

TURBO FINANCE 6 PLC
(Registered number 9789905)

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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TURBO FINANCE 6 PLC
(REGISTRATION NUMBER 9789905)
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
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TURBO FINANCE 6 PLC
(REGISTRATION NUMBER 9789905)
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
DIRECTORS AND ADVISERS

Company registered number:	9789905
Date of incorporation:	22 September 2015
Country of incorporation and domicile:	United Kingdom
Directors:	Intertrust Directors 1 Limited Intertrust Directors 2 Limited Helena Whitaker
Secretary:	Intertrust Corporate Services Limited
Registered officer:	35 Great St. Helen's London EC3A 6AP United Kingdom
Bankers:	BNP Paribas London Branch 10 Harewood Avenue London NW1 6AA United Kingdom
Independent auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT
Servicer:	FirstRand Bank Limited (London Branch) Austin Friars, 2-6, Friars House London EC2N 8HD United Kingdom

TURBO FINANCE 6 PLC
(REGISTRATION NUMBER 9789905)
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
STRATEGIC REPORT

The directors present their strategic report, together with the audited financial statements of Turbo Finance 6 Plc (the "Company") for the year ended 30 June 2018.

1. Principal activities and business review

The Company, a public limited liability company, was incorporated in the United Kingdom on 22 September 2015 and registered in England and Wales under the Companies Act 2006.

The Company was established as a special purpose vehicle to raise funding by the issue of secured fixed rate notes and secured floating rate notes as part of the securitisation of auto loan finance contracts ("the Transaction") originated by FirstRand Bank Limited ("FirstRand Bank"), a bank registered in South Africa. On 22 September 2015 the Company issued £352,800,000 Class A secured floating rate notes, £29,400,000 Class B secured floating rate notes, £9,830,000 Class C secured fixed rate notes, and £2,745,000 Class D secured fixed rate notes, (together the "Notes") with a final maturity date falling during February 2023. The proceeds of the Notes issuance totalled £394,775,000 of which £392,021,813 was used to fund the initial consideration for the acquisition of a portfolio of vehicle finance receivables ("the finance contracts") from MotoNovo Finance ("MotoNovo"), a division of the London Branch of FirstRand Bank Limited which is a wholly-owned subsidiary of the FirstRand Limited Group. The Notes are limited recourse obligations of the Company.

The Transaction documentation is summarised in the Prospectus available on the website <https://www.intertrustgroup.com/our-services/capital-markets-services/public-transactions>. The Transaction was structured with a 12 month revolving period which commenced in the closing date per the Prospectus ("the Prospectus"). No principal amount was repaid on the Notes during the revolving period. Replenishment of the auto loans pool occurred on a monthly basis based on pre-agreed eligibility criteria during this 12 month revolving period. This revolving period ended 1 January 2017.

The Class A and B notes were issued to investors and the Class C and D notes were issued to FirstRand International Limited ("FRI Guernsey"), a fellow group company of FirstRand Bank. The total proceeds of the Class D notes were used to establish a cash reserve fund ("Reserve Fund") to provide protection against shortfalls in respect of the finance contracts which the Company had acquired.

As part of the consideration paid for each acquisition of finance contracts, the Company entered into a deferred purchase price arrangement ("DPP") with FirstRand Bank under which the Company undertook to return residual income ("excess spread") to FirstRand Bank in the form of deferred purchase consideration. The excess spread is determined in accordance with the priority of payments, as set out in the Transaction documentation. In turn, FirstRand Bank sold its entitlement to all DPP to FRI Guernsey on a non-recourse basis on the date each asset transfer took place.

An asset transfer only qualifies for derecognition under IAS 39 when substantially all the risk and rewards associated with the asset have been transferred. In relation to the auto loans finance contracts transferred to the Company, derecognition was considered to be appropriate by the directors of FirstRand Bank in FirstRand Bank's own financial statements, as the risk and rewards of the finance contracts had substantially been transferred by FirstRand Bank to FRI Guernsey in the form of the subordinated Class C and Class D notes (the risk) and the transfer (by way of sale) of DPP variability from FirstRand Bank to FRI Guernsey (the rewards). Having considered this treatment in FirstRand Bank's own financial statements, the directors have concluded that the finance contracts should be recognised in the financial statements of the Company. Accordingly, these finance contracts have been accounted as loans and receivables in these financial statements, initially being recorded at fair value and subsequently being held at amortised cost.

2. Results

The audited financial statements for the year ended 30 June 2018 are set out on pages 13 to 37. The loss for the financial year was £64 566 (2017: profit £3,763,386) as shown in the Statement of Comprehensive Income on page 13. The total equity as at 30 June 2018 was £5 450 125 (2017: £5,514,691).

The loss for the year is a result of the fact that the finance contracts are accounted for at amortised cost whilst the DPP liability is accounted for at fair value. This difference in accounting treatment results in a mismatch between the DPP asset and the DPP liability movements in each accounting period which will offset over the life of the Transaction.

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STRATEGIC REPORT

The collections of the capital portion of the finance contracts for the current year were £154 062 516. No additional "top-up" finance contracts were purchased during the current financial year (2017: £123,850,110).

3. Key performance indicators

The Company maintains a full breakdown of the performance of the portfolio of finance contracts on a monthly basis, which is reviewed by the directors. Key performance indicators take into account delinquencies, voluntary terminations, defaults and loss ratios. Note that the figures below are cumulative since inception of the transaction.

Key performance indicator	2018 £	2017 £
Delinquencies	5 019 344	6 293 443
Voluntary terminations	254 602	468 044
Defaults	2 705 948	1 393 398
Loss ratios	1.624%	0.854%

Delinquencies, defaults and losses to date have been covered by available excess spread and therefore have not been borne by the noteholder.

The credit ratings assigned to the Class A and Class B notes provide an independent indicator of performance. The credit rating agencies used were Standard and Poor's Credit Market Services Europe Limited. There have been no changes to the credit rating of these notes since issue.

Credit ratings for the Notes

Class A Notes	AAA	AAA
Class B Notes	AA-	AA-

The directors monitor the payment to noteholders and the trigger events set out in the Transaction documentation, through inspecting the monthly investor reports and financial statements. The key trigger events are counterparty ratings, the early amortisation trigger, the loss ratio and delinquency ratio triggering amortisation of the Reserve Fund. Further information on the triggers and cash reserves can be found in the Transaction documents.

