True South Issuer (Pty) Ltd
(Registration number 2017/390359/07)
Annual financial statements
for the year ended 28 February 2023

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Financial services
Director	K McRae
Registered office	35 Fricker Road Illovo Johannesburg 2196
Business address	Floor 1, Building 2, Commerce Square 91 Helling Rd Sandhurst Johannesburg 2196
Postal address	35 Fricker Road Illovo Johannesburg 2196
Holding company	Louw Advance (Pty) Ltd incorporated in South Africa
Bankers	First National Bank
Auditors	Mazars Registered Auditor
Company registration number	2017/390359/07
Tax reference number	9604123183
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	These annual financial statements were prepared under the supervision of: PKF Octagon Partnership W.M. Wasowicz (CA) SA
Issued	13 October 2023

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Level of assurance

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

These annual financial statements were prepared under the supervision of:

PKF Octagon Partnership
W.M. Wasowicz (CA) SA

Director's Responsibilities and Approval

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

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

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

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

The director has reviewed the company's cash flow forecast for the year to 29 February 2024 and, in light of this review and the current financial position, he is satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 6 to 8.

The annual financial statements set out on pages 9 to 29, which have been prepared on the going concern basis, were approved by the director and were signed by him:

K McRae

Signature:

Email: kieronmcrae@sirdargroup.com

Title: Director

Company: True South Issuer

Director's Report

The director has pleasure in submitting his report on the annual financial statements of True South Issuer (Pty) Ltd for the year ended 28 February 2023.

1. Nature of business

True South Issuer (Pty) Ltd was incorporated in South Africa with interests in the Financial services industry. The company operates in South Africa..

True South Issuer (Pty) Ltd issues commercial paper using their group company, True South Issuer (Pty) Ltd, under the True South Issuer Proprietary Limited ZAR25,000,000,000 Domestic Note Programme. The Issuer's business is contractually limited to issuing Notes according to the Programme Memorandum and using those proceeds to make investments. The Notes Programme follows an industry standard structure. The interests of secured Noteholders are represented by an independently owned Security SPV. The Issuer's obligations to Noteholders are guaranteed, subject to the Limited Recourse Provisions, by the Security SPV.

The Issuer indemnifies the Security SPV in respect of claims made under the guarantee and pledges the value of a particular investment as security for that indemnity.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

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

3. Share capital

	2023	2022
Authorised	**Number of shares**	
Ordinary no par value shares	4 000	4 000

	2023	2022	2023	2022
Issued	**R**	**R**	**Number of shares**	
Ordinary no par value shares	500	500	120	120

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

4. Dividends

Final dividend of 1 000 000 cents per share was approved in South Africa currency in respect of the year ended 28 February 2023.

The local dividends tax rate is 20%.

5. Directorate

The director in office at the date of this report is as follows:

Director	Office	Designation	Nationality
K McRae	Chairperson	Executive	RSA

There have been no changes to the directorate for the year under review.

6. Director's interests in contracts

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

Director's Report

7. Holding company

The company's holding company is Louw Advance (Pty) Ltd which holds 100% (2022: 100%) of the company's equity. Louw Advance (Pty) Ltd is incorporated in South Africa.

8. Special resolutions

A special resolution was passed by the shareholders for approval for declaring dividend during the financial year.

9. Events after the reporting period

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

10. Liquidity and solvency

The director has performed the required liquidity and solvency tests required by the Companies Act of South Africa.

11. Auditors

Mazars continued in office as auditors for the company for 2023.

At the AGM, the Shareholders will be requested to reappoint Mazars as the independent external auditors of the company and to confirm N Jansen as the designated lead audit partner for the 2024 financial year.

12. Date of authorisation for issue of financial statements

The annual financial statements have been authorised for issue by the director on Wednesday, 16 August 2023. No authority was given to anyone to amend the annual financial statements after the date of issue.

13. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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

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Independent Auditor's Report

To the Shareholders of True South Issuer Proprietary Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of True South Issuer Proprietary Limited (the company) set out on pages 9 to 29, which comprise the separate statement of financial position as at 28 February 2023, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of True South Issuer Proprietary Limited as at 28 February 2023, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of 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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled “True South Issuer Proprietary Limited Separate Financial Statements for the year ended 28 February 2023” ,which includes the Directors’ Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor’s reports thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate 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.

MAZARS

Mazars
Partner: Nico Jansen
Registered Auditor
16 October 2023
Cape Town

Statement of Financial Position as at 28 February 2023

Figures in Rand	Notes	2023	2022
Assets			
Current Assets			
Loans to group companies	3	670 000	-
Loans to shareholders	4	617 591	-
Loans receivable	5	391 730 350	160 960 933
Trade and other receivables	6	161 000	-
Cash and cash equivalents	7	129 484 926	9 652 498
		522 663 867	**170 613 431**
Equity and Liabilities			
Equity			
Stated capital	8	500	500
Retained income		4 066 089	1 824 060
		4 066 589	**1 824 560**
Liabilities			
Non-Current Liabilities			
Borrowings	9	164 354 684	-
Current Liabilities			
Trade and other payables	10	2 471	73 249
Loans from group companies	11	692 843	28 151
Loans from shareholders	12	-	10 823
Borrowings	9	352 959 588	168 069 818
Current tax payable	13	587 692	606 830
		354 242 594	**168 788 871**
Total Liabilities		**518 597 278**	**168 788 871**
Total Equity and Liabilities		**522 663 867**	**170 613 431**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2023	2022
Return on invested capital	14	29 262 119	30 763 348
Cost of capital	15	(24 019 047)	(28 303 025)
Gross profit		**5 243 072**	**2 460 323**
Other operating expenses		(462 141)	(296 495)
Profit before taxation		**4 780 931**	**2 163 828**
Taxation	17	(1 338 902)	(618 100)
Profit for the year		**3 442 029**	**1 545 728**
Other comprehensive income		-	-
Total comprehensive income for the year		**3 442 029**	**1 545 728**

Statement of Changes in Equity

Figures in Rand	Share capital	Retained income	Total equity
Balance at 01 March 2021	**500**	**278 332**	**278 832**
Profit for the year	-	1 545 728	1 545 728
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**1 545 728**	**1 545 728**
Balance at 01 March 2022	**500**	**1 824 060**	**1 824 560**
Profit for the year	-	3 442 029	3 442 029
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**3 442 029**	**3 442 029**
Dividends	-	(1 200 000)	(1 200 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(1 200 000)**	**(1 200 000)**
Balance at 28 February 2023	**500**	**4 066 089**	**4 066 589**
Note	8		

Statement of Cash Flows

Figures in Rand	Notes	2023	2022
Cash flows from operating activities			
Cash receipts from customers		596 976	833 582
Cash paid to suppliers and employees		(24 614 794)	(28 576 936)
Cash generated from operations	18	(10 322 662)	(27 743 354)
Interest income		25 570 998	29 929 766
Dividends paid	19	(1 200 000)	-
Tax paid	20	(1 358 040)	(134 001)
Net cash from operating activities		**12 690 296**	**2 052 411**
Cash flows from investing activities			
Advances of loans receivable (at amortised cost)	5	(744 351 224)	-
Repayments of loans receivable (at amortised cost)	5	565 647 860	125 900 455
Net cash from investing activities		**(178 703 364)**	**125 900 455**
Cash flows from financing activities			
Repayments of loans from group companies	3	(11 111 161)	(24 279)
Cash advances received on loans from group companies	3	12 133 367	-
Repayments of loans from shareholders	4	-	500
Repayments of borrowings	4	(237 141 592)	(126 315 747)
Proceeds from borrowings	9	521 964 882	-
Net cash from financing activities		**285 845 496**	**(126 339 526)**
Total cash movement for the year		**119 832 428**	**1 613 340**
Cash and cash equivalents at the beginning of the year		9 652 498	8 039 158
Cash and cash equivalents at the end of the year	7	**129 484 926**	**9 652 498**

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

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

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

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

These accounting policies are consistent with the previous period.

