**4,265,442**	**1,460,209**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges – effective portion of changes in fair value	*5*	6,989,180	7,144,446
Cash flow hedges – reclassified to profit or loss	*11*	(1,615,369)	(6,685,863)
		5,373,811	458,583
Taxation relating to items that may be reclassified to profit or loss			
Cash flow hedges		(1,450,929)	(90,324)
Total comprehensive income for the year		**8,188,324**	**1,828,468**

Harcourt Street 1 (RF) Ltd

Statement of changes in equity

for the year ended 31 March 2023

R	Ordinary Share capital	Preference Share capital	Retained earnings	Cash flow hedge reserve	Total
Balance at 31 March 2021	100	1	8,290,028	2,411,502	10,701,631
Total comprehensive income for the year					
- Profit for the year	-	-	1,460,209	-	1,460,209
Other comprehensive income					
- Cash flow hedges – effective portion of changes in fair value	-	-	-	7,054,122	7,054,122
- Cash flow hedges – reclassified to profit or loss	-	-	-	(6,685,863)	(6,685,863)
Dividends Paid	-	-	(3,156,860)	-	(3,156,860)
Balance at 31 March 2022	**100**	**1**	**6,593,377**	**2,779,761**	**9,373,239**
Total comprehensive income for the year					
- Profit for the year	-	-	4,265,442	-	4,265,442
Other comprehensive income					
- Cash flow hedges – effective portion of changes in fair value	-	-	-	5,538,251	5,538,251
- Cash flow hedges – reclassified to profit or loss	-	-	-	(1,615,369)	(1,615,369)
Dividends Paid	-	-	(5,527,996)	-	(5,527,996)
Balance at 31 March 2023	**100**	**1**	**5,330,823**	**6,702,643**	**12,033,567**

Harcourt Street 1 (RF) Ltd

Statement of cash flows
for the year ended 31 March 2023

	Notes	2023	2022
		R	R
Cash flows from operating activities			
Profit before taxation		6,284,539	2,012,654
adjusted for:			
Changes in working capital:			
Decrease/(Increase) in Accrued Interest in Loans and Advances and Investment in Securities		6,388,344	(2,850,884)
Increase/(Decrease) in Accrued Interest in Commercial paper issued		5,287,418	(3,284,446)
(Decrease)/Increase in Accrued Interest in Swaps		(668,538)	855,944
Net Accrued interest		11,007,224	(5,279,386)
Increase in other liabilities		111,618	47,673
Increase in other receivables		(1,578,793)	(450,126)
Non-cashflow item			
Expected credit losses/ impairment losses		2,635,737	1,248,503
Fair value gains on credit default swaps		(210,156)	4,211,030
Fixed portion on the swaps		2,703,036	(7,852,183)
Premium amortised		(2,703,036)	7,869,173
		18,250,169	1,807,335
Profit on sale		(877,580)	
Taxation (paid)/received		(3,981,957)	1,013,095
Net cash generated from operating activities		**13,390,632**	**2,820,437**
Cash flows from investing activities			
Investment securities acquired	*4*	(1,114,630,959)	(217,052,386)
Investment securities repaid	*4*	1,082,861,092	147,048,565
Loans and advances acquired	*3*	(343,494,455)	(236,743,883)
Loans and advances repaid	*3*	485,000,000	174,147,369
Net cash flows from investing activities		**109,735,678**	**(132,600,335)**
Cash flows from financing activities			
Commercial paper issued	*6*	1,639,720,420	434,610,000
Commercial paper repaid	*6*	(1,733,500,690)	(321,500,000)
Proceeds received from swaps to fund purchase price of assets		516,301	20,052,386
Proceeds (paid)/received from swaps to pay notes		4,749,434	1,951,435
Proceeds (paid)/received to Derivative Counterparty		(30,361,301)	-
Dividends paid		(5,527,995)	(3,156,860)
Net cash flows from financing activities		**(124,403,830)**	**131,956,962**
Net (decrease)/ increase in cash and cash equivalents for the year		(1,277,521)	2,177,063
Cash and cash equivalents at the beginning of the year		9,917,741	7,740,678
Cash and cash equivalents at end of the year	*2*	**8,640,220**	**9,917,741**

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023

1. Significant accounting policies

1.1 Reporting entity

Harcourt Street 1 (RF) Limited is domiciled in South Africa. The Company's registered office is at 100 Grayston Drive, Sandton, Sandown, 2196. These financial statements comprise the company's annual financial statement. The Company's primary business is to acquire the right, title and interest in and to financial assets with funds raised directly or indirectly by issue of debt instruments, and to manage the assets so acquired.

1.2 Basis of preparation

The Company's financial statements are prepared in accordance with IFRS as issued by the IASB, its interpretations adopted by the IASB, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Debt Listings Requirements, and the South African Companies Act.

The financial statements have been prepared in accordance with the going concern principle under the historical cost basis, except for the revaluation of financial instruments relating to those measured at amortised cost and fair value. The financial statements are presented in South African Rand, which is the Company's functional currency.

1.3 Use of estimates and judgement

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the classification of financial instruments. Actual results may differ from these estimates.

Estimates are obtained from the administrator's Model Development team. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Key areas in which judgement is applied include:

In accordance with IFRS 13 Fair Value Measurement, the Company categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Further information in relation to this can be found in Note 19. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates, the extent of which depends on the complexity of the instrument and the availability of market observable information.

The determination of ECL against assets that are carried at amortised cost involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgments relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios.

1.4 Financial Instruments

1.4.1 Business model

For financial assets, IFRS 9 requires that a business model assessment is carried out which reflects how the Company manages the assets in order to generate cash flows. The assessment is at a portfolio level, being the level at which the portfolio is managed. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported and how risks are assessed and managed.

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023

1.4 Financial Instruments (continued)

The standard sets out three types of business models:

- Hold to collect: it is intended to hold the asset to maturity to earn interest; collecting repayments of principal and interest from the customer. These assets are accounted for at amortised cost.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity as circumstances change. These assets are accounted for at FVOCI.
- Hold to sell/managed on a fair value basis: the entity originates or purchases an asset with the intention of disposing of it in the short- or medium term to benefit from capital appreciation or the portfolio is managed on a fair value basis. These assets are accounted for at FVPL.

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the assets' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is classified and measured at FVPL. Financial assets with embedded derivatives considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

1.4.2 Amortised cost measurement

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise to cash flows that are solely payments of principal and interest, such as the debt securities, are measured at amortised cost. This includes loans and advances, other receivables, cash and cash equivalents, and investment in securities. In addition, all financial liabilities are measured at amortised cost with the exception of derivative financial instruments which are measured at fair value. Interest income/expense on derivatives are disclosed as part of net interest income in the Statement of comprehensive income.

The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan /using the EIR through the recognition of interest income, unless the loan is credit impaired.

Financial assets where 12-month ECL is recognised are considered to be 'stage 1', financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2', and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'.

The Company calculates the effective interest rate on stage 3 assets which is calculated based on the amortised cost of the financial assets (i.e. gross carrying amount less ECL) instead of gross carrying amount and incorporates the impact of ECLs in estimated future cash flows.

1.4.3 **Identification and measurement of ECL (Expected credit loss)**

At each balance sheet date each financial asset or portfolio of advances categorised at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is measured for ECL impairment. Loss allowances are forward-looking, based on 12- month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected credit losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, credit losses are rebased from 12-month to lifetime expectations. A change in credit risk is typically but not necessarily associated with a change in the expected cash flows.

1.4.3 Identification and measurement of ECL (Expected credit loss) (continued)

The costs of loss allowances on assets held at amortised cost are presented as impairments in the income statement. Allowances in respect of financial guarantees and loan commitments are presented as other liabilities and charges recorded within income statement impairments. Financial assets held at amortised cost are presented net of allowances except where the asset has been wholly or partially written off.

In assessing collective impairment, the Company uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and any subsequent decrease in the impairment loss is reversed through profit or loss.

The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at fair value through other comprehensive income (FVOCI) involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgments relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios.

Credit-impaired financial assets

The analysis of credit quality of Loans and Advances, and Investments in Securities is outsourced to Investec Bank in terms of the Administration Agreement. At each reporting date, the Investec Bank Limited assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired (referred to as ‘Stage 3 financial assets’). A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

1.4.4 Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the Company's rights to cash flows have expired or when the Company has transferred its rights to cash flows relating to the financial assets and either (a) the Company has transferred substantially all the risks and rewards associated with the financial assets, or (b) the Company has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets.

The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depends upon whether the modification is done for commercial reasons, in which case if they are significant the old asset is derecognised and a new asset recognised, or because of financial difficulties of the borrower.

A financial liability is derecognised when it is extinguished, i.e.when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

1.5 Non-derivative financial liabilities

All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities. Non-trading financial liabilities, which include Other Liabilities, are measured at amortised cost using the effective interest method.

1.6 Hedge accounting

The Company has elected to use the IAS 39 rules and applies cash flow hedge accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the Company ensures that all of the following conditions are met:

- At inception of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also, at the inception of the hedged relationship, a formal assessment is undertaken to ensure that the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in cash flows attributable to the hedged risk during the year for which the hedge is designated are expected to offset in a range of 80% to 125%.
- Cash flow hedge is applied to recognised assets (bonds) and liabilities (notes).
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting year for which the hedge was designated.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in other comprehensive income in the cash flow hedge reserve and is released to profit or loss in the same year during which the relevant financial asset or liability affects profit or loss. Any ineffective portion of the hedge is immediately recognised in profit or loss.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecast transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

1.7. Fair value measurement

IFRS 13 Fair value measurement defines fair value as being a market-based measurement and sets out in a single IFRS a framework for the measurement of fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

1.7 Fair value measurement

Derivative financial instruments are measured at fair value. The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Fair value measurements for financial assets and liabilities are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are identified as follows:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The notional amount is the sum of the absolute value of all contracts for both derivative assets and liabilities. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the Company's participation in derivative contracts.

1.8 Offsetting

Where offsetting has been applied or the entity has instruments that are subject to offsetting, the following disclosures should be provided:

a) the gross amounts of those recognised financial assets and recognised financial liabilities;
b) the amounts that are set off in accordance with the criteria of IAS 32 when determining the net amounts presented in the statement of financial position;
c) the net amounts presented in the statement of financial position;
d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in, including:
   i. amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria of IAS 32; and
   ii. amounts related to financial collateral (including cash collateral); and
e) the net amount after deducting the amounts in (d) from the amounts in (c) above.

1.9 Revenue recognition

Revenue consists of interest income and other fee income earned from providing financial services. This comprises, *inter alia*, (as per the balance sheet), interest on Loans and Advances and Investment in Securities, cash and balances at Investec Bank and interest income from derivative financial instruments.

Revenue from contracts with customers is recognised in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

The effective interest rate method is based on the estimated life of the underlying instrument and where this estimate is not readily available, the contractual life. Interest on instruments at FVPL is recognised based on the contractual rates.

Interest income

Interest income from loans and bonds is recognised on a time proportion basis, which takes into account the effective yield on the asset.

Other fee income

Fee income is recognised on the accrual basis when the service is rendered.