The Company has monitored all key performance indicators during the financial year and subsequently, no trigger of events occurred during the current financial year, and sufficient excess spread is expected to be available to maintain the credit enhancement profile of the Transaction.

4. Principal risks and uncertainties

The Company's operations are financed primarily by means of the Notes. The Company issued such financial instruments to finance the acquisition of portfolios of finance contracts from FirstRand Bank, as explained in the business review section above.

The Company also uses derivative financial instruments (interest rate swap) to manage the interest rate risk arising from the difference between the finance contracts and the Notes.

The Company's exposure to risk on financial contracts is mitigated by the structure of the Transaction and the financial instruments that are put in place as a consequence. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structure of the Transaction, and is required by the rating agencies.

FirstRand Bank Limited continues to administer the portfolio of finance contracts under a service agreement. In administering the receivables portfolio, FirstRand Bank Limited applies its formal structure for managing risk and other control procedures.

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The principal nature of such risks is summarised below and in Note 14 contained in the notes to the financial statements.

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STRATEGIC REPORT

4.1 Credit risk

Credit risk reflects the risk that the underlying borrowers or other transaction parties may not meet their obligations as they fall due.

The value of the finance contracts may become impaired as a result of a number of factors, including future economic conditions in the UK. The deterioration may result in higher levels of delinquencies and/or for example, in a larger number of vehicle returns at the end of the financing contracts when their market price would be less than the one currently forecasted and currently observed. The directors estimate that the level of delinquencies on the pool of receivables would have to increase substantially from the level as at 30 June 2018 before the credit losses would exceed the amount of the credit enhancement provided in the Transaction structure (i.e. erode the Cash Reserve Fund and excess spread available). The credit quality of the underlying finance contracts is set out in Note 14 contained in the notes to the financial statements.

Following the referendum held on 23 June 2016, the UK took the decision to leave the European Union ('Brexit'). The ultimate economic impact of Brexit is currently uncertain and will depend upon the outcome of negotiations as agreed between the UK government and the EU member states. In the meantime this uncertainty is expected to result in market risk volatility in the short to medium term, affecting sterling exchange rates and interest rates. However, any general adverse consequences for credit risk at a UK or EU macroeconomic level arising as a consequence of Brexit, are not expected to translate into a material increase in credit risk for the Company.

4.2 Liquidity risk

Liquidity risk reflects the risk that the Company may encounter difficulty in raising funds to meet commitments associated with its financial instruments, should the actual cash flows from its assets differ from those expected.

The Company's main asset (the finance contracts) is financed by the issuance of the Notes. The financing policy substantially reduces the Company's liquidity risk by matching profile of the Company's funding to the profile of the assets being funded and by ensuring the cash reserve fund is available to manage any remaining liquidity risk (refer to Note 14 contained in the notes to the financial statements).

4.3 Interest rate risk

Interest rate risk exists where interest rates on the assets and liabilities are set on different bases or reset at different times. The Company uses a balanced guaranteed interest rate swap to mitigate any interest rate risk exposure.

4.4 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. The Company's capital includes all components of equity, movements of which appear in the Statement of Changes in Equity.

The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006. The Company was not in breach of the minimum requirement during the year or up to the date of approval of the directors' report and financial statements.

On behalf of the Board



Helena Whitaker
Per pro Intertrust Directors 1
Limited As Director
30 November 2018

TURBO FINANCE 6 PLC
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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
REPORT OF THE DIRECTORS

The directors present their annual report, together with the audited financial statements of the Company for the year ended 30 June 2018.

1. Going concern

The financial statements have been prepared on a going concern basis. Due to the limited recourse nature of the Notes, the Company's ability to pay amounts due on the Notes is limited to the application of the receipts from the finance contracts under the terms of the priority of payments, as set out in their terms of the Transaction documentation.

Credit enhancement is built into the Transaction structure, in the form of a cash reserve fund (totalling £2 100 785 as at 30 June 2018 and £4 227 138 as at 30 June 2017) and the DPP mechanism detailed in the Strategic report. The required balance for the cash reserve is calculated as up to 1.3% of finance contracts outstanding.

It is the intention of the directors for the Company to continue operations until such a time as the amounts due from the finance contracts have been fully realised. Due to the limited recourse nature of the Notes, any shortfall in the proceeds of the receivables will be a risk to the holders of the Notes - in particular FRI Guernsey, as holder of the Class D Notes, which were used to fund the day one cash reserve. However, even under stressed performance assumptions, cash flow forecasts indicate that the Company will be able to meet its liabilities as they become due.

Whilst the directors expect the Notes to be fully repaid before the contractual maturity date, no decision has, as yet, been made as to what will happen to the Company at that point (as it remains the intention of FirstRand Limited to continue to raise funding via special purpose vehicles). Accordingly, the directors have prepared the financial statements on a going concern basis.

2. Future developments

The directors do not anticipate any changes to the present level of activity or to the nature of the Company's business in the near future. The directors consider that the Company will continue to meet all its liabilities due under the Notes using the cash generated from the finance contracts.

3. Financial risk management

The Company issued financial instruments to fund the total consideration of the finance contracts acquired. The financial instruments to be managed therefore comprise these finance contracts acquired, the Notes issued and cash at bank. The Company uses an interest swap to manage the interest rate risk associated with these financial instruments.

The Company's activities expose it to a number of risks and uncertainties as summarised in the Principal risks and uncertainties section of the Strategic report. Risk management is predetermined based on the terms of the Transaction documents.

4. Directors and their interest

The directors of the Company who were in office during the year end up to date of signing the financial statements, were:

Directors

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
Helena Whitaker

None of the directors hold, or have held, any beneficial interest in the share of the Company. No director had a material interest in any contract of significance with the Company at any time during the year under review or as at date of approval of the annual report and the financial statements.

The directors do not recommend the payment of a dividend for the year ended 30 June 2018 (2017: £nil).

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REPORT OF THE DIRECTORS

5. Statement of Directors' Responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with the applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

6. Third party indemnities

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the annual reports and financial statements.

7. Company Secretary

Intertrust Corporate Services Limited served as the company secretary during the year, and subsequently.