1.2 Financial instruments

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

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or

Financial liabilities:

- Amortised cost.

Note 23 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Accounting Policies

1.2 Financial instruments (continued)

Loans receivable at amortised cost

Classification

Loans to shareholders (note 4) and loans receivable (note 5) are classified as financial assets subsequently measured at amortised cost.

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

Recognition and measurement

Loans receivable are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 14).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 6).

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

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Accounting Policies

1.2 Financial instruments (continued)

Borrowings and loans from related parties

Classification

Loans from shareholders (note 4) and borrowings (note 9) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 23 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables (note 10), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 23 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

1.3 Tax

Current tax assets and liabilities

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

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

Tax expenses

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

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

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

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

Accounting Policies

1.4 Leases

Company as lessee

The company, as a lessee, leases a property for administrative purposes under a lease agreement.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

1.5 Stated capital and equity

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

1.6 Interest income

Revenue consists of interest income and investment income, trading income arising from customer flow, and other operating income.

Interest income on debt instruments at amortised cost is recognised in the income statement using the effective interest method. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instruments yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs.

The effective interest method is based on the estimated life of the underlying instrument and where this estimate is not readily available, the contractual life.

1.7 Interest expense

All finance costs are recognised in profit or loss using the effective interest method in the period in which they are incurred. The effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the amortised cost of the financial liability.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

2. New Standards and Interpretations

2.1 Standards and Interpretations early adopted

The company has chosen to early adopt the following standards and interpretations:

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 March 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Lease liability in a sale and leaseback	01 January 2024	Unlikely there will be a material impact
• Initial application of IFRS 17 and IFRS 9 - Comparative information	01 January 2023	Unlikely there will be a material impact
• Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	01 January 2023	Unlikely there will be a material impact
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	01 January 2023	Unlikely there will be a material impact
• Definition of accounting estimates: Amendments to IAS 8	01 January 2023	Unlikely there will be a material impact

3. Loan to group company

Fellow subsidiaries

	2023	2022
True South 1 (Pty) Ltd	670 000	-

The above loan is unsecured, bears no interest and has no fixed terms of repayment.

4. Loan to shareholder

	2023	2022
Louw Advance (Pty) Ltd	617 591	-

The above loan is unsecured, bears no interest and has no fixed terms of repayment.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Loans receivable

Loans receivables are investments with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal outstanding on specified dates. They are therefore measured at amortisation cost which equates to the fair value.

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

	2023	2022
Loans receivable	391 730 350	160 960 933

Split between non-current and current portions

	2023	2022
Current assets	391 730 350	160 960 933

Exposure to credit risk

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

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

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans receivable is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

In determining the amount of expected credit losses, the company has taken into account any historic data to ensure the information is as close to accurate as possible, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate or are employed. This information has been obtained from the counterparties themselves, as well as from economic reports, financial analyst reports and various external sources of actual and forecast data and is applied to estimate a probability of default occurring as well as estimating the loss upon default.

In terms of loans receivable it should be noted that there are some specific requirements that should be taken into account for the determination of the expected loss.
- The treatment for loans repayable on demand and loans that have a low credit risk.
- A loan has low credit risk if the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and adverse changes in economic and business conditions in the longer term might, but will not necessarily, reduce the ability of the borrower to fulfil its obligations.
- For loans that are low credit risk at the reporting date, IFRS 9 allows a 12- month expected credit loss to be recognised.

If an entity provides funding without any contractual terms it is typically treated from a legal perspective as a repayable on demand loan and not a capital contribution.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Loans receivable (continued)

For loans that are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. If the borrower could not repay the loan if demanded at the reporting date, the lender should consider the expected manner of recovery to measure expected credit losses. This might be a ‘repay over time’ strategy (that allows the borrower time to pay), or a fire sale of less liquid assets.