1.10 Taxation

Taxation expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income 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.

1.11 Standards issued but not yet effective

There are no standards and interpretations issued but not yet effective which are expected to have a material impact on the financial statements.

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

	2023	2022
	R	R
2. Cash and cash equivalents		
Series 2 - Current account at Investec Bank	25,154	25,521
Series 5 - Current account at Investec Bank	1,417,298	1,429,446
Series 6 - Current account at Investec Bank	815,819	899,387
Series 7 - Current account at Investec Bank	950,402	1,165,081
Series 8 - Current account at Investec Bank	477,538	1,941,311
Series 9 - Current account at Investec Bank	(18,418)	804,014
Series 10 - Current account at Investec Bank	514,142	221,053
Series 12 - Current account at Investec Bank	2,411,119	1,162,456
Series 13 - 1 - Current and Reserve accounts at Investec Bank	1,483,498	2,155,238
Series 13 - 2 - Current and Reserve accounts at Investec Bank	(82,972)	-
Surplus account - Current account at Investec Bank	646,539	114,133
Petty cash	101	101
	8,640,220	**9,917,741**

Cash and cash equivalents are held with Investec Bank that is rated 'BB/B' global scale issuer credit ratings and 'zaAA/zaA1+' South Africa national scale ratings. Interest on the current account earned at the SAFEX Overnight Call Rate. Interest on the Series 13-1 reserve account earned at the Prime rate less 0.50% whilst the interest on the Series 13-2 reserve account earned at Prime rate less 0.55%.

3. Loans and advances

Loans and advances comprise corporate loans originated by various lenders and purchased by Harcourt Street 1 (RF) Limited. All loans and advances are expected to be recovered more than 1 year after the reporting date.

	2023	2022
	R	R
Series 6 - Curro Series		
Loans originated	-	150,000,000
Accrued interest	-	762,077
Expected credit loss	-	(162,604)
This loan was repaid in full in the year under review	-	150,599,473
Series 7 - RCL Series		
Loans originated	235,000,000	235,000,000
Accrued interest	-	34,157
Accumulated Loans and advances repaid	(67,500,000)	(22,500,000)
Expected credit loss	(68,354)	(114,489)
	167,431,646	212,419,668
Series 8 - Foschini Series		
Loans originated	-	290,000,000
Accrued interest	-	601,439
Expected credit loss	-	(446,658)
This loan was repaid in full in the year under review	**-**	**290,154,781**

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

3. Loans and advances (continued)

	2023	2022
	R	R
Series 12 Subseries 15 - Lucky Star Series		
Loans originated	150,000,000	-
Accrued interest	-	-
Accumulated Loans and advances repaid	-	-
Expected credit loss	(209,108)	-
	149,790,892	-

	2023	2022
Series 13 Subseries 1 - We Buy Cars Series		
Loans originated	236,743,883	236,743,883
Accumulated Payments	(7,504,652)	355,726
Gross carrying amount	229,239,231	237,099,609
Expected credit loss	(1,007,365)	(1,608,718)
	228,231,866	**235,490,891**

During the 2022 financial year, Investec Bank Limited sold 3 loans secured by commercial properties and provided to We-Buy-Cars Properties (Pty) Ltd. The loans are amortising loans. Accordingly, the Gross carrying amount of the loans will fluctuate in line with the loan balance which could include repayments, prepayments, redraws, readvances ("Payments") etc.

	2023	2022
Series 13 Subseries 2 - Twin City Series		
Loans originated	343,494,455	-
Accumulated Payments	(1,303,491)	-
Gross carrying amount	342,190,964	-
Expected credit loss	(2,096,468)	-
	340,094,496	**-**

During the 2023 financial year, Investec Bank Limited sold a portion of its commercial property financial asset (Twin City) to Harcourt Street 1 (RF) Limited. The Twin City Loan is an amortising loan. Accordingly, the Gross carrying amount of the loan will fluctuate in line with the loan balance which could include repayments, prepayments, readvances ("Payments") etc.

	2023	2022
	R	R
Total Loans and advances		
Loans originated	965,238,338	911,743,883
Accrued interest	-	1,397,673
Accumulated Payments, Loans and advances repayments and instalments	(76,308,143)	(22,144,274)
Expected credit loss	(3,381,295)	(2,332,469)
	885,548,900	888,664,813

	2023	2022
4. Investment in Securities	**R**	R

Series 5 - Liberty Bond

This security comprises a Liberty "LGL08" floating rate bond purchased by Harcourt Street 1 (RF) Limited, Series 5. This bond, which had a maturity date of 28 February 2023, has a face value of R200,000,000, and is a listed instrument on the JSE. The bond matured on 28 February 2023.

Liberty "LGL08" bond purchased	-	200,000,000
Accrued interest	-	1,081,518
	-	201,081,518
Expected credit loss	-	(80,844)
This bond was repaid in full in the year under review	**-**	**201,000,674**

Series 10 Subseries 1 - Mercedes Benz Bond

This security comprised a Mercedes Benz "MBP040" floating rate bond purchased by Harcourt Street 1 (RF) Limited, Series 10. This bond, which had a maturity date of 23 February 2023, had a face value of R 138,065,529, and was a listed instrument on the JSE. This bond matured on 23 February 2023.

Mercedes Benz "MBP040" bond purchased	-	139,000,000
Accrued interest	-	748,958
Premium amortised	-	(651,896)
	-	139,097,062
Expected credit loss	-	(47,719)
This bond was repaid in full in the year under review	**-**	**139,049,342**

Series 10 Subseries 2 - Mercedes Benz Bond

This security comprised a Mercedes Benz "MBF065" floating rate bond purchased by Harcourt Street 1 (RF) Limited, Series 10. This bond, which had a maturity date of 30 September 2022, had a face value of R 115,259,501, and was a listed instrument on the JSE. This bond matured on 30 September 2022.

	2023	2022
	R	R
Mercedes Benz "MBP065" bond purchased	-	117,000,000
Accrued interest	-	17,201
Premium amortised	-	(1,402,017)
	-	115,615,183
Expected credit loss	-	(22,659)
This bond was repaid in full in the year under review	**-**	115,592,524

4. Investment in Securities (continued)

	2023	2022
	R	R

Series 10 Subseries 4 - Mercedes Benz Bond

This security comprised a Mercedes Benz "MBP040" floating rate bond purchased by Harcourt Street 1 (RF) Limited, Series 10. This bond, which had a maturity date of 23 February 2023, had a face value of R 247,925,536, and is a listed instrument on the JSE. This bond matured on 23 February 2023.

	2023	2022
Mercedes Benz "MBP040" bond purchased	-	250,000,000
Accrued interest	-	1,344,911
Premium amortised	-	(1,353,769)
	-	249,991,142
Expected credit loss	-	(85,690)
This bond was repaid in full in the year under review	**-**	**249,905,452**

Series 10 Subseries 5 - Mercedes Benz Bond

This security comprised a Mercedes Benz "MBP049" floating rate bond purchased by Harcourt Street 1 (RF) Limited, Series 10. This bond, which has a maturity date of 27 March 2024, had a face value of R 250,000,000, and is a listed instrument on the JSE.

	2023	2022
Mercedes Benz "MBP049" bond purchase price	253,307,624	-
Mercedes Benz "MBP049" nominal value + Premium	250,699,062	-
Accrued interest	238,575	-
Premium amortised	(189,886)	-
	250,747,751	-
Expected credit loss	(90,348)	-
	250,657,404	-

Series 10 Subseries 6 - SuperDrive Investments Bond

This security comprised a SuperDrive Investments (RF) Limited "SPDA16" floating rate bond purchased by Harcourt Street 1 (RF) Limited, Series 10. This bond, which had a maturity date of 21 August 2031, had a face value of R100,000,000, and is a listed instrument on the JSE.

	2023	2022
SuperDrive "SPDA16" bond purchase price	100,734,658	-
SuperDrive "SPDA16" bond nominal value	100,000,000	-
Accrued interest	167,808	-
	100,902,466	-
Expected credit loss	(183,417)	-
	100,719,049	-

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

	2023	2022
	R	R

4. Investment in Securities (continued)

Series 12 - Subseries 1 - Mercedes Benz Bond

This security comprises a Mercedes Benz "MBF049" floating rate bond purchased by Harcourt Street 1 (RF) Limited, Series 10. This bond, which had a maturity date of 27 March 2024, had a face value of R250,000,000, and was listed instrument on the JSE. This bond was sold back to the Seller on 28 September 2022.

	2023	2022
Mercedes Benz "MBP049" bond purchased	-	250,000,000
Accrued interest	-	113,363
	-	250,113,363
Expected credit loss	-	(95,323)
	-	250,018,040

During the year under review, the MPF049 bond sold back to Investec Bank which resulted in a "profit on sale of asset" of R877,580.

Series 12 - Subseries 2 - Momentum Metropolitan Life Bond

This security comprises a Momentum Metropolitan Life "MMIG05" fixed rate bond purchased by Harcourt Street 1 (RF) Limited, Series 12. This bond, which had a maturity date of 12 August 2027, had a face value of R104,000,000, and is a listed instrument on the JSE. This bond was sold to the Seller on 12 August 2022.

	2023	2022
Momentum Metropolitan Life "MMIG05" bond purchased	-	109,012,519
Accrued interest	-	1,392,460
Premium amortised	-	(3,206,934)
	-	107,198,045
Expected credit loss	-	(43,788)
	-	107,154,258

This bond was repaid in full in the year under review

Series 12 - Subseries 3 - Old Mutual Life Assurance Bond

This security comprises an Old Mutual Life Assurance "OML07" fixed rate bond purchased by Harcourt Street 1 (RF) Limited, Series 12. This bond, which has a maturity date of 19 March 2030, has a face value of R93,000,000, and is a listed instrument on the JSE.

	2023	2022
Old Mutual Life Assurance "OML07" bond purchase price	108,039,867	108,039,867
Old Mutual Life Assurance "OML07" Nominal value + premium	104,160,000	104,160,000
Accrued interest	307,040	307,040
Accumulated Premium amortised	(5,090,378)	(2,009,138)
	99,376,662	102,457,902
Expected credit loss	(39,121)	(39,121)
	99,337,541	102,418,782

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

4. Investment in Securities (continued)

	2023	2022
	R	R

Series 12 - Subseries 16 - Fox Street 3 Bond

This security comprises a Fox Street 3 (RF) Limited "FST3A3" floating rate bond purchased by Harcourt Street 1 (RF) Limited, Series 12. This bond, which has a maturity date of 20 October 2031, has a face value of R271,066,558 and is a listed instrument on the JSE.

	2023 R	2022 R
Fox Street "FST3A3" bond purchase price	271,908,498	-
Fox Street "FST3A3" bond nominal value	271,066,558	
Accrued interest	3,965,194	-
Repayment of note	(25,891,006)	-
	249,140,746	-
Expected credit loss	(757,096)	-
	248,383,651	-

Series 12 - Subseries 19 - The Republic of South Africa R2032 Bond

This security comprises the Republic of South Africa "R2032" fixed rate bond purchased by Harcourt Street 1 (RF) Limited, Series 12. This bond, which has a maturity date of 31 March 2032, has a face value of R105,000,000, and is a listed instrument on the JSE.