8. Corporate Governance

The directors have been charged with governance in accordance with the Transaction documents describing the structure and operation of the Transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the Transaction documents.

The Transaction documentation provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued on the Irish Stock Exchange, the directors are satisfied that there is no requirement to publish a corporate governance statement and that the Company is exempt from the disclosure requirements of the Irish Corporate Governance Annex and the provision of the UK Corporate Governance Code.

9. Issue of shares and control

The issued share capital of £12,501 consists of 50,000 ordinary shares of £1 each, of which 1 share is fully paid and 49,999 shares are a quarter paid. The entire issued share capital of the Company is held by Intertrust Corporate Services Limited in trust for the benefit of certain charities. However, on the basis of control, the directors consider the Company to be controlled by FirstRand Limited, a Company registered in South Africa (see Note 16 in the notes to the financial statements).

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REPORT OF THE DIRECTORS

10. Statement of disclosure of information to the auditors

The directors who held office at the date of approval of this report of the directors confirm that:

- so far as the directors are aware, there is no information of which the Company's auditors are unaware; or
- each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with Section 418(2) of the Companies Act 2006.

11. Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Pursuant of Section 489 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board



Helena Whitaker
Per pro Intertrust Directors 1 Limited
As Director
30 November 2018

Independent auditors' report to the members of Turbo Finance 6 plc

Report on the audit of the financial statements

Opinion

In our opinion, Turbo Finance 6 plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2018; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the directors.

Basis for opinion

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

Independence

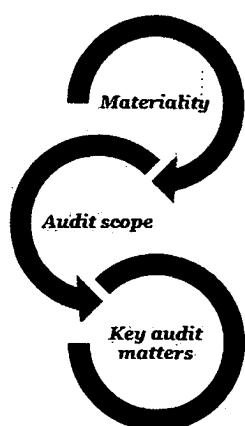
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 July 2017 to 30 June 2018.

Our audit approach

Overview



- Overall materiality: £1,823,864 (2017: £3,685,699), based on 1% of total assets.
- We identified all material financial statement line items and disclosures, including those that were considered qualitatively material, and conducted our work in both the UK and South Africa, reflecting the company's geographical presence.
- Impairment of finance contract receivables.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, the Companies Act 2006. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Impairment of finance contract receivables</i></p> <p>Impairment of finance contract receivables is a subjective area requiring judgement in determining the necessity and quantum of any impairment.</p> <p>The nature of the finance contracts originated are high volume, low value and therefore a significant portion of the impairment is calculated on a portfolio basis requiring the use of statistical modelling.</p> <p>Inputs to the model are primarily based on data derived from past portfolio performance as well as the current delinquency status of the borrower.</p> <p>We therefore focused on testing the key inputs and latest assumptions used in the impairment modelling by management as well as any additional overlays to the model applied by management.</p> <p>Related disclosures in the financial statements:</p> <p>Note 1 - Accounting policies – Critical estimates and assumptions</p> <p>Note 14 – Financial Instruments - Credit risk</p>	<p>We discussed the appropriateness of the provisioning methodology and the appropriateness of the provision (including the underlying assumptions) with management.</p> <p>We undertook the following procedures to test management's impairment assessment:</p> <p>Testing of the key assumptions in the impairment calculation and agreement to underlying data where appropriate. These assumptions were also assessed based on our knowledge of the finance contract portfolio and broader industry knowledge.</p> <p>Testing the operation of the model used to calculate the impairment by reperforming the calculation using the same underlying data and assumptions.</p> <p>Testing of the completeness and accuracy of data used in the impairment model to underlying systems and data warehouses.</p> <p>Testing of all significant model overlays, including considering the basis for adjustment, the source data used and the key assumptions adopted.</p> <p>Based on the evidence obtained, we determined that the impairment model assumptions, data used within the models and significant model overlays were reasonable and the resulting estimate is in accordance with accounting standards.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We identified all material financial statement line items and disclosures, including those that were considered qualitatively material, and conducted our work in both the UK and South Africa, reflecting the company's geographical presence. Operations in respect of the day-to-day servicing and record keeping of the financing contracts is performed in the UK by a branch of FirstRand Limited. Certain other activities of the company, including the impairment calculation, derivative calculations and calculations of payments in line with the relevant securitisation documentation, are performed by the parent company FirstRand Limited in South Africa.

Collectively, the procedures performed in the UK and South Africa provided sufficient evidence over all material classes of transactions, account balances and disclosures in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1,823,864 (2017: £3,685,699).
How we determined it	1% of total assets.
Rationale for benchmark applied	The entity is a not for profit entity, whose main priority is to recover its assets in which to pay back the noteholders in full.

We agreed with the directors that we would report to them misstatements identified during our audit above £91,193 (2017: £184,285) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Annual Report and Financial Statements, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Annual Report and Financial Statements

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Annual Report and Financial Statements for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Annual Report and Financial Statements.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 29 August 2017 to audit the financial statements for the year ended 30 June 2016 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 30 June 2016 to 30 June 2018.



Iain Wright (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 November 2018

TURBO FINANCE 6 PLC
(REGISTRATION NUMBER 9789905)
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 £	2017 £
Interest income	2	11 803 929	36 493 236
Interest expense and similar charges	3	(8 150 477)	(29 680 867)
Net interest income		3 653 452	6 812 369
Changes in fair value of derivative instruments	4	629 481	1 494 146
Servicing fees		(245 690)	(402 453)
Impairment charges		(3 933 431)	(3 971 561)
Other operating expenses		(168 235)	(168 967)
(Loss)/profit before taxation		(64 423)	3 763 534
Taxation	6	(143)	(148)
(Loss)/profit for the year		(64 566)	3 763 386
Other comprehensive income		-	-
Total comprehensive (loss)/profit for the year		(64 566)	3 763 386

The accompanying notes on pages 17 to 37 are an integral part of these audited financial statements.