If the recovery strategies indicate that the lender would fully recover the outstanding balance of the loan, the expected credit loss will be limited to the effect of discounting the amount due on the loan (at the loan’s effective interest rate, which might be 0% if the loan is interest free) over the period until cash is realised. If the time period to realise cash is short or the effective interest rate is low, the effect of discounting might be immaterial. If the effective interest rate is 0%, and all strategies indicate that the lender would fully recover the outstanding balance of the loan, there is no impairment loss to recognise.

Probability of default:
The probability of default sets the chances of a default, in determining the chances of a default we have assessed the nature of the loans and the repayment terms and whether these are repayable on demand. If these are repayable on demand the risk of default is increased as these can be called at any time. In addition if these are repayable on demand, we compare the value of the loan to the net current assets to see if it is possible for the company to pay the loan out of it's current assets. If it is not possible for the loan to be repaid out of the current assets of the entity, it is assumed that a repayment plan will have to be entered into to settle the loan whereby additional financing etc. will be required and therefore the risk of default is increased. It should be noted that these intercompany loans are backed by the entities ultimate holding company which decreases the risk of default.

The estimation techniques explained have been applied to ensure the company has applied IFRS 9.

Exposure to interest rate risk

The company is exposed to interest rate risk on loans receivable. Rising interest rates would result in the values of loans receivable declining.

6. Trade and other receivables

Non-financial instruments:		
Prepayments	161 000	-
Total trade and other receivables	**161 000**	**-**

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	129 484 926	9 652 498

8. Stated capital

Authorised		
4 000 Ordinary no par value shares	4 000	4 000
Issued		
120 Ordinary no par value shares	500	500

9. Borrowings

Held at amortised cost		
Loans payable Loans payable are loans with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal outstanding on specified dates. They are therefore measured at amortisation cost which equates to the fair value. The above are repayable within 12 months.	352 959 588	168 069 818
Loans payable Loans payable are loans with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal outstanding on specified dates. They are therefore measured at amortisation cost which equates to the fair value. The above are repayable after 12 months.	164 354 684	-
	517 314 272	**168 069 818**

Split between non-current and current portions

Non-current liabilities	164 354 684	-
Current liabilities	352 959 588	168 069 818
	517 314 272	**168 069 818**

Exposure to liquidity risk

Refer to note 23 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to interest rate risk

The company is exposed to interest rate risk on borrowings. Rising interest rates would result in the values of borrowings declining.

10. Trade and other payables

Financial instruments:		
Trade payables	2 471	73 250

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

11. Loans from group companies

Fellow subsidiaries

Louw Capital Markets (Pty) Ltd	5 453	28 151
True South Capital (Pty) Ltd	687 390	-
	692 843	**28 151**

The loans are unsecured, bear no interest and have no fixed terms of repayment.

12. Loans from shareholders

Louw Advance (Pty) Ltd	-	10 823

The loan is unsecured, bears no interest and has no fixed terms of repayment.

Refer to note 23 Changes in liabilities arising from financing activities for details of the movement in loans from shareholders during the reporting period.

13. Current tax (payable)

Normal tax	(587 692)	(606 830)

14. Revenue

Revenue from bank accounts		
Interest income	2 341 057	833 582
Revenue from loan agreements		
Return on invested capital	26 921 062	29 929 766
	29 262 119	**30 763 348**

Disaggregation of revenue from contracts with customers

Loan agreements and investment deal - financing

There is a significant financing component in the company's pricing for its loan agreement and investment deal services where it offers customers capital funding with credit terms. Credit terms granted are generally 12 months and they start on the advance date of the loan agreement and investment deal.

Transaction prices are based on an agreed upfront fixed loan agreement and investment deals, which vary depending on the nature of the loan agreement and investment deal.