	2023 R	2022 R
Republic of South Africa "R2032" bond purchase price	93,422,394	-
Republic of South Africa "R2032" bond nominal value + discount	89,981,127	
Accrued interest	-	-
Premium amortised	1,965,587	-
	91,946,714	-
Expected credit loss	(161,151)	-
	91,785,563	-

Series 12 - Subseries 20 - Liberty LGL12 Bond

This security comprises a Liberty Group Limited "LGL12" floating rate bond purchased by Harcourt Street 1 (RF) Limited, Series 12. This bond, which has a maturity date of 4 October 2027, has a face value of R67,000,000, and is a listed instrument on the JSE.

	2023 R	2022 R
Liberty "LGL12" bond purchase price	67,000,000	-
Liberty "LGL12" bond nominal value	67,000,000	-
Accrued interest	1,406,086	-
	68,406,086	-
Expected credit loss	(28,706)	-
	68,377,380	-

4. Investment in Securities (continued)

	2023	2022
	R	R

Series 12 - Subseries 21 - Clindeb Bond

This security comprises a Clindeb Investments Limited "NTC35" floating rate bond purchased by Harcourt Street 1 (RF) Limited, Series 12. This bond, which has a maturity date of 7 September 2025, has a face value of R125,000,000, and is a listed instrument on the JSE.

Clindeb "NTC35" bond purchase price	125,000,000	-
Clindeb "NTC35" bond nominal value	125,000,000	
Accrued interest	715,644	-
	250,715,644	-
Expected credit loss	(63,774)	-
	250,651,870	-

Series 12 - Subseries 22 - Republic of South Africa

This security comprises the Republic of South Africa "R2030" fixed rate bond purchased by Harcourt Street 1 (RF) Limited, Series 12. This bond, which has a maturity date of 31 March 2032, has a face value of R125,000,000, and is a listed instrument on the JSE.

Republic of South Africa "R2030" bond purchase price	109,460,613	-
Republic of South Africa "R2030" bond nominal value + discount	107,515,407	
Accrued interest	1,616,438	-
Premium amortised	1,713,590	-
	110,845,435	-
Expected credit loss	(192,308)	-
	110,653,127	-

Series 12 - Subseries 26 - Scania Finance Southern Africa

This security comprises a Scania Finance Southern Africa (Proprietary) Limited "SF002U" floating rate bond purchased by Harcourt Street 1 (RF) Limited, Series 12. This bond, which has a maturity date of 25 May 2025, has a face value of R100,000,000, and is an unlisted instrument.

Scania "SF002U" bond purchase price	100,000,000	-
Scania "SF002U" bond nominal value	100,000,000	
Accrued interest	761,863	-
	100,761,863	-
Expected credit loss	(486,129)	-
	100,275,734	-

Total Investment in securities

Investments in securities originated	1,216,156,811	1,169,172,519
Accrued interest	9,178,649	5,005,451
Premium amortised	(1,601,087)	(8,623,755)
Repayment of note	(25,891,006)	-
Expected credit loss	(2,002,049)	(415,144)
	1,195,841,318	**1,165,139,072**

5. Derivative financial instruments

Per the accounting policy, for qualifying cash flow hedges in respect of, inter alia, financial assets, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in other comprehensive income in the cash flow hedge reserve and is released to profit or loss in the same year during which the relevant financial asset or liability affects profit or loss.

Series 8

Harcourt Street 1 (RF) Limited has entered into a JIBAR-linked rate swap with Investec Bank Limited to mitigate the interest rate risk resulting from the mismatch between the base rate of interest earned on the loan and that payable on the Notes. The loan was called on 4 November 2022 and the swap terminated. The notional value of the swap as at 31 March 2023 is nil. The swap is effective in the current year. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

	2023	2022
	R	R
Statement of financial position		
Fair value of swap	-	-
Statement of other comprehensive income		
Cash flow hedges – effective portion of changes in fair value	(326,593)	-
Cash flow hedges – reclassified to profit or loss	326,593	-
Net other comprehensive income	**-**	**-**

Series 10 Sub-series 1

Harcourt Street 1 (RF) Limited has entered into a JIBAR-linked rate swap with Investec Bank Limited to mitigate the interest rate risk resulting from the mismatch between the base rate of interest earned on the Bond and that payable on the Notes. The Bond was called on 23 February 2023 and the JIBAR-linked swap terminated. The notional value of the swap as at 31 March 2023 is nil. The swap is effective in the current year. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

Statement of financial position		
Fair value of swap	-	633,535
Statement of other comprehensive income		
Cash flow hedges – effective portion of changes in fair value	65,281	209,540
Cash flow hedges – reclassified to profit or loss	(154,231)	(244,736)
Net other comprehensive income	**(88,950)**	**(35,196)**

Series 10 Sub-series 2

Harcourt Street 1 (RF) Limited has entered into a JIBAR-linked rate swap with Investec Bank Limited to mitigate the interest rate risk resulting from the mismatch between the base rate of interest earned on the Bond and that payable on the Notes. The Bond was called on 30 September 2022 and the JIBAR-linked swap terminated. The notional value of the swap as at 31 March 2023 is nil. The swap is effective in the current year. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

Statement of financial position		
Fair value of swap	-	1,712,620
Statement of other comprehensive income		
Cash flow hedges – effective portion of changes in fair value	(332,996)	(629,165)
Cash flow hedges – reclassified to profit or loss	17,477	8,296
Net other comprehensive income	**(315,519)**	**(620,869)**

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

5. Derivative financial instruments (continued)

Series 10 Sub-series 3

Harcourt Street 1 (RF) Limited has entered into a JIBAR-linked rate swap with Investec Bank Limited to mitigate the interest rate risk resulting from the mismatch between the base rate of interest earned on the Bond and that payable on the Notes. The JIBAR-linked rate swap terminated on 30 September 2021, therefore the notional value of the swap as at 31 March 2023 is R nil. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

Statement of financial position		
Fair value of swap	-	-
Statement of other comprehensive income		
Cash flow hedges – effective portion of changes in fair value	-	(661,990)
Cash flow hedges – reclassified to profit or loss	-	(73,337)
Net other comprehensive income	**-**	**(735,327)**

Series 10 Sub-series 4

Harcourt Street 1 (RF) Limited has entered into a JIBAR-linked rate swap with Investec Bank Limited to mitigate the interest rate risk resulting from the mismatch between the base rate of interest earned on the Bond and that payable on the Notes. The Bond was called on 23 February 2023 and the JIBAR-linked swap terminated therefore the notional value of the swap as at 31 March 2023 is Rnil. The swap is effective in the current year. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

	2023	2022
	R	R
Statement of financial position		
Fair value of swap	-	2,101,149
Statement of other comprehensive income		
Cash flow hedges – effective portion of changes in fair value	(854,039)	(912,412)
Cash flow hedges – reclassified to profit or loss	117,790	95,217
Net other comprehensive income	**(736,249)**	**(817,195)**

Series 10 Sub-series 5

Harcourt Street 1 (RF) Limited has entered into a JIBAR-linked rate swap with Investec Bank Limited to mitigate the interest rate risk resulting from the mismatch between the base rate of interest earned on the Bond and that payable on the Notes. The notional value of the swap as at 31 March 2023 is R 250 000 000. The swap is effective in the current year. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

Statement of financial position		
Fair value of swap	(1,250,764)	-
Statement of other comprehensive income		
Cash flow hedges – effective portion of changes in fair value	(1,095,773)	-
Cash flow hedges – reclassified to profit or loss	383,774	-
Net other comprehensive income	**(711,999)**	**-**

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

5. Derivative financial instruments (continued)

	2023	2022
	R	R

Series 10 Sub-series 6

Harcourt Street 1 (RF) Limited has entered into a JIBAR-linked rate swap with Investec Bank Limited to mitigate the interest rate risk resulting from the mismatch between the base rate of interest earned on the Bond and that payable on the Notes. The notional value of the swap as at 31 March 2023 is R 100 000 000. The swap is effective in the current year. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

	2023 R	2022 R
Statement of financial position		
Fair value of swap	(65,420)	-
Statement of other comprehensive income		
Cash flow hedges – effective portion of changes in fair value	(5,420)	-
Cash flow hedges – reclassified to profit or loss	-	-
Net other comprehensive income	**(5,420)**	**-**

Series 12 Sub-series 2

Harcourt Street 1 (RF) Limited has entered into a Prime-JIBAR-linked rate swap with Investec Bank Limited to mitigate the interest rate risk resulting from the mismatch between the base rate of interest earned on the Bond and that payable on the Notes. The Momentum Bond was sold back to the Seller on 12 August 2022. The notional value of the swap as at 31 March 2023 is nil. The swap is effective in the current year. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

	2023 R	2022 R
Statement of financial position		
Fair value of swap	-	(2,538,308)
Statement of other comprehensive income		
Cash flow hedges – effective portion of changes in fair value	2,049,120	3,302,159
Cash flow hedges – reclassified to profit or loss	(1,966,994)	(3,384,285)
Net other comprehensive income	**82,126**	**(82,126)**

Series 12 Sub-series 3

Harcourt Street 1 (RF) Limited has entered into a Prime-JIBAR-linked rate swap with Investec Bank Limited to mitigate the interest rate risk resulting from the mismatch between the base rate of interest earned on the Bond and that payable on the Notes. The notional value of the swap as at 31 March 2023 is R 93 000 000. The swap is effective in the current year. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

	2023 R	2022 R
Statement of financial position		
Fair value of swap	(1,846,196)	(6,509,734)
Statement of other comprehensive income		
Cash flow hedges – effective portion of changes in fair value	4,656,045	5,836,314
Cash flow hedges – reclassified to profit or loss	(3,140,546)	(3,087,018)
Net other comprehensive income	**1,515,499**	**2,749,296**

5. Derivative financial instruments (continued)

Series 12 Sub-series 19

Harcourt Street 1 (RF) Limited has entered into a Prime-JIBAR-linked rate swap with Investec Bank Limited to mitigate the interest rate risk resulting from the mismatch between the base rate of interest earned on the Bond and that payable on the Notes. The notional value of the swap as at 31 March 2023 is R 105 000 000. The swap is effective in the current year. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

Statement of financial position		
Fair value of swap	14,976,501	-
Statement of other comprehensive income		
Cash flow hedges – effective portion of changes in fair value	1,341,104	-
Cash flow hedges – reclassified to profit or loss	838,782	-
Net other comprehensive income	**2,179,886**	**-**

Series 12 Sub-series 21

Harcourt Street 1 (RF) Limited has entered into a Prime-JIBAR-linked rate swap with Investec Bank Limited to mitigate the interest rate risk resulting from the mismatch between the base rate of interest earned on the Bond and that payable on the Notes. The notional value of the swap as at 31 March 2023 is R 125 000 000. The swap is effective in the current year. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

Statement of financial position		
Fair value of swap	(762,568)	-
Statement of other comprehensive income		
Cash flow hedges – effective portion of changes in fair value	(32,143)	-
Cash flow hedges – reclassified to profit or loss	(45,771)	-
Net other comprehensive income	**(77,914)**	**-**