TURBO FINANCE 6 PLC**(REGISTRATION NUMBER 9789905)****ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018****STATEMENT OF CHANGES IN EQUITY**

	Note	Issued share capital £	Retained earnings £	Total equity £
Balance at 01 July 2016	10	12 501	1 738 804	1 751 305
Profit and total comprehensive income for the year		-	3 763 386	3 763 386
Balance at 30 June 2017		12 501	5 502 190	5 514 691
Loss and total comprehensive loss for the year		-	(64 566)	(64 566)
Balance at 30 June 2018		12 501	5 437 624	5 450 125

The accompanying notes on pages 17 to 37 are an integral part of the audited financial statements.

TURBO FINANCE 6 PLC
(REGISTRATION NUMBER 9789905)
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 £	2017 £
Assets			
Non-Current Assets			
Finance contracts	7	56 050 809	136 190 224
Current Assets			
Finance contracts	7	110 579 895	208 209 955
Other assets	8	1 311 282	1 567 469
Derivative		345 050	-
Cash and cash equivalents (restricted)	9	14 099 320	22 602 295
		126 335 547	232 379 719
Total Assets		182 386 356	368 569 943
Equity and Liabilities			
Total Equity			
Issued share capital	10	12 501	12 501
Retained earnings	11	5 437 624	5 502 190
		5 450 125	5 514 691
Liabilities			
Non-Current Liabilities			
Borrowings	12	54 110 271	140 336 185
Other liabilities	13	4 461 684	12 225 240
		58 571 955	152 561 425
Current Liabilities			
Borrowings	12	104 613 121	185 150 786
Current tax payable		271	276
Other liabilities	13	13 750 884	25 058 334
Derivative		-	284 431
		118 364 276	210 493 827
Total Liabilities		176 936 231	363 055 252
Total Equity and Liabilities		182 386 356	368 569 943

The accompanying notes on pages 17 to 37 are an integral part of these audited financial statements.

The financial statements of Turbo Finance 6 Plc were approved and authorised for issue by the board of directors on 30 November 2018 and signed on its behalf by:



Helena Whitaker
Per pro Intertrust Directors 1 Limited
As Director

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STATEMENT OF CASH FLOWS

	Note(s)	2018 £	2017 £
Cash flows from operating activities			
(Loss)/profit before taxation		(64 423)	3 763 534
Adjusted for:			
Impairment charge		3 933 431	3 971 561
Fair value movement on interest swap	4	(629 481)	(1 494 146)
Fair value movement of other liability	13	3 966 698	3 710 588
Finance (income)/ cost accrued		1 238 266	(46 510)
Changes in working capital:			
(Increase)/decrease in other assets	8	(256 187)	2 775 851
Additional replenishment of other liability	7	-	19 895 338
Repayment of other liabilities	13	(23 037 704)	(31 681 350)
Movement in deferred purchase price	7	19 012 040	27 967 113
Additional replenishment of deferred purchase price	7	-	(19 895 338)
Net cash from operating activities		4 162 640	8 966 641
Cash flows from investing activities			
Purchase of additional finance contracts	7	-	(123 850 110)
Collection of capital portion of finance contracts	7	154 062 515	188 199 223
Net cash from investing activities		154 062 515	64 349 113
Cash flows from financing activities			
Redemption of Notes	12	(166 728 130)	(69 404 472)
Net cash from financing activities		(166 728 130)	(69 404 472)
Total cash movement for the year		(8 502 975)	3 911 282
Cash and cash equivalents at the beginning of the year		22 602 295	18 691 013
Cash and cash equivalents at the end of the year	9	14 099 320	22 602 295

The accompanying notes on pages 17 to 37 are an integral part of these audited financial statements.

TURBO FINANCE 6 PLC
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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
ACCOUNTING POLICIES

General information

Turbo Finance 6 Plc (the "Company") is a special purpose vehicle, a public limited liability company incorporated in the United Kingdom on 22 September 2015 and is incorporated and domiciled in England and Wales under the Companies Act 2006. The financial statements are presented in Great British Pounds.

1. Basis of preparation

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied in both years presented, unless otherwise stated. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). IFRS Interpretation Committee (IFRIC), and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis (refer to the going concern section, of the report of the directors and this is further substantiated by a £5 450 125 (2017: £5,514,691) net asset position at the year end) under the historical cost convention as modified for the revaluation of certain financial instruments under IAS 39 Financial Instruments: Recognition and Measurement.

1.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company has not adopted any new standards and interpretations that are effective for the current financial year.

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities.

The effective date of the amendment is for years beginning on or after 01 January 2017. The Company has adopted the amendment for the first time in the 2018 financial statements.

The impact of the amendment is not material.

1.2 Significant judgements and sources of estimation uncertainty

Certain judgements and estimates in the financial statements are based wholly or in part on estimates or assumptions made by the directors. There is, therefore, a potential risk that they may be subject to change in future years. The most significant relate to recognition of finance contracts, impairments and the quantum of the deferred purchase price, which are detailed below:

Critical accounting judgements - recognition of the finance contracts

On an asset transfer, the transaction only qualifies for derecognition under IAS39 when substantially all the risks and rewards associated with the asset have been transferred.

In relation to the finance contracts transferred to the Company, derecognition was considered to be appropriate in FirstRand Bank's own financial statements as the risks and rewards of the finance contracts had predominantly been transferred to FRI Guernsey in the form of the subordinated Class C and Class D Notes (the risk) and the transfer (by way of sale) of DPP from FirstRand Bank to FRI Guernsey (the rewards).

Having considered this treatment in FirstRand Bank's own financial statements, the directors have concluded the finance contracts should be recognised in the financial statements of Turbo Finance 6 Plc. Accordingly these finance contracts have been classified as loans and receivables in the financial statements.