15. Direct costs

Cost of capital	24 019 047	28 303 025

16. Operating profit (loss)

Operating profit for the year is stated after charging (crediting) the following, amongst others:

Leases

Short-term and low-value lease expense	11 523	14 528

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

17. Taxation

Major components of the tax expense

Current		
Local income tax - current period	1 338 902	606 830
Deferred		
Originating and reversing temporary differences	-	11 270
	1 338 902	**618 100**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	4 780 931	2 163 828
Tax at the applicable tax rate of 28% (2022: 28%)	1 338 661	605 872
Tax effect of adjustments on taxable income		
Fines income	-	958
Accounting fee accrual	-	11 270
	1 338 661	**618 100**

18. Cash (used in)/generated from operations

Profit before taxation	4 780 931	2 163 828
Adjustments for:	-	-
Interest income	(29 235 301)	(29 929 766)
Reversal of non-cash expenses	-	47 558
Non-cash movements - finance costs	14 363 487	-
Changes in working capital:	-	-
Movement in trade and other payables	(70 778)	(24 974)
Movement in trade and other receivables	(161 000)	-
	(10 322 661)	**(27 743 354)**

19. Dividends paid

Dividends	(1 200 000)	-

Dividends are from capital profits.

20. Tax paid

Balance at beginning of the year	(606 830)	(134 001)
Current tax recognised in profit or loss	(1 338 902)	606 830
Balance at end of the year	587 692	(606 830)
	(1 358 040)	**(134 001)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

21. Director's emoluments

Executive

2023

Director's emoluments	Basic salary	Total
Services as director or prescribed officer		
K McRae	58 260	58 260
	58 260	**58 260**

2022

Director's emoluments	Basic salary	Total
Services as director or prescribed officer		
K McRae	58 620	58 620
	58 620	**58 620**

22. Related parties

Relationships	
Holding company	Louw Advance (Pty) Ltd
Fellow subsidiary	Louw Capital Markets (Pty) Ltd
Related company	Revov Batteries (Pty) Ltd

Related party balances

	2023	2022
Loan accounts - Owing (to) by related parties		
Louw Advance (Pty) Ltd	617 591	(10 823)
Louw Capital Markets (Pty) Ltd	(5 453)	(28 151)
Revov Batteries (Pty) Ltd	368 566 292	-
True South Capital (Pty) Ltd	(687 390)	-
True South 1 (Pty) Ltd	670 000	-

Related party transactions

	2023	2022
Interest (received from)/ paid to related parties	**-**	**-**
Revov Batteries (Pty) Ltd	(22 761 115)	(6 893 070)
True South Capital (Pty) Ltd	13 420	-
	(22 747 695)	**(6 893 070)**
Dividends paid to related parties	**-**	**-**
Louw Advance (Pty) Ltd	1 200 000	-
Recoveries paid to/ (recieved from) related parties	**-**	**-**
Louw Capital Markets (Pty) Ltd	29 263	-

23. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2023

	Notes	Amortised cost	Leases	Total	Fair value
Loans to group companies	3	670 000	-	670 000	-
Loans to shareholders	4	617 591	-	617 591	-
Loans receivable	5	391 730 350	-	391 730 350	-
Trade and other receivables	6	-	161 000	161 000	-
Cash and cash equivalents	7	129 484 926	-	129 484 926	129 484 926
		522 502 867	**161 000**	**522 663 867**	**129 484 926**

2022

	Notes	Amortised cost	Total	Fair value
Loans receivable	5	160 960 933	160 960 933	-
Cash and cash equivalents	7	9 652 498	9 652 498	-
		170 613 431	**170 613 431**	**-**

Categories of financial liabilities

2023

	Notes	Amortised cost	Total	Fair value
Trade and other payables	10	2 471	2 471	-
Loans from group companies	11	692 843	692 843	-
Borrowings	9	517 314 272	517 314 272	-
		518 009 586	**518 009 586**	**-**

2022

	Notes	Amortised cost	Total	Fair value
Trade and other payables	10	73 250	73 250	-
Loans from group companies	11	28 151	28 151	-
Loans from shareholders	12	10 823	10 823	-
Borrowings	9	168 069 818	168 069 818	-
		168 182 042	**168 182 042**	**-**