Series 12 Sub-series 22

Harcourt Street 1 (RF) Limited has entered into a Prime-JIBAR-linked rate swap with Investec Bank Limited to mitigate the interest rate risk resulting from the mismatch between the base rate of interest earned on the Bond and that payable on the Notes. The notional value of the swap as at 31 March 2023 is R 125 000 000. The swap is effective in the current year. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

Statement of financial position		
Fair value of swap	20,262,088	-
Statement of other comprehensive income		
Cash flow hedges – effective portion of changes in fair value	1,791,907	-
Cash flow hedges – reclassified to profit or loss	2,020,274	-
Net other comprehensive income	**3,812,181**	**-**

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

5. Derivative financial instruments (continued)

Series 13 Sub-series 2

Harcourt Street 1 (RF) Limited has entered into a Prime-JIBAR-linked rate swap with Investec Bank Limited to mitigate the interest rate risk resulting from the mismatch between the base rate of interest earned on the Bond and that payable on the Notes. The notional value of the swap as at 31 March 2023 is R 90 000 000. The swap is effective in the current year. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

	2023 R	2022 R
Statement of financial position		
Fair value of swap	(276,243)	-
Statement of other comprehensive income		
Cash flow hedges – effective portion of changes in fair value	(267,313)	-
Cash flow hedges – reclassified to profit or loss	(12,517)	-
Net other comprehensive income	**(279,830)**	**-**

Reconciliation of Cash flow Reserve	**Series 8**	**Series 10 Sub-series 1**	**Series 10 Sub-series 2**	**Series 10 Sub-series 4**	**Series 10 Sub-series 5**	**Series 10 Sub-series 6**
Balance at 1 April 2022	-	(88,950)	(315,520)	(736,250)	-	-
Movements for the year	-	88,950	315,520	736,250	711,999	5,420
Balance at 31 March 2023	-	-	-	-	**711,999**	**5,420**
Related deferred tax	-	-	-	-	(192,240)	(1,463)
Balance at 31 March 2023 (net of deferred tax)	-	-	-	-	**519,759**	**3,957**

Reconciliation of Cash flow Reserve	**Series 12 Sub-series 2**	**Series 12 Sub-series 3**	**Series 12 Sub-series 19**	**Series 12 Sub-series 21**	**Series 12 Sub-series 22**	**Series 13 Sub-series 2**
Balance at 1 April 2022	82,126	(2,749,296)	-	-	-	-
Movements for the year	(82,126)	(1,515,499)	(2,179,886)	77,914	(3,812,181)	279,830
Balance at 31 March 2023	-	**(4,264,795)**	**(2,179,886)**	**77,914**	**(3,812,181)**	**279,830**
Related deferred tax	-	1,151,495	588,569	(21,037)	1,029,289	(75,554)
Balance at 31 March 2023 (net of deferred tax)	-	**(3,113,300)**	**(1,591,317)**	**56,877**	**(2,782,892)**	**204,276**

Total Statement of other comprehensive income

Cash flow hedges – effective portion of changes in fair value		
- Series 8	(326,593)	-
- Series 10 subseries 1	65,281	209,540
- Series 10 subseries 2	(332,996)	(629,165)
- Series 10 subseries 3	-	(661,990)
- Series 10 subseries 4	(854,039)	(912,412)
- Series 10 subseries 5	(1,095,773)	-
- Series 10 subseries 6	(5,420)	-
- Series 12 subseries 2	2,049,120	3,302,159
- Series 12 subseries 3	4,656,045	5,836,314
- Series 12 subseries 19	1,341,104	-
- Series 12 subseries 21	(32,143)	-
- Series 12 subseries 22	1,791,907	-
- Series 13 subseries 2	(267,313)	-
	6,989,180	**7,144,446**

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

5. Derivative financial instruments (continued)

Cash flow hedges – reclassified to profit or loss

	2023	2022
	R	R
- Series 8	326,593	-
- Series 10 subseries 1	(154,231)	(244,736)
- Series 10 subseries 2	17,477	8,296
- Series 10 subseries 3	-	(73,337)
- Series 10 subseries 4	117,790	95,217
- Series 10 subseries 5	383,774	-
- Series 10 subseries 6	-	-
- Series 12 subseries 2	(1,966,994)	(3,384,285)
- Series 12 subseries 3	(3,140,546)	(3,087,018)
- Series 12 subseries 19	838,782	-
- Series 12 subseries 21	(45,771)	-
- Series 12 subseries 22	2,020,274	-
- Series 13 subseries 2	(12,517)	-
	(1,615,369)	**(6,685,863)**
Net other comprehensive income	**5,373,811**	**458,583**

Cash flow hedges

The Company is exposed to variability in cash flows on future liabilities arising from changes in base interest rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in other comprehensive income and reclassified to the income statement when the cash flow affects the income statement.

At 31 March R	**Description of financial instrument being hedged**	**Fair value of hedging instrument**	**Year cash flows are expected to occur and affect income statement**
2023			
Interest rate swap - Series 10-5	MBP049 Bond	(1,250,764)	Three months
Interest rate swap - Series 10-6	SPDA16 Bond	(65,420)	Three months
Interest rate swap - Series 12-3	OML07 Bond	(1,846,196)	Three months
Interest rate swap - Series 12-19	R2032 Bond	14,976,501	Three months
Interest rate swap - Series 12-21	NTC35 Bond	(762,568)	Three months
Interest rate swap - Series 12-22	R2030 Bond	20,262,088	Three months
Interest rate swap - Series 13-2	TWC Bond	(276,243)	Three months
2022			
Interest rate swap - Series 10-1	MBP040 Bond	633,535	Three months
Interest rate swap - Series 10-2	MBF065 Bond	1,712,620	Three months
Interest rate swap - Series 10-3	TFS142 Bond	-	Three months
Interest rate swap - Series 10-4	MBF040 Bond	2,101,149	Three months
Interest rate swap - Series 12-2	MMIG05 Bond	(2,538,308)	Three months
Interest rate swap - Series 12-3	OML07 Bond	(6,509,734)	Three months

A reconciliation of the cash flow hedge reserve can be found in the statement of changes in equity. There was no ineffective portion recognised in the income statement.

Realisations to the income statement for cash flow hedges of (R1.6 million) (2022: -R6.7 million) are included in net interest income.

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

5. Derivative financial instruments (continued)

The amounts relating to items designated as the hedged items as at 31 March 2023 are as follows:

	Carrying amount	Change in value used for hedge ineffectiveness	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
2023				
Investments in securities	1,195,841,318	-	-	-
2022				
Investments in securities	714 120 358	-	-	-

Credit Default Swaps

Series 10 Sub-series 1

Harcourt Street 1 (RF) Limited has entered into a credit default swap transaction with Investec Bank Limited. Investec Bank Limited buys Nedbank Group Limited (Subordinated Tier 2) protection from Harcourt Street. The credit default swap transaction terminated during the year under review and the notional value of the credit default swap as at 31 March 2023 was R nil. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

	2023	2022
	R	R
Fair value of obligation	-	(22,876)
	-	(22,876)

Series 10 Sub-series 2

Harcourt Street 1 (RF) Limited has entered into a credit default swap transaction with Investec Bank Limited. Investec Bank Limited buys Standard Bank Group Limited (Subordinated Tier 2) protection from Harcourt Street. The credit default swap transaction terminated during the year under review and the notional value of the credit default swap as at 31 March 2023 was R nil. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

Fair value of obligation	-	(8,821)
	-	(8,821)

Series 10 Sub-series 4

Harcourt Street 1 (RF) Limited has entered into a credit default swap transaction with Investec Bank Limited. Investec Bank Limited buys FirstRand Bank Limited (Non-Standard Reference Obligation) protection from Harcourt Street. The credit default swap transaction terminated during the year under review and the notional value of the credit default swap as at 31 March 2023 was R nil. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

Fair value of asset	-	3,202,242
	-	3,202,242

Series 10 Sub-series 5

Harcourt Street 1 (RF) Limited has entered into a credit default swap transaction with Investec Bank Limited. Investec Bank Limited buys Standard Bank Group Limited (Non-Standard Reference Obligation) protection from Harcourt Street. The notional value of the credit default swap as at 31 March 2023 is R 100 000 000. The fair value of derivatives can change significantly from year to year due to changes in economic conditions.

Fair value of asset	3,380,701	-
	3,380,701	-

5. Derivative financial instruments (continued)

		2023	2022
		R	R
Total Derivative Financial Instruments			
Interest rate swap - Series 10-1	MBP040 Bond	-	633,535
Interest rate swap - Series 10-2	MBF065 Bond	-	1,712,620
Interest rate swap - Series 10-4	MBP040 Bond	-	2,101,149
Interest rate swap - Series 10-5	MBP049 Bond	(1,250,764)	-
Interest rate swap - Series 10-6	SPDA16 Bond	(65,420)	-
Interest rate swap - Series 12-2	MMIG05 Bond	-	(2,538,308)
Interest rate swap - Series 12-3	OML07 Bond	(1,846,196)	(6,509,734)
Interest rate swap - Series 12-19	R2032 Bond	14,976,501	-
Interest rate swap - Series 12-21	NTC35 Bond	(762,568)	-
Interest rate swap - Series 12-22	R2030 Bond	20,262,088	-
Interest rate swap - Series 13-2	TWC Bond	(276,243)	-
Fair value of Credit Default Swap - Series 10-1	MBP040 Bond	-	(22,876)
Fair value of Credit Default Swap - Series 10-2	MBF065 Bond	-	(8,821)
Fair value of Credit Default Swap - Series 10-4	MBP040 Bond	-	3,202,242
Fair value of Credit Default Swap - Series 10-5	MBP040 Bond	3 380 701	-
		34,418,100	**(1,430,192)**

6. Commercial paper issued

Commercial paper issued are not rated.