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1.2 Significant judgements and sources of estimation uncertainty (continued)

Critical estimates and assumptions - Impairments

The Company assesses its credit portfolio for impairments at each reporting date based on information provided by the servicer of the finance contracts (FirstRand Bank Limited, London Branch). In determining whether an impairment loss should be recognised in the statement of comprehensive income, the directors make judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the portfolio of future contracts.

i) The provision assessed on a portfolio basis is assessed as follows:

- The existence of arrears is normally taken as a primary indicator of an impairment event and a portfolio specific impairment calculation is undertaken to reflect the decrease in estimated future cash flows for the performing portfolio. The decrease in future cash flows is primarily estimated based on analysis of historical loss and recovery rates for comparable sub-segments of the portfolio or comparable portfolios serviced by FirstRand Bank.
- When an incurred impairment is inherent in the portfolio of advances but has not been specifically identified, a so-called incurred but not reported ("IBNR") provision is calculated on this sub-segment of the portfolio based on historical analysis of loss ratios, roll rates from performing status into non-performing status and similar risk indicators over an estimated loss emergence period. A loss emergence period is the period it takes for loss to indicate that it existed at the time. Estimates of roll rates, loss ratios and similar risk indicators are based on analysis of internal and, where appropriate, external data. Estimates of the emergence period are made in the context of the nature and frequency of credit assessments performed, availability and frequency of updated data regarding customer credit-worthiness and similar factors. The loss emergence period is currently assessed at 90 days.

ii) Provision assessed on a specific basis

Loans that are individually assessed to be impaired are subject to a specific assessment of the likelihood of repayments. The directors' estimates of future cash flows on individually impaired loans are based on FirstRand Bank's historical loss experience of assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

Critical estimates and assumptions - deferred purchase price consideration

Deferred purchase price consideration ("DPP") represents future amounts payable by the Company, on the acquisition of the receivables from FirstRand Bank. The DPP liability is measured at fair value and represents the directors' assessment of expected residual income arising in the Company over the life of the securitisation structure (the "DPP asset"), which is ultimately payable to FRI Guernsey. The payment of the DPP is dependent on the performance of the finance contracts and has been reassessed at 30 June 2018 based on the latest information available to the performance of the portfolio of finance contracts acquired. As the DPP liability is economically linked to the DPP asset element of the finance contract balance, movement in the DPP asset and DPP liability are related (since the DPP forms part of the credit enhancement in the structure). However, the fact that the finance contracts are accounted for at amortised cost whilst the DPP liability is accounted for at fair value will result in a mismatch between DPP asset and DPP liability movements between accounting years which will offset over the life of the transaction.

Critical estimates and assumptions- fair value measurements

In terms of IFRS 13, the Company is required to or elects to measure certain assets and liabilities at fair value. The Company has established control frameworks and processes to independently validate its valuation techniques and inputs used to determine its fair value measurements. Management is responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements.

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ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly arms-length transaction between market participants at the measurement date i.e. an exit price. Fair value is therefore a market based measurement and when measuring fair value the Company uses the assumptions that market participants would use when pricing an asset or liability under current market conditions, including assumptions about risk. When determining fair value it is presumed that the entity is a going concern and the fair value is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

Financial instruments

When determining the fair value of a financial liability the quoted price for the transfer of an identical or similar liability is used. Where this is not available, and an identical item is held by another party as an asset, the fair value of the liability is measured using the quoted price in an active market of the identical item, if that price is available, or using observable inputs (such as the quoted price in an active market for the identical item) or using another valuation technique.

Other fair value measurements

These include assets and liabilities not measured at fair value but for which fair value disclosure are required under another IFRS e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available or in accordance with generally acceptable pricing models such as discounted cash flow analysis.

1.3 Effective interest rates

The effective interest rate method calculates the amortised cost of a financial asset or financial liability (or a group of financial assets or liabilities) and allocates the interest income or interest expense over the contractual life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the relevant instrument's initial carrying amount. All contractual terms of a financial instrument are considered when estimating future cash flows.

In order to determine the effective interest rate applicable to loans an estimate must be made of the expected life of the loans and hence the cash flows relating to them. Where the Company revises its estimates of payments or receipts, the Company adjusts the carrying value of the financial asset or financial liability to reflect the actual and revised estimated cash flows. The Company recalculates the carrying value by computing the present value of the revised estimated future cash flows using the original effective interest rate. The adjustment is recognised in the statement of comprehensive income as income or expense.

1.4 Servicing fees

Fees payable by the Company to the servicer for costs related to the administration of the finance contracts are recognised as an expense when incurred.

1.5 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument and are derecognised on the date it ceases to be a party, or it transfers the rights to receive contractual cash flows from the financial asset in a transaction such that substantially all the risk and rewards of the ownership of the financial asset are transferred.

The Company's financial instruments comprise loans and receivables, cash and liquid resources, derivative instruments, asset-backed notes and various receivables and payables that arise from its operation. These financial instruments are classified as described below:

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ACCOUNTING POLICIES

1.5 Financial instruments (continued)

Derivative financial instruments

The Company does not enter into speculative derivative contracts. Derivative financial instruments are recorded at fair value, with any gain or loss re-measurement being recognised in the statement of comprehensive income. The fair value is determined by discounting the future cash flows using observable market data at the statement of financial position date. Changes to interest rates are factors which affect fair values of financial instruments and lead to fair value gains or losses.

In accordance with IAS 39, derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and liabilities when fair value is negative. Hedge accounting for derivatives has not been adopted and all changes in fair value of derivatives are recognised immediately in the statement of comprehensive income upon remeasurement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- Those that the Company intends to sell immediately or in the near term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- Those that the Company upon initial recognition designates as available-for-sale; or
- Those for which the holder may not recover all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequently, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. The initial fair value of the finance contracts was based on the initial consideration paid and the directors' assessment of the expected deferred purchase price. The directors have classified the finance contracts as loans and receivables.

Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the directors about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or delinquency on payments of principal or interest;
- It becoming probable that the counterparty will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties or adverse changes in the market, economic or legal environment in which the entity operates; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be allocated to the individual financial assets in the group including:
 - i) Adverse changes in the payment states of debtors in the group; or
 - ii) National or local economic conditions that correlate with defaults on assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

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1.5 Financial instruments (continued)

If the directors determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and perform a collective assessment for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or, continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying value is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate under the contract. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral whether the directors elect to foreclose or not.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of FirstRand Bank's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance account. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off, decrease the amount of the charge for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Borrowings

Borrowings (the "Notes") are classified as other financial liabilities and are initially recognised at fair value at the date of issuance of the liability. The Notes are subsequently measured at amortised cost using the effective interest rate method.

Receipts from the issuance of the Class A, Class B and Class C Notes were used to purchase the finance contracts. Receipts from the Class D notes were used to fund the cash reserve fund.

Cash and cash equivalents

The Company holds deposits with the provider of the Company's bank accounts. These accounts are held in the Company's name and meet the definition of cash, but their use is restricted by a detailed priority of payments as set out in the Transaction documentation. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash. These bank accounts are classified within "cash and cash equivalents".