Notes to the Annual Financial Statements

Figures in Rand		2023	2022

23. Financial instruments and risk management (continued)

Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The company manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the company may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

The capital structure and gearing ratio of the company at the reporting date was as follows:

		2023	2022
Loans from group companies	11	692 843	28 151
Loans from shareholders	12	-	10 823
Borrowings	9	517 314 272	168 069 818
Trade and other payables	10	2 471	73 250
Total borrowings		**518 009 586**	**168 182 042**
Cash and cash equivalents	7	(129 484 926)	(9 652 498)
Net borrowings		**388 524 660**	**158 529 544**
Equity		4 066 589	1 824 560
Gearing ratio		9 554 %	8 689 %

Notes to the Annual Financial Statements

23. Financial instruments and risk management (continued)

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on loans receivable, trade and other receivables cash and cash equivalents and loan commitments.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

23. Financial instruments and risk management (continued)

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

The maximum exposure to credit risk is presented in the table below:

		2023			2022		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Loans to group companies	3	670 000	-	670 000	-	-	-
Loans to shareholders	4	617 591	-	617 591	-	-	-
Loans receivable	5	391 730 350	-	391 730 350	160 960 933	-	160 960 933
Trade and other receivables	6	161 000	-	161 000	-	-	-
Cash and cash equivalents	7	129 484 926	-	129 484 926	9 652 498	-	9 652 498
		522 663 867	**-**	**522 663 867**	**170 613 431**	**-**	**170 613 431**

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

The company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

The company's business model ensures that liabilities are only entered into for the purposes of an investment. This ensures that there is an effective management of liquidity risk

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

23. Financial instruments and risk management (continued)

2023

	Note	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Borrowings	9	-	164 354 684	164 354 684	164 354 684
Current liabilities					
Trade and other payables	10	2 471	-	2 471	2 471
Loans from group companies	11	692 843	-	692 843	692 843
Borrowings	9	352 959 588	-	352 959 588	352 959 588
		353 654 902	**164 354 684**	**518 009 586**	**518 009 586**
Current assets					
Loan to group company	3	670 000	-	670 000	670 000
Loan to shareholder	4	617 591	-	617 591	617 591
Loans receivable	5	391 730 350	-	391 730 350	391 730 350
Trade receivables	6	161 000	-	161 000	161 000
Cash and cash equivalents	7	129 484 926	-	129 484 926	129 484 926
		522 663 867	**-**	**522 663 867**	**522 663 867**
		169 008 965	**164 354 684**	**169 008 965**	**4 654 281**

2022

	Note	Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	10	73 250	73 250	73 250
Loans from group companies	11	28 151	28 151	28 151
Borrowings	9	168 069 818	168 069 818	168 069 818
		168 171 219	**168 171 219**	**168 171 219**
Current assets				
Loans receivable		160 960 933	160 960 933	160 960 933
Cash and cash equivalents		9 652 498	9 652 498	9 652 498
		170 613 431	**170 613 431**	**170 613 431**
		2 442 212	**2 442 212**	**2 442 212**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

23. Financial instruments and risk management (continued)

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the company is comprised of different instruments, which bear interest at fixed interest rates. Interest rates on all borrowings compare favourably with those rates available in the market.

The company policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2023	2023	2022	2022
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
Borrowings 1%	(5 173 143)	5 173 143	(1 680 698)	1 680 698
Loans receivable 1%	3 917 304	(3 917 304)	1 609 609	(1 609 609)
Cash and cash equivalents 1%	1 294 849	(1 294 849)	96 525	(96 525)
	39 010	**(39 010)**	**25 436**	**(25 436)**

24. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The director is reviewed the budgets and cash flow forecasts for the next 12 months, as well as the current liquidity and solvency position of the company and does not believe that the company has adequate financial resources to continue in operation for the foreseeable future. The annual financial statements have accordingly not been prepared on the going concern basis.

25. Events after the reporting period

Apart from the above, the Directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.