Series 5		
Commercial paper issued (maturity date: 28 February 2023)	-	200,000,000
Accrued interest (Jibar plus 85bps)	-	898,685
This commercial paper fully redeemed in the year under review	**-**	**200,898,685**
Series 6		
Commercial paper issued (maturity date: 29 November 2022)	-	150,000,000
Accrued interest (Jibar plus 90bps)	-	643,192
This commercial paper fully redeemed in the year under review	**-**	**150,643,192**
Series 7		
Commercial paper issued (maturity date: 30 June 2023)	212,500,000	235,000,000
Accrued interest (Tranche 14 Jibar plus 107.5bps)	-	-
Redemption of notes	(45,000,000)	(22,500,000)
	167,500,000	**212,500,000**
Series 8		
Commercial paper issued (maturity date: 4 November 2022)	-	290,000,000
Accrued interest (Tranche 34 Prime less 240 bps, Tranche 35 JIBAR plus 80 bps and Tranche 36 Fixed rate: 7.300%)	-	525,371
This commercial paper fully redeemed in the year under review	-	**290,525,371**

Harcourt Street 1 (RF) Ltd

Notes to the financial statements
for the year ended 31 March 2023 (continued)

	2023	2022
	R	R
6. Commercial paper issued (continued)		
Series 10 Subseries 1		
Commercial paper issued (call date: 26 February 2023)	-	139,000,000
Accrued interest (Jibar plus 180bps)	-	710,336
This commercial paper fully redeemed in the year under review	**-**	**139,710,336**
Series 10 Subseries 2		
Commercial paper issued (maturity date: 30 September 2022)	-	117,000,000
Accrued interest (Jibar plus 165bps)	-	19,288
This commercial paper fully redeemed in the year under review	-	**117,019,288**
Series 10 Subseries 4		
Commercial paper issued (call date: 23 February 2023)	-	250,000,000
Accrued interest (Jibar plus 270bps)	-	1,701,370
This commercial paper fully redeemed in the year under review	-	**251,701,370**
Series 10 Subseries 5		
Commercial paper issued (call date: 27 March 2024)	250,000,000	-
Accrued interest (Fixed rate: 9.23%)	252,877	-
	250,252,877	**-**
Series 10 Subseries 6		
Commercial paper issued (call date: 21 August 2025)	100,734,658	-
Accrued interest (Tranche 1 Jibar plus 157.5bps, Tranche 2 Fixed rate: 8.50%)	176,198	-
	100,910,855	**-**
Series 12 Subseries 1		
Commercial paper issued (maturity date: 28 September 2022)	-	250,000,000
Accrued interest (Jibar plus 80bps)	-	106,171
This commercial paper fully redeemed in the year under review	**-**	**250,106,171**
Series 12 Subseries 2		
Commercial paper issued (maturity date: 12 August 2022)	-	104,000,000
Accrued interest (Jibar plus 120bps)	-	688,152
This commercial paper fully redeemed in the year under review	**-**	**104,688,152**
Series 12 Subseries 3		
Commercial paper issued (maturity date: 19 March 2025)	93,000,000	93,000,000
Accrued interest (Jibar plus 160bps)	255,974	135,112
	93,255,974	**93,135,112**
Series 12 Subseries 15		
Commercial paper issued (maturity date: 30 June 2023)	150,000,000	-
Accrued interest (Jibar plus 87bps)	-	-
	150,000,000	**-**

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

	2023	2022
	R	R
6. Commercial paper issued (continued)		
Series 12 Subseries 16		
Commercial paper issued (maturity date: 20 July 2023)	245,100,000	-
Accrued interest (Jibar plus 65bps)	3,752,527	-
	248,852,527	**-**
Series 12 Subseries 19		
Commercial paper issued (call date: 31 March 2027)	105,000,000	-
Accrued interest (Jibar plus 300bps)	-	-
	105,000,000	**-**
Series 12 Subseries 20		
Commercial paper issued (maturity date: 4 April 2023)	67,000,000	-
Accrued interest (Jibar plus 115bps)	1,328,578	-
	68,328,578	**-**
Series 12 Subseries 21		
Commercial paper issued (maturity date: 30 June 2023)	125,000,000	-
Accrued interest (Jibar plus 160bps)	28,168	-
	125,028,168	**-**
Series 12 Subseries 22		
Commercial paper issued (maturity date: 31 Jan 2030)	125,000,000	-
Accrued interest (Fixed: 8.84%)	2,208,459	-
	127,208,459	**-**
Series 12 Subseries 26		
Commercial paper issued (maturity date: 25 August 2023)	100,025,000	-
Accrued interest (Jibar plus 70bps)	714,521	-
	100,739,521	**-**
Series 13 Subseries 1		
Commercial paper issued (maturity date: 7 November 2023, 7 July 2026, and 7 July 2026)	228,796,441	237,610,000
Accrued interest (Tranche 1 Prime less 95bps, Tranche 2 Prime less 80bps, Tranche 3 Prime less 75bps)	1,619,036	1,137,691
	230,415,477	**238,747,691**
Series 13 Subseries 2		
Commercial paper issued (maturity date: 7 July 2026)	342,143,869	-
Accrued interest (Tranche 1 Prime less 85bps, Tranche 2 Prime less 77bps, Tranche 3 Jibar plus 256bps and Tranche 4 Prime less 70 bps)	1,516,449	-
	343,660,318	**-**

Other than Series 10-5, 13-1 and 13-2, the commercial papers bear interest at the 3 Month JIBAR rate plus the spread as determined in the Applicable Pricing Supplement. Series 13 commercial paper is linked to the Prime Lending Rate less a spread and resets daily. For as long as the commercial paper are in issue, interest on the notes is payable quarterly in arrears.

Total commercial paper issued

Commercial paper issued	2,144,299,968	2,065,610,000
Accrued interest	11,852,786	6,565,368
Redemption of notes	(45,000,000)	(22,500,000)
Total commercial paper outstanding	**2,111,152,754**	**2,049,675,368**

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

7. Other liabilities

	2023	2022
	R	R
Audit fee accrual	450,812	353,534
Accounts payable	29,319	(24)
	480,131	**353,510**
Sundry creditors	-	15,007
	480,131	**368,517**

8. Other receivable

Credit default swap premium	30,165	450,126
Receivable*	1,998,754	-
	2,028,919	**450,126**

*The Receivable is due from Investec Bank as a result of an overpayment of the purchase price of the Twin City asset as disclosed in Note 4

9. Deferred tax Liability

The deferred tax balance arises due to temporary differences associated with:

Expected credit loss	1,090,128	556,392
Derivative Financial Instrument - Swap Fair Value adjustments	(2,479,059)	(1,028,130)
Fair value on credit default swaps	(912,789)	(856,047)
Reconciliation of deferred tax balance		
Opening balance	(1,327,786)	(2,689,834)
Movement recognised in profit or loss:		
Expected credit losses/ impairment losses	533,737	241,578
Fair value (losses)/gains on credit default swaps	(56,742)	1,210,794
Movement recognised in Other Comprehensive Income:		
Derivative Financial Instrument - Swap Fair Value adjustments	(1,450,929)	(90,324)
Closing Balance	**(2,301,721)**	**(1,327,786)**

Deferred taxation assets are recognised to the extent it is likely that profits will be available in future periods. The assessment of the likelihood of future profits is based on past performance and current projections.
During the prior year, the SA Government announced a decrease in the SA rate of corporation tax from 28% to 27% effective for years of assessment ending on/after 1 March 2023. As a result, the deferred tax balances at 31 March 2022 were adjusted to reflect this substantively enacted rate change.

10. Other operating expenses

Other operating expenses include the following:

Administrator fee*	387,879	349,226
Auditor's remuneration	618,884	484,807
Agency fee	268,373	273,639
Facility fee	169,940	167,124
Regulatory costs	123,440	108,710
Trustee fee	372,503	320,908
Sundry expenses	133,263	109,102
*Please see Note 15	**2,074,281**	**1,813,516**

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

11. Interest income

	2023	2022
Interest income	R	R
Current account - Series 2	79	113
Current account - Series 5	21,311	20,084
Current account - Series 6	14,396	29,959
Current account - Series 7	21,376	22,055
Current account - Series 8	26,576	38,619
Current account - Series 9	5,205	71,478
Current account - Series 10	399,228	5,065
Current account - Series 12	48,361	15,773
Current and Reserve account - Series 13	6,247,544	2,868,701
Current account - Surplus	400,434	104,893
Loan and advances - Series 6	6,791,985	8,272,508
Loan and advances - Series 7	13,806,719	12,143,361
Loan and advances - Series 8	11,013,609	15,093,809
Loan and advances - Series 9	-	2,066,268
Loan and advances - Series 12-15	4,319,384	-
Loan and advances - Series 13-1	20,055,008	2,323,992
Loan and advances - Series 13-2	4,949,236	-
Investment security - Series 5	14,261,205	11,827,447
Investment security - Series 10 sub-series 1	8,488,602	6,680,917
Investment security - Series 10 sub-series 2	3,333,914	4,871,713
Investment security - Series 10 sub-series 3	-	3,661,657
Investment security - Series 10 sub-series 4	15,243,060	11,760,372
Investment security - Series 10 sub-series 5	7,555,192	-
Investment security - Series 10 sub-series 6	167,808	-
Investment security - Series 12 sub-series 1	7,247,788	12,209,925
Investment security - Series 12 sub-series 2	4,254,740	3,832,726
Investment security - Series 12 sub-series 3	10,188,150	4,606,185
Investment security - Series 12 subseries 16	8,287,153	-
Investment security - Series 12 subseries 19	5,221,233	-
Investment security - Series 12 subseries 20	2,745,407	-
Investment security - Series 12 subseries 21	4,955,884	-
Investment security - Series 12 subseries 22	4,671,233	-
Investment security - Series 12 subseries 26	761,863	-
Total Interest Income calculated using the effective interest rate method	165,503,682	102,527,622
Other interest income		
Realised interest on the swap (Note 11.1)	3,704,690	103,514
Interest portion on Tax Refund	-	13,934
	169,208,372	**102,645,070**

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

11. Interest income (continued)

		2023	2022
	Interest income	**R**	R
11.1	Realised interest on the swap		
	Series 8		
	Interest income on the swap	326,593	-
	Interest expense on the swap	-	-
		326,593	-
	Series 10 sub-series 1		
	Interest income on the swap	8,486,553	6,730,982
	Interest expense on the swap	(8,640,784)	(6,975,717)
		(154,230)	(244,735)
	Series 10 sub-series 2		
	Interest income on the swap	3,346,423	5,555,123
	Interest expense on the swap	(3,328,946)	(5,546,828)
		17,477	8,296
	Series 10 sub-series 3		
	Interest income on the swap	-	4,525,420
	Interest expense on the swap	-	(4,598,757)
		-	(73,337)
	Series 10 sub-series 4		
	Interest income on the swap	15,398,208	12,655,146
	Interest expense on the swap	(15,280,418)	(12,559,928)
		117,790	95,218
	Series 10 sub-series 5		
	Interest income on the swap	16,047,390	-
	Interest expense on the swap	(15,663,616)	-
		383,774	-
	Series 10 sub-series 6		
	Interest income on the swap	167,329	-
	Interest expense on the swap	(167,329)	-
		-	-
	Series 12 sub-series 2		
	Interest income on the swap	2,287,745	3,655,375
	Interest expense on the swap	(4,254,740)	(7,039,660)
		(1,966,994)	(3,384,285)
	Series 12 sub-series 3		
	Interest income on the swap	7,103,429	3,472,480
	Interest expense on the swap	(10,243,975)	(6,559,498)
		(3,140,546)	(3,087,018)
	Series 12 sub-series 19		
	Interest income on the swap	6,060,015	-
	Interest expense on the swap	(5,221,233)	-
		838,782	-
	Series 12 sub-series 21		
	Interest income on the swap	4,909,949	-
	Interest expense on the swap	(4,955,719)	-
		(45,771)	-
	Series 12 sub-series 22		
	Interest income on the swap	6,691,507	-
	Interest expense on the swap	(4,671,233)	-
		2,020,274	-
	Series 13 sub-series 2		
	Interest income on the swap	1,841,853	-
	Interest expense on the swap	(1,854,370)	-
		(12,517)	-
	Total	**(1,615,368)**	**(6,685,861)**