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1.5 Financial instruments (continued)

Segmental analysis

The Company has not disclosed segmental information because, in the opinion of the directors, the Company operates in one business segment and generates all income in the UK. The principal assets of the Company are finance contracts originated in the UK and funded by the Notes issued in the UK. All cash and cash equivalents are held in the UK.

1.6 Taxation

For UK corporation tax purposes, the Company is a securitisation company under the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)". Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the Transaction documentation. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

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	2018 £	2017 £
2. Interest income		
Interest received on finance contracts	11 803 929	36 493 236
	<u>11 803 929</u>	<u>36 493 236</u>
3. Interest expense and similar charges		
Interest paid on Notes	7 677 662	28 612 365
Net interest paid on interest rate swap contracts	472 815	1 068 502
	<u>8 150 477</u>	<u>29 680 867</u>
4. Changes in fair value of derivative instruments		
Interest rate swap loss	<u>(629 481)</u>	<u>(1 494 146)</u>
5. Directors' and auditors' remuneration		
<p>The Company has no employees (2017: £nil) and as a result there are no associated costs included in these financial statements as services required are contracted from third parties. The directors did not receive any emoluments in their personal capacity in respect of qualifying services rendered to the Company during the year (2017: £nil).</p> <p>Fees paid to Intertrust Management Limited include payments in relation to the directors (see Note 17).</p> <p>The auditors' remuneration amounted to £19,943 (2017: £20,028) for the year. No non audit services were provided during the year (2017: £nil).</p>		
6. Taxation		
a) Analysis of the Company tax charge in the year		
UK corporation tax on the profit/(loss) for the year	<u>143</u>	<u>148</u>
b) Factors affecting the Company current tax charge for the year		
The difference is explained below		
Loss before taxation	(64 423)	3 763 534
Adjusted for		
Interest rate swap fair value movement	629 481	1 494 146
Non taxable profit (see below)	<u>(564 308)</u>	<u>(5 256 930)</u>
Taxable profit	<u>750</u>	<u>750</u>
Tax charge at 19% (2017: 19.75%)	<u>143</u>	<u>148</u>

For UK corporation tax purposes, the Company is a Securitisation under the 'Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)'. Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the Transaction.

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	2018 £	2017 £
7. Finance contracts		
Opening balance	344 400 179	420 792 628
Collection of capital portion receivables	(154 062 516)	(188 199 223)
Finance contracts purchased	-	123 850 110
Additional deferred purchase price replenishment	-	19 895 338
Interest income accrued	(761 488)	-
Movement in deferred purchase price	(19 012 040)	(27 967 113)
Impairment charges:		
Write-off of finance contracts	(3 492 884)	(3 518 429)
Specific and portfolio impairment of finance contracts	(440 547)	(453 132)
	166 630 704	344 400 179
The carrying amount comprises:		
Gross investment in finance contracts/receivables	169 845 359	347 174 286
Less: specific and portfolio impairment of finance contracts	(3 214 655)	(2 774 107)
	166 630 704	344 400 179

On 16 February 2016, the Company entered into a receivables purchase agreement with FirstRand Bank pursuant to which the Company acquired the right, title and interest on a portfolio of finance contracts originated by FirstRand Bank. The loans were originated in England, Wales and Scotland.

The purchase of loans was funded by the issue of Notes (as described in Note 12) and the deferred purchase price liability (as described in Note 13).

The initial purchase consideration was £392 021 813. The directors' assessment of the day one deferred purchase price was £46 941 540 of which £19 012 040 (2017: £9 910 023) has been amortised during the year (after taking into account additional deferred purchase price replenishment).

The maturity profile of the loans was as follows:

Not later than one year	110 579 895	208 209 955
Between one and five years	56 050 809	136 190 224
Present value of minimum instalments receivable	166 630 704	344 400 179

The above maturity profile reflects the expected maturity profile according to internal models. The structure is expected to be unwound and the clean up call option executed within the next year. The same maturity expectation exists for the note repayment profile.

8. Other assets

Amounts due from the servicer	1 311 282	1 567 469
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Amounts due from servicer represent instalments collected by the servicer FirstRand Bank from clients that at the reporting date had not been paid to the Company. Other assets are neither past due nor impaired.

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	2018 £	2017 £
9. Cash and cash equivalents (restricted)		
Cash and cash equivalents consist of:		
Custody account	12 501	12 501
Cash reserve account	2 100 785	4 227 138
Issuer account	11 986 034	18 362 656
	<u>14 099 320</u>	<u>22 602 295</u>
The proceeds of the Class D Notes were used to establish a cash reserve fund which is subsequently maintained under the priority of payments set out in the Transaction documents. The utilisation thereof is restricted to shortfalls in respect of finance contracts.		
10. Issued share capital		
Called up, paid, issued and allotted 1 fully paid ordinary share of £1 and 49,999 ordinary shares which are quarter paid	12 501	12 501
The issued share capital comprises 50 000 ordinary shares of £1 each, issued to the subscriber, Intertrust Corporate Services Limited, with 1 ordinary share being fully paid and 49 999 ordinary shares being a quarter paid up.		
11. Retained earnings		
Opening balance	5 502 190	1 738 804
(Loss)/Profit for the financial year	(64 566)	3 763 386
Closing balance	<u>5 437 624</u>	<u>5 502 190</u>
12. Borrowings		
Held at amortised cost		
Class A Secured Floating Rate Notes	116 707 605	283 473 253
Class B Secured Floating Rate Notes	29 415 367	29 413 299
Class C Secured Fixed Rate Notes	9 844 139	9 844 139
Class D Secured Fixed Rate Notes	2 756 281	2 756 280
	<u>158 723 392</u>	<u>325 486 971</u>
Maturity profile of the borrowings:		
Non-current Liabilities	54 110 271	140 336 185
Current Liabilities	104 613 121	185 150 786
	<u>158 723 392</u>	<u>325 486 971</u>

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NOTES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

	2018 £	2017 £
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12. Borrowings (continued)

Limited Recourse Notes Issued

On 16 February 2016, the Company entered into a Subscription Agreement pursuant to which the Company issued Class A and Class B secured floating rate notes. The Company also entered into a Purchase Agreement pursuant to which the Company issued Class C secured fixed rate note, and Class D secured fixed rate notes. The total Notes issued amounted to £394,775,000 with a final maturity date falling during January 2023. The Notes are secured against the finance contracts acquired with the proceeds of the Class A, Class B and Class C Note issuances.