	2023	2022
	R	R
12. Interest expense		
Commercial paper issued		
- Series 5	12,547,874	10,124,121
- Series 6	5,893,369	7,343,264
- Series 7	12,615,253	10,947,908
- Series 8	10,112,882	13,228,817
- Series 9	-	1,619,525
- Series 10 sub-series 1	9,452,259	7,426,099
- Series 10 sub-series 2	3,718,622	5,622,374
- Series 10 sub-series 3	-	4,210,808
- Series 10 sub-series 4	18,525,397	15,365,465
- Series 10 sub-series 5	8,554,100	-
- Series 10 sub-series 6	176,198	-
- Series 12 sub-series 1	6,804,541	11,386,103
- Series 12 sub-series 2	2,127,806	166,467
- Series 12 sub-series 3	6,781,649	1,241,569
- Series 12 sub-series 15	3,855,658	-
- Series 12 sub-series 16	7,873,572	-
- Series 12 sub-series 19	6,111,906	-
- Series 12 sub-series 20	2,588,983	-
- Series 12 sub-series 21	4,705,281	-
- Series 12 sub-series 22	6,438,219	-
- Series 12 sub-series 26	714,521	-
- Series 13 sub-series 1	20,044,909	4,663,284
- Series 13 sub-series 2	9,894,245	-
Realised interest on the swap (Note 11.1)		
- Series 10 sub-series 1	154,230	244,735
- Series 10 sub-series 3	-	73,337
- Series 12 sub-series 2	1,966,994	3,384,285
- Series 12 sub-series 3	3,140,546	3,087,018
- Series 12 sub-series 21	45,771	-
- Series 13 sub-series 2	12,517	-
	164,857,300	**100,135,179**

Harcourt Street 1 (RF) Ltd

Notes to the financial statements

for the year ended 31 March 2023 (continued)

	2023	2022
	R	R
13. Ordinary share capital		
Ordinary share capital		
Authorised		
1 000 ordinary shares	**1,000**	**1,000**
Issued		
100 ordinary shares at no par value	**100**	**100**

The consideration received for these shares was R100
All of the issued shares are fully paid up. The unissued shares are under the control of the directors until the next annual general meeting.

Preference share capital		
Authorised		
100 cumulative redeemable preference shares		
Issued		
1 Preference share at no par value	**1**	**1**

The consideration received for these shares was R1
All of the issued shares are fully paid up. The unissued shares are under the control of the directors until the next annual general meeting.

	101	**101**

14. Taxation

	2023	2022
South African normal tax		
-current	2,173,820	2,004,817
-deferred tax	(476,994)	(1,452,372)
Net taxation charge	1,696,826	552,445
-Interest and penalties SARS	322,271	-
Net taxation after interest and penalties	**2,019,097**	**552,445**

The current tax charge equates to the statutory rate of 27%

Reconciliation of effective tax rate		**R**
2023		
Income before taxation		**6,284,539**
Tax using the corporation tax rate	27%	1,696,826
Total income tax expense	**27%**	**1,696,826**
2022		
Income before taxation		**2,012,654**
Tax using the corporation tax rate	28%	563,543
Effects of change in tax rate		(11,098)
Total income tax expense		**552,445**

During the year, the SA Government announced a decrease in the SA rate of corporation tax from 28% to 27% effective for years of assessment ended on/after 1 March 2023. As a result, the deferred tax balances at 31 March 2022 have been adjusted to reflect this substantively enacted rate change. The taxation effect to the SOCI relating to the movement of these balances is R11,098.

15. Administration fees - Investec Bank Limited

Investec Bank Limited has been appointed under the terms of an administration agreement as administrator to Harcourt Street 1 (RF) Limited. Investec Bank Limited charges fees for it administrative services under the administration agreement to the extent permitted by and in accordance with the Priority of Payments. The administration fee varies, and is between R3,000 and R23,000 per Series (exclusive of VAT) per annum.

In the event that insufficient cash is available for payment for all or part of any administration fee, Harcourt Street 1 (RF) Limited incurs no obligation to pay that portion of the fee in respect of which no cash is available.

16. Contingencies and commitments

Harcourt Street 1 (RF) Limited has indemnified Harcourt Street Security SPV 3 Trust (Security SPV 3), Harcourt Street Security SPV 4 Trust (Security SPV 4), Harcourt Street Security SPV 5 Trust (Security SPV 5), Harcourt Street Security SPV 6 Trust (Security SPV 6) and Harcourt Street Security SPV 7 Trust (Security SPV 7) in respect of any claims made against the Security SPVs arising out of a limited guarantee provided by the Security SPVs to the secured creditors of Harcourt Street 1 (RF) Limited.

Cession and pledge

Harcourt Street 1 (RF) Limited has ceded and pledged its right, title and interest in and to its assets held to the respective Security SPVs as security for the guarantees provided by the Security SPVs.

17. Related parties and transactions

Related parties

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.

The Company has a related party relationship with its directors, holding entity (The Harcourt Street Issuer Owner Trust), Harcourt Street Security SPV 3 Trust (Security SPV 3), Harcourt Street Security SPV 4 Trust (Security SPV 4), Harcourt Street Security SPV 5 Trust (Security SPV 5), Harcourt Street Security SPV 6 Trust (Security SPV 6), and Harcourt Street Security SPV 7 Trust (Security SPV 7).

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. The Company, in the ordinary course of business, enters into various transactions with related parties.

TMF Corporate Services (South Africa) Proprietary Limited and Quadridge Trust Services Proprietary Limited

Trust and fiduciary fees were paid to TMF Corporate Services (South Africa) Proprietary Limited (an external service provider), the trustees of Harcourt Street 1 Owner Trust, Harcourt Street 1 Security SPV Owner Trust and Quadridge Trust Services Proprietary Limited as trustees of the respective Security SPVs, as follows:

	2023	2022
	R	R
TMF Corporate Services (South Africa) Proprietary Limited (including directors fees)	**284,301**	272,887
Quadridge Trust Services Proprietary Limited (including directors fees)	**134,300**	147,879

Harcourt Street Issuer Owner Trust

The trust was established solely to be a beneficial shareholder of all of the ordinary shares in Harcourt Street 1 (RF) Limited. The trust is managed by TMF Corporate Services (South Africa) Proprietary Limited. No payments were made to Harcourt Street 1 Owner Trust during the year.

18. Risk management

Risks are managed as part of the normal operations of the Company and the Board of Directors oversees the effectiveness of the risk management processes carried out.

The collectability of amounts due is subject to credit, liquidity and interest rate risks and will generally fluctuate in response to, among other things, market interest rates, general economic conditions and the financial standing of borrowers.

Credit and counterparty risk

As per the Transaction Documents, the holders of Notes are fully exposed to all performance risks related to the relevant participating asset obligor (and associated participating asset(s)); and the various Series Transaction counterparties.

More specifically, the Noteholders are exposed to the credit risk of the participating asset obligor. Upon the occurrence of a participating asset event of default with respect to the participating asset obligor, the Noteholders may suffer significant losses at a time when no or lower losses may be suffered by a direct investor in obligations of the participating asset obligor. The holding of Notes (or a portion thereof) may not reflect the impact of investing in an obligation of the participating asset obligor, and losses in relation to the Notes could be considerably greater than would be suffered by a direct investor in the obligations of the participating asset obligor, and/or could arise for reasons unrelated to the participating asset obligor. Noteholders should also note that a participating asset event of default may occur even if the obligations of the participating asset obligor are unenforceable or its performance is prohibited by any applicable law or exchange controls.

The Issuer anticipates that Noteholders will perform their own credit risk management practices and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses.

Liquidity risk

Liquidity risk is the risk that the Company may have insufficient cash to meet its financial obligations, specifically in the short-term.

Cash flows are monitored regularly to ensure that cash resources are adequate to meet the Company's requirements.

Maturities of financial liabilities

	Current	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
2023						
R						
Commercial paper issued*	313,322,941	453,024,975	447,246,700	1,247,237,187	-	**2,460,831,803**
	313,322,941	**453,024,975**	**447,246,700**	**1,247,237,187**	-	**2,460,831,803**

	Current	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
2022						
R						
Commercial paper issued**	-	659,131,889	570,159,854	970,161,022	-	**2,199,452,765**
	-	**659,131,889**	**570,159,854**	**970,161,022**	-	**2,199,452,765**

18. Risk management (continued)

Maturities of financial liabilities (continued)

<u>Commercial paper issued</u>**

The maturity analysis incorporates, on an undiscounted basis, all cash flows relating to principal and future coupon payments. The principal and interest repayment amounts disclosed are determined by reference to the conditions existing at the end of the reporting year. To be provide more information, we have disaggregated the maturity profile as follows:

Commercial paper issued ('R)	1-2 years	2-3 years	3-5 years	Total
2023	110,509,994	122,826,964	1,013,900,229	1,247,237,187
2022	649,719,121	-	320,441,901	970,161,022

The maturity analysis for financial liabilities represents the basis for effective management of exposure to structural liquidity risk.
Cash flows are monitored on a monthly basis through the Priority of Payments to ensure that cash resources are adequate to meet the necessary requirements.

Interest rate risk

Interest rate risk arises when potential changes in relevant interest paid to investors and the rates earned on loans to borrowers and investments, occur at different times, at different rates and with varying degrees of uncertainty. Due to the mismatch in the base rates of interest earned on the Company's Series 10, 12 and 13 investments, and that payable on the notes issued, the Company is exposed to interest rate risk. This exposure is mitigated through the interest rate swaps entered into with Investec Bank Limited, as derivative counterparty.

The interest rate swap is a level 2 financial instrument as the swap is not listed in an active market, however the fair value is calculated on directly observable market inputs.
There were no transfers between the fair value hierarchy levels during the current year.

As the instrument is classified as a cash flow hedge, any movements in fair value are recognised in other comprehensive income, as far as hedge effectiveness is met.

Credit risk

Credit risk represents the financial risk to the Company as a result of a default by the counterparty, that is, failure of counterparty to comply with its obligations to service the outstanding debt. Credit risk is assessed by the administrator and directors, which establishes and ensures sound credit risk management policies and processes are in place.
IFRS 9 requirements have been embedded into our Company credit risk classification and provisioning policy. A framework has been established to incorporate both quantitative and qualitative measures. Policies for financial assets at amortised cost, in accordance with IFRS 9, have been developed as described below:

18. Risk management (continued)

Maturities of financial liabilities (continued)

Definition of default

The Company has aligned the IFRS 9 and regulatory definitions of default, credit impaired and non-performing exposure. Assets that are more than 90 days past due, or considered by management as unlikely to pay their obligations in full without realisation of collateral are considered as exposures in default.
The Administrator considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Company.
- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Stage 1
All assets that are considered performing and have not had a significant increase in credit risk will be reported as Stage 1 assets. Under IFRS 9 these Stage 1 financial assets have loss allowances measured at an amount equal to a 12-month ECL.

Stage 2
Financial assets are considered to be in Stage 2 when their credit risk has increased significantly since initial recognition. A loss allowance equivalent to a lifetime ECL is required to be held under IFRS 9.

The Company's primary indicator for Stage 2 assets are distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision from Watchlist committees and are under management review. This comprises exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements or idiosyncratic financial distress, or private clients who have undergone a significant deterioration in financial circumstances.