Details of the limited recourse Notes are as follows:

Notes issued	Initial principal amount £	Issue price	Interest margin	Maturity	Notes redeemed during the year
Class A	352 800 000	100 %	1 Month Libor (£) + 0.75%	2 January 2023	166 728 130
Class B	29 400 000	100 %	1 Month Libor (£) +1%	2 January 2023	-
Class C	9 830 000	100 %	5.25%	2 January 2023	-
Class D	2 745 000	100 %	15.00%	2 January 2023	-
	394 775 000				166 728 130

The Notes are the sole obligation of the Company. The Notes are limited in recourse to the underlying finance contracts. The noteholders will have a claim under the Notes against the Company to the extent of the cash flows generated by payments on the finance contracts and the credit enhancement available to each class of Notes, subject to the payment of amounts ranking in priority to the payment of amounts due in respect of the Notes. If there are insufficient funds available to the Company, all principal, interest and other amounts outstanding in respect of the Notes at the final maturity date or earlier, then the noteholders will have no further claim against the Company in respect of the unpaid amounts. There will be no other assets of the Company available to meet any outstanding claims.

Interest

Interest is payable monthly in arrears. The payment of interest on the Notes is dependent on the receipt of income from the underlying finance contracts and payments in relation to the interest rate derivative. If the Company does not receive income from the underlying finance contracts, then there is no obligation to pay interest to the noteholders.

Redemption

Redemption of the Notes is made from the interest and principal proceeds received from the underlying receivables as set out in the priority of payments in the Transaction documents. Earlier redemption can be made subsequent to the Company giving at least 30 days prior notice to noteholders.

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	2018 £	2017 £
13. Other liabilities		
Deferred purchase price		
Opening balance	37 283 574	45 358 998
Payments made	(23 037 704)	(31 681 350)
Fair value movement	3 966 698	3 710 588
Additional deferred purchase price replenishment	-	19 895 338
Closing balance	18 212 568	37 283 574
 The maturity profile of the liabilities are as follows:		
Non-current liabilities	4 461 684	12 225 240
Current liabilities	13 750 884	25 058 334
	18 212 568	37 283 574

Deferred purchase price is payable in line with the priority of payments set out in the Transaction documentation. The above fair value movement is recognised in profit or loss under the interest expense line.

The fair value of instruments of other liabilities is determined using valuation techniques that make use of significant inputs that are not based on observable market data. While management believes that these fair values are appropriate they could be sensitive to changes in the assumptions used to derive the inputs. The significant unobservable inputs used in the fair value measurement of other liabilities are prepayment rates and write off rates. Significant increases/(decreases) in any of those inputs in isolation would result in a significantly lower/(higher) fair value measurement.

14. Financial instruments

The narrative disclosures required by IFRS 7 in relation to the nature of the financial instruments used during the period to mitigate credit, interest rate and liquidity exposures is shown in the report of the directors under the heading principal risks and uncertainties.

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined from the inception of the securitisation Transaction. The Company's activities and the role of each party to the Transaction is clearly defined and documented. FirstRand Bank manages the receivables portfolio under the service agreement with the Company. In managing the receivables portfolio, FirstRand Bank applies its formal structure for managing risk and other control procedures.

Following initial set-up, the directors monitor the Company's performance, reviewing reports on the performance of the receivables portfolio. Such reviews are designed to ensure that the terms of the Transaction documentation have been met and that no unforeseen risks have arisen.

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	2018 £	2017 £
14. Financial instruments (continued)		
Categories of financial instruments		
In respect of derivatives, the Company entered into an ISDA (International Swaps and Derivatives Association) agreement, whereby collateral in the form of cash may be held representing the net credit risk exposure to derivative counterparties. £345,050 was held at the year end.		
Financial assets		
At amortised cost (loans and receivables)		
Finance contracts	166 630 704	344 400 179
Other assets	1 311 282	1 567 469
Cash and cash equivalents	14 099 320	22 602 295
Designated at fair value through profit or loss		
Derivative	345 050	-
	182 386 356	368 569 943
Financial liabilities		
Designated at fair value through profit or loss		
Other liabilities	18 212 568	37 283 574
Derivative	-	284 431
At amortised cost		
Borrowings	158 723 392	325 486 971
	176 935 960	363 054 976

Credit risk

The maximum exposure to credit risk, pre-collateral as stated above, arising on the Company's financial assets at the reporting date is disclosed in the table below and is equivalent to the carrying value of the financial assets. The collateral that would be obtained if a party were to default, would be the underlying asset (vehicles) that were financed under the finance contracts.

	Carrying value	Carrying value
Finance contracts	166 630 704	344 400 179
Other asset	1 311 282	1 567 469
Cash and cash equivalents	14 099 320	22 602 295
	182 041 306	368 569 943

The Company has a concentration of risk to FirstRand Bank who acts as the servicer of the finance contracts. The underlying receivables of the securitisation are all in the UK market. The nature of the receivables portfolio means there is no significant individual counterparty credit risk in relation to the portfolio.

Security is held in respect of the finance contracts in the form of the vehicles subject to the underlying hire purchase agreements. At acquisition, criteria included within the agreements that affect the transaction, including loan to value ratios established at loan inception, are established to limit but not eliminate the risk that the value of the security will fall below the balance due under individual hire purchase agreements. After origination, the value of the security held is not updated to take account of subsequent changes and, accordingly, it is not possible to assess the net credit of the Company's finance contracts.

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	2018 £	2017 £
14. Financial instruments (continued)		
The credit quality of the underlying receivables is summarised as follows:		
Total book		
Performing	166 604 915	345 048 729
Non-performing*	3 240 444	2 125 557
	<u>169 845 359</u>	<u>347 174 286</u>
Specific and portfolio impairment of finance contracts	(3 214 655)	(2 774 107)
	<u>166 630 704</u>	<u>344 400 179</u>

*A receivable is regarded as non-performing where payments are outstanding for greater than 90 days.

The following table represents the ageing of the Company's gross finance contracts:

Neither past due nor impaired	161 302 746	337 709 544
Past due but not impaired 31-60 days	3 830 083	5 716 296
Past due but not impaired 61-90 days	1 472 086	1 622 889
Impaired	3 240 444	2 125 557
Total	<u>169 845 359</u>	<u>347 174 286</u>

The finance contracts may become impaired in case of a significant deterioration in the performance of the underlying receivables as a result of economic conditions. If a borrower defaults on the instalment sale agreement, the Company will sell the asset in order to recover the asset's value at that time. If it is difficult to find a purchaser for the assets, this may affect the value.

The directors estimate that the level of defaults on the pool of finance contracts would have to increase substantially from the level as at 30 June 2018 before the credit losses would exceed the amount of credit enhancement provided in the structure.

The finance contracts represent a portfolio of hire purchase receivables originated by the MotoNovo division of FirstRand Bank (London Branch). In order to ensure that the Company acquired finance contracts of an appropriate quality the agreements that effected the acquisition included a number of criteria that individual loans needed to satisfy in order to be eligible for sale. Upon satisfaction of these eligibility criteria, no further loan quality assessment procedures are applied. However, the loans are assessed for impairment as set out on page 20.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an unacceptably high cost. The Company's ability to meet payments on the Notes as they fall due is dependent on timely receipt of funds which may be delayed due to slow repayment of the finance contracts.

In the event that the Company has insufficient funds available to pay interest and/or principal on the Notes, the Company, under certain conditions and to the extent funds are available, is obliged to draw on the reserve fund to meet its obligations to the noteholders.

The table below reflects the undiscounted contractual cash flows of financial liabilities at the statement of financial position date of both derivative and non-derivative financial instruments based on their contractual maturity and excludes interest on the basis that the liabilities are fully hedged from both a risk and a cash flow perspective.

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			2018 £	2017 £
14. Financial instruments (continued)				
2018	Carrying value	Gross cash flow	Within 1 year	After 1 year but within 5 years
Non-derivative financial instruments				
Borrowings	158 723 392	161 743 460	105 012 603	56 730 857
Other liabilities	18 212 568	18 299 104	13 792 722	4 506 382
	<u>176 935 960</u>	<u>180 042 564</u>	<u>118 805 325</u>	<u>61 237 239</u>
2017	Carrying value	Gross cash flow	Within 1 year	After 1 year but within 5 years
Non-derivative financial instruments				
Borrowings	325 486 971	331 146 022	185 515 968	145 630 054
Other liabilities	37 283 574	37 428 427	25 100 116	12 328 311
	<u>362 770 545</u>	<u>368 574 449</u>	<u>210 616 084</u>	<u>157 958 365</u>

The actual cash flows will differ from the legal maturity profile and the statement of financial position disclosure, due to the application of the priority of payments as set out in the Transaction documentation.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of the portfolio of finance contracts and the Notes (its principal assets and liabilities) are similar. Where this is not possible, the Company uses derivative financial instruments to mitigate any residual interest rate risk.

Interest on the Notes is determined and payable monthly in arrears. As at 30 June 2018 the following rates were applicable:

Notes	30 June 2018 £	Interest rate 30 June 2018
Class A Floating Rate Notes	116 707 605	1 Month Libor (£) + 0.75%
Class B Floating Rate Notes	29 415 367	1 Month Libor (£) + 1%
Class C Fixed Rate Notes	9 844 139	5.25%
Class D Fixed Rate Notes	2 756 281	15%
	<u>158 723 392</u>	

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	2018 £	2017 £
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14. Financial instruments (continued)

The table below illustrates the statement of comprehensive income impact of a possible 50 basis points (bps) increase and decrease in interest rate per annum.

Instrument	Profit result of 50 basis points decrease	Current net interest position	Loss result of 50 basis points increase
2018			
Interest rate swap	1 725	629 481	(1 725)
Class A Notes	583 337	2 250 919	(583 537)
Class B Notes	147 000	532 220	(147 000)
	<u>732 062</u>	<u>3 412 620</u>	<u>(732 262)</u>
2017			
Interest rate swap	1 422	1 494 146	(1 422)
Class A Notes	1 417 366	3 580 353	(1 417 366)
Class B Notes	147 066	500 860	(147 066)
	<u>1 565 854</u>	<u>5 575 359</u>	<u>(1 565 854)</u>

No interest rate sensitivity analysis was performed on Class C and Class D notes as these are fixed rate notes and the financial contracts are also all fixed rate agreements.

Currency risk

All of the Company's financial assets and liabilities are denominated in Great British Pounds.

15. Fair value of financial instruments

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price. Subsequent changes in the fair value of the swap and the deferred purchase price liability are recognised immediately in the statement of comprehensive income.

The following table shows the book value and fair value of the Company's financial assets and liabilities:

	30 June 2018 £	30 June 2018 £	30 June 2017 £	30 June 2017 £
Assets	Book value	Fair value	Book value	Fair value
Finance contracts	166 630 704	165 248 612	344 400 179	347 174 286
Other assets	1 311 282	1 311 282	1 567 469	1 567 469
Cash and cash equivalents	14 099 320	14 099 320	22 602 295	22 602 295
Derivative	345 050	345 050	-	-
	<u>182 386 356</u>	<u>181 004 264</u>	<u>368 569 943</u>	<u>371 344 050</u>

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	2018		2017	
	£		£	
15. Fair value of financial instruments (continued)				
Liabilities	30 June 2018	30 June 2018	30 June 2017	30 June 2017
	£	£	£	£
	Book value	Fair value	Book value	Fair value
Class A Floating Rate Notes	116 707 605	117 199 632	283 473 253	285 201 471
Class B Floating Rate Notes	29 415 367	29 945 862	29 413 299	30 207 283
Class C Fixed Rate Notes	9 844 139	10 413 738	9 844 139	10 751 312
Class D Fixed Rate Notes	2 756 281	3 264 030	2 756 280	3 535 040
Derivative	-	-	284 431	284 431
Deferred purchase price	18 212 568	18 212 568	37 283 574	37 283 574
	176 935 960	179 035 830	363 054 976	367 263 111

Fair