Assets that have been subject to forbearance are considered to be, at a minimum, Stage 2. Forbearance measures refer to concessions such as modification of the terms and conditions or refinancing that has been granted to a debtor in financial difficulties. These exposures are assessed on a case by case basis to determine whether the proposed modifications will be considered as forbearance. Where the credit committee considers it likely that the client will be able to return to perform against the original contractual obligations within a reasonable timeframe these assets will be considered performing and in Stage 2. Forbearance is distinguished from commercial renegotiations which take place as part of normal business activity and standard banking practice.

18. Risk management (continued)

Definition of defaultt (continued)

In addition to loans under management review, an asset may also move from Stage 1 to Stage 2 if the model calculated probability of default (PD) has significantly increased since origination. This is tested as both a relative and absolute measure, to further inform whether a significant deterioration in lifetime risk of default has occurred.

As a backstop, the company does not rebut the presumption in IFRS 9 that all financial assets that are more than 30 days past due have experienced a significant increase in credit risk.

Exposures move back to Stage 1 once they no longer meet the criteria above for a significant increase in credit risk and as cure years (specifically relating to forborne exposure) are met.

Stage 3

Financial assets will be included in Stage 3 when there is objective evidence of credit impairment. Under IFRS 9, the company assesses a loan as Stage 3 when contractual payments of either principal or interest are past due for more than 90 days, the debtor is assessed as unlikely to pay and credit impaired, or the loan is otherwise considered to be in default, for example due to the appointment of an administrator or in receivership. The Company’s policy is not to rebut the presumption in IFRS 9 that loans which are more than 90 days past due are in default.

ECL

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. IFRS 9 will result in an increase in the total level of impairment allowances, since all financial assets if not measured at fair value through profit and loss (FVPL) will be assessed for at least 12-month ECL.
Investec management addressed the impact on the portfolio as follows:

• The ECL as at 31 March 2023 was calculated using revised macroeconomic variable forecasts and scenario weightings (dated 31 March 2023).

Write-offs

A loan or advance is normally written off, in full, against the related allowance when the proceeds from realising any available security have been received or there is a reasonable amount of certainty that the exposure will not be recovered. Any recoveries of amounts previously written off decrease the amount of impairment losses. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

Internal credit rating models and ECL methodology

Internal credit rating models cover all material asset classes. These internal credit rating models are used for IFRS 9 modelling after adjusting for appropriate differences. Internal credit models calculate through the economic cycle losses whereas IFRS 9 requires 12-month or lifetime point-in-time losses based on conditions at the reporting date and multiple economic scenario forecasts of the future conditions over the expected lives.

18. Risk management (continued)

Key drivers of measurement uncertainty – subjective elements and inputs

The measurement of ECL under IFRS 9 has a continued reliance on expert credit judgement. Key judgemental areas under the implementation of IFRS 9 are highlighted in this document and are subject to robust governance processes. Key drivers of measurement uncertainty include:
- the assessment of a significant increase in credit risk;
- the introduction of a range of forward-looking probability weighted macro-economic scenarios; and
- estimations of probabilities of default, loss given default and exposures at default using models.

In addition to these drivers, some initial judgements and assumptions were required in the design and build of the bank's ECL methodology, which are not considered to have a material impact. This includes the use of income recognition effective interest rates (EIRs) that are calculated and used as the discount factor in the ECL calculation as well as the use of contractual maturity to assess behavioural lives. In addition where we have experienced limitations on the availability of probability of default origination data for the historic book, a portfolio average has been used in some instances.

ECLs are calculated using three main components:
- a probability of default (PD);
- a loss given default (LGD); and
- the exposure at default (EAD).

Under IFRS 9, the 12-month and lifetime PDs represent the probability of a default occurring over the next 12 months or the lifetime of the financial exposures, respectively, based on conditions existing at the balance sheet date and future forecast macro-economic conditions that affect credit risk.

The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The forecast value for the collateral is also affected by the range of forward-looking probability weighted macro-economic scenarios.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a committed facility.

The calculation of the 12-month ECL is based on the 12-month PD and LGD, determined by the Administrator, along with the EAD and effective interest rate (EIR) for the asset. Lifetime ECL is calculated using the lifetime PD curve, and the appropriate LGDs and EADs and discount rates derived from the EIR based on the remaining life of the financial asset.

Expert judgement models have also been utilised for certain portfolios where the ECL is found to be minimal, either due to the portfolio's small relative size or the low default nature of these portfolios, such as cash and balances held at central banks.

Management adjustments are made to modelled outputs to account for situations where additional information and known or expected risk factors have not been captured in the modelling process.

18. Risk management (continued)

Forward-looking macro-economic scenarios

The measurement of ECL also requires the use of multiple economic scenarios to calculate a probability weighted forward-looking estimate. These scenarios are updated at least twice a year, or more frequently if there is a macro-economic shock or significant shift in expectations. The weighting of these scenarios for IFRS 9 as well as the scenarios themselves are discussed and approved by Investec Bank Limited's capital committee, which forms part of the principal governance framework for macro-economic scenarios.
A number of forecast economic scenarios are considered for capital planning, stress testing (including IBL specific stress scenarios) and IFRS 9.

The scenario probability weightings applied in measuring ECL are as follows:

	Extreme up	**Up**	**Expected**	**Down**	**Extreme Down**
Scenario probability weighting	1%	1%	48%	40%	10%

For the Company, five macro-economic scenarios are used in the measurement of ECL under IFRS 9. These scenarios incorporate a base case, two upside cases and a two downside cases. The aim of this economic scenario generation process is to provide a view of the current and projected state of the South African economy and the different economic scenarios that could occur in various stressed or improved environments over the next five years for a number of identified variables/risk drivers. The maturity dates, effective interest and carrying amounts of the assets are sent to the Administrator who will then calculate the ECL.

As of 31 March 2023, all five scenarios were updated to incorporate the latest available data. The base case is characterised by the view that economic growth lifts to 3% by the end of the five-year year on sufficient domestic policy support measures, while global financial market risk sentiment is neutral to positive. South Africa remains in the BB credit rating category bracket as fiscal consolidation (debt to GDP stabilisation) occurs. The Rand stabilises, then strengthens somewhat. Inflation is impacted by the course of weather patterns via food price inflation. The impact of loadshedding at an average of Stage 5 is included in the base case for 2023, and lessening in subsequent years as more generating capacity comes on line. A transition to renewable energy and slow move away from fossil fuel usage occurs and measures to alleviate the impact of climate change on the economy are modestly implemented. The Russian invasion of Ukraine eases. There is little to no expropriation without compensation. The greylisting lasts 2-3 years. As of 31 March 2023, the weighting of the base case was 48% while on 31 March 2022 it was 51%. The probability has fallen on the lowered growth outlook, the removal of the positive outlook from S&P and the rise in credit rating downgrade risk.

The lite down case has the same expected international environment (including global financial market risk sentiment) as the base case, but the domestic environment differs. Under this scenario South Africa’s GDP growth is weak. Business confidence is depressed, with significant loadshedding, weak investment growth, very weak rail and port capacity, civil and political unrest, and a recession. Substantial Rand weakness drives high inflation, along with unfavourable weather conditions. Little transition to renewable energy is apparent, while there is increased pressure on government finances from disaster relief due to unfavourable weather conditions driven by climate change. Expropriation of private sector property is very limited and has a modestly negative impact on the economy. The greylisting is lengthy. Government debt and debt projections fail to stabilise, and South Africa drops into the single B credit ratings from all three of the key credit rating agencies for local and foreign currency sovereign debt but avoids C grades on eventual fiscal consolidation. As of 31 March 2023, the weighting of the lite down case was 40%, the same as at 31 March 2022.

18. Risk management (continued)

Forward-looking macro-economic scenarios (continued)

Under the severe down case a lengthy recession occurs in South Africa. Deteriorating government finances see the state borrowing from increasingly wider sources as it sinks deeper into a debt trap. South Africa's credit ratings fall into the C grades, with an increased risk of default. The severe down case can also include a lengthy global recession and/or global financial crisis, with insufficient monetary and other policy support measures. Severe Rand weakness is a feature as well as very high domestic inflation, which is also affected by severely unfavourable weather conditions. There is a failure to transition to renewable energy and to implement sufficient measures to alleviate the impact of climate change on the economy. Implementation of expropriation without compensation occurs (particularly for land held for speculative purposes), with a significant negative impact on the economy, along with widespread loadshedding of both electricity and water services, strike action and civil unrest. As of 31 March 2023, the scenario weighting of the severe down case was 10%, increasing from 6% in March 2022 due to the worsening in South Africa's electricity, freight (rail), port and other state services. Additionally, the persistence of elevated inflation globally and the tightening in monetary policy, prolonged risk-off global financial market environment and worsening in the global economic outlook have seen the severe down case probability rise. South Africa is eventually blacklisted in this scenario.

The up case is depicted by rising business confidence and investment levels as structural constraints to sustained, robust economic growth are removed, in an environment of strong global and domestic growth, and the global financial market is risk-on. Low domestic inflation occurs on Rand strength, along with favourable weather conditions for moderate food price inflation. A substantial transition to renewable energy, and a move away from fossil fuel usage occurs, along with comprehensive measures to alleviate the impact of climate change on the economy. There is no nationalisation or expropriation without compensation. No further credit rating downgrades occur and instead the rating outlooks become positive on strong fiscal consolidation (government debt projections fall substantially). The greylisting lasts for less than eighteen months. As of 31 March 2023, the scenario weighting was 1%, but was 2% in 31 March 2022. The economic outlook has deteriorated on structural factor which has lowered the probability of the up case.

The extreme up case is an acceleration of the up case. Good governance and growth-creating reforms which overcome structural constraints rapidly occur. Business confidence is high, property rights are strong, fixed investment growth rates are very strong, while substantial FDI inflows occur, along with strong fiscal consolidation (and government debt falls back to the low ratios of the early 2000s). Domestic economic growth of 3-5%, then 5-7%, is achieved under this scenario and credit rating upgrades occur. Very subdued domestic inflation on extreme Rand strength is a feature, along with a strong transition away from fossil fuel usage, a quick transition to renewable energy and very favourable weather conditions. There is strong global growth and a commodity boom in this scenario too. Greylisting is short term in nature. This scenario retains a weighting of 1%.

2023

R	Loans and advances that are neither past due nor impaired	Loans and advances that are past due but not impaired	Loans and advances that are impaired	Total loans and advances	Amount in arrears
Current	885,548,900	-	-	885,548,900	-
Total	**885,548,900**	**-**	**-**	**885,548,900**	**-**

2022

R	Loans and advances that are neither past due nor impaired	Loans and advances that are past due but not impaired	Loans and advances that are impaired	Total loans and advances	Amount in arrears
Current	888,664,813	-	-	888,664,813	-
Total	**888,664,813**	**-**	**-**	**888,664,813**	**-**

The maximum exposure of the loans and advances is the carrying value at year-end.

18. Risk management (continued)

2023	Investments in Securities that are neither past due nor impaired	Investments in Securities that are past due but not impaired	Investments in Securities that are impaired	Total Investments in Securities	Amount in arrears
R					
Current	1,195,841,318	-	-	1,195,841,318	-
Total	**1,195,841,318**	-	-	**1,195,841,318**	-

2022	Investments in Securities that are neither past due nor impaired	Investments in Securities that are past due but not impaired	Investments in Securities that are impaired	Total Investments in Securities	Amount in arrears
R					
Current	1,165,139,072	-	-	1,165,139,072	-
Total	**1,165,139,072**	-	-	**1,165,139,072**	-

An analysis of credit quality by internal rating grade

The analysis of credit quality of Loans and Advances, and Investments in Securities is outsourced to Investec Bank in terms of the Administration Agreement. Investec Bank uses a 25-grade internal rating scale which measures the risk of default to an exposure without taking into account any credit mitigation, such as collateral. This internal rating scale allows Investec Bank Limited to measure credit risk consistently across portfolios. The internal rating scale is derived from a mapping to PDs and can also be mapped to external rating agency scales.

PD range	Investec internal rating scale	Indicative external rating scale
less than 0.538%	IB01 – IB12	AAA to BBB-
0.538% – 6.089%	IB13 – IB19	BB+ to B
greater than 6.089%	IB20 – IB25	B- and below
	Stage 3	D

The internal credit rating distribution below is based on the 12-month PD at 31 March 2023 for gross core loans subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

R

2023	IB01 – IB12	IB13 – IB19	IB20 – IB25	Stage 3	Total ECL
Loans and advances subject to ECL	**317,500,000**	**571,430,195**	-	-	**888,930,195**
Stage 1	317,500,000	571,430,195	-	-	888,930,195
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
ECL	**(277,462)**	**(3,103,833)**	-	-	**(3,381,295)**
Stage 1	(277,462)	(3,103,833)	-	-	(3,381,295)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Coverage Ratio	**0.09%**	**0.54%**	-	-	**0.38%**
Investments in securities subject to ECL	**747,038,292**	**450,805,075**	-	-	**1,197,843,367**
Stage 1	747,038,292	450,805,075	-	-	1,197,843,367
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
ECL	**(575,407)**	**(1,426,642)**	-	-	**(2,002,049)**
Stage 1	(575,407)	(1,426,642)	-	-	(2,002,049)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Coverage Ratio	**0.08%**	**0.32%**	-	-	**0.17%**

Harcourt Street 1 (RF) Ltd

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for the year ended 31 March 2023 (continued)

18. Risk management (continued)

An analysis of credit quality by internal rating grade (continued)

2022	IB01 – IB12	IB13 – IB19	IB20 – IB25	Stage 3	Total ECL
Loans and advances subject to ECL	**653,897,673**	**142,354,713**	**94,744,892**	**-**	**890,997,278**
Stage 1	653,897,673	142,354,713	94,744,892	-	890,997,278
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
ECL	**(723,751)**	**(404,264)**	**(1,204,454)**	**-**	**(2,332,469)**
Stage 1	(723,751)	(404,264)	(1,204,454)	-	(2,332,469)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Coverage Ratio	**0.11%**	**0.28%**	**1.27%**	**-**	**0.26%**
Investments in securities subject to ECL	**1,165,554,216**	**-**	**-**	**-**	**1,165,554,216**
Stage 1	1,165,554,216	-	-	-	1,165,554,216
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
ECL	**(415,144)**	**-**	**-**	**-**	**(415,144)**
Stage 1	(415,144)	-	-	-	(415,144)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Coverage Ratio	**0.04%**	**-**	**-**	**-**	**0.04%**

Concentrations of credit risk

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances and investment securities is shown below.

Concentration by sector	2023 Carrying amount R	2022 Carrying amount R
Loans and advances		
Retail	545,454,404	738,065,340
Real Estate	340,094,496	-
Government	-	-
Education	-	150,599,473
Financial Institution	-	-
	885,548,900	888,664,813
Investments in Securities		
Retail	100,275,734	-
Real Estate	-	-
Government	342,437,433	-
Education	-	-
Financial Institution	753,128,151	1,165,139,072
	1,195,841,318	1,165,139,072

All of the Loans and advances, and Investment in Securities are on stage 1

18. Risk management (continued)

Reconciliations from the opening to the closing balance of the loss allowance

R

Loans and Advances	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL opening balance at 1 April 2022	2,332,469	-	-	2,332,469
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(647,488)	-	-	(647,488)
New financial assets originated or purchased	2,305,576	-	-	2,305,576
Financial assets that have been derecognised	(609,262)	-	-	(609,262)
Write-offs	-	-	-	-
Unwind of discount	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Closing balance at 31 March 2023	**3,381,295**	**-**	**-**	**3,381,295**

R

Investments in securities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL opening balance at 1 April 2022	415,144	-	-	415,144
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	1,962,928	-	-	1,962,928
Financial assets that have been derecognised	(376,023)	-	-	(376,023)
Write-offs	-	-	-	-
Unwind of discount	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Closing balance at 31 March 2023	**2,002,049**	**-**	**-**	**2,002,049**

Significant changes in the ECL allowance were as follows:

- The acquisition of loans and debt securities in Series 10, 12 and 13 resulted in an overall increase of in the ECL recognised at year-end.

19. Financial assets and liabilities

Analysis of assets and liabilities by measurement basis

2023	**Amortised Cost**	**Mandatorily at fair value through profit or loss**	**Liabilities at amortised cost**	**Non-financial instruments/financial instrument excluded from IFRS9**	**Total**
R					
Assets					
Cash and cash equivalents*	8,640,220	-	-	-	8,640,220
Derivative financial instruments	-	34,418,100	-	-	34,418,100
Loans and advances*	885,548,900	-	-	-	885,548,900
Investment in securities*	1,195,841,318	-	-	-	1,195,841,318
Other receivables	2,028,919	-	-	-	2,028,919
	2,092,059,357	**34,418,100**	**-**	**-**	**2,126,477,457**
Liabilities					
Commercial paper issued	-	-	2,111,152,754	-	2,111,152,754
Taxation payable*	-	-		509,284	509,284
Deferred tax liability	-	-	-	2,301,721	2,301,721
	-	**-**	**2,111,152,754**	**2,811,005**	**2,113,963,759**

* For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption also applies to demand deposits, savings accounts without a specific maturity, fixed and variable rate financial instruments. For Loans and Advances and Investment in Securities where the market inputs are not highly observable, the carrying value approximates the fair value.

There were no transfers between level 1 and level 2 of the fair value hierarchy for the financial assets and liabilities which are recorded at fair value.

The fair value of highly observable Investments in securities held at amortised costs are:	**Level 1**	**Level 2**	**Level 3**
R			
MBP049 - Series 10-5	250,960,228	-	-
SPDA16 - Series 10-6	100,959,351	-	-
OML07 - Series 12-3	98,189,781	-	-
FST3A3 - Series 12-16	275,658,395	-	-
R2032 - Series 12-19	91,805,385	-	-
LGL12 - Series 12-20	67,405,490	-	-
NTC35 - Series 12-21	125,763,880	-	-
R2030 - Series 12-22	115,647,100	-	-

R	**Level 1**	**Level 2**	**Level 3**
The fair value of commercial paper issued held at amortised costs are:	-	2,175,738,446	-

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for the year ended 31 March 2023 (continued)

19. Financial assets and liabilities (continued)

Analysis of assets and liabilities by measurement basis (continued)

2022 R	Amortised Cost	Mandatorily at fair value through profit or loss	Liabilities at amortised cost	Non-financial instruments/financial instrument excluded from IFRS9	Total
Assets					
Cash and cash equivalents*	9,917,741	-	-	-	9,917,741
Loans and advances*	888,664,809	-	-	-	888,664,809
Investment in securities*	1,165,139,072	-	-	-	1,165,139,072
Other receivables	450,126	-	-	-	450,126
	2,064,171,748	**-**	**-**	**-**	**2,064,171,748**
Liabilities					
Commercial paper issued*	-	-	2,049,911,670	-	2,049,911,670
Derivative financial instruments	-	1,430,192	-	-	1,430,192
Other liabilities*	-	-	368,517	-	368,517
Deferred tax liability	-	-	-	3,274,190	3,274,190
	-	**1,430,192**	**2,050,280,187**	**3,274,190**	**2,054,984,569**

* For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption also applies to demand deposits, savings accounts without a specific maturity, fixed and variable rate financial instruments. For Loans and Advances and Investment in Securities where the market inputs are not highly observable, the carrying value approximates the fair value.

There were no transfers between level 1 and level 2 of the fair value hierarchy for the financial assets and liabilities which are recorded at fair value.

The fair value of market observable Investments in securities held at amortised costs are:

R	**Level 1**	**Level 2**	**Level 3**
MBP040 - Series 10-1	138,897,394	-	-
MBF065 - Series 10-4	115,599,146	-	-
LGL08 - Series 5	202,177,699	-	-
OML07 - Series 12-3	113,544,683	-	-
MMI05 - Series 12-2	95,874,853	-	-

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for the year ended 31 March 2023 (continued)

19. Financial assets and liabilities (continued)

Fair values of financial instruments
Valuation models

For more complex instruments, the Company uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company entity and the counterparty where appropriate.

Valuation framework

The Company has an established control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management; and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- re-performance of model valuations;
- analysis and investigation of significant daily valuation movements

Financial instruments measured at fair value - Fair value hierarchy

	Level 2
	R
	2023
Cash flow hedge	**31,037,399**
Credit default swap	**3,380,701**
	R
	2022
Cash flow hedge	(4,600,737)
Credit default swap	3,620,671

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20. Going Concern

Management has concluded that there are no material uncertainties regarding the ability of Harcourt Street 1 (RF) Limited to operate as a going concern because the Company has been set up as an insolvency remote special purpose vehicle by incorporating ring-fencing provisions into its memorandum of incorporation. In addition, secured creditors have agreed to certain subordination, non-petition, and limited recourse clauses.

For the avoidance of doubt, we reiterate the following provisions as set out in the Harcourt Street 1 (RF) Limited ZAR10,000,000,000 Secured Note Programme:

Each noteholder agrees that its claims against the Issuer and the Security SPV are subordinated for the benefit of other secured creditors ranking prior to noteholders in accordance with the applicable priority of payments.

In respect of a transaction, if the net proceeds of the enforcement of the transaction security are not sufficient to make all payments then due in respect of the notes issued in the transaction, the obligations of the Issuer will be limited to such net proceeds and the other assets of the Issuer will not be available to meet any shortfall. The shortfall shall be borne by the relevant secured creditors of the Issuer in accordance with the applicable priority of payments set out in the transaction documentation. The Issuer will not be obliged to make any further payment in excess of such net proceeds and no debt shall be owed by the Issuer in respect of such shortfall.

Each noteholder agrees that only the relevant security SPV may enforce the security created in favour of the relevant security SPV by the relevant security agreements in accordance with the provisions of the relevant security agreements and the relevant transaction documents.

Because of this legal set-up, the Company's outgoing cash flows are limited to both its assets and the yield on these assets and it therefore continues to operate as a going concern.

21. Events subsequent to year end

No material events have occurred between 31 March 2023 and the date of this report.

22. Approval of annual financial statements

The annual financial statements were approved by the board of directors on 29 June 2023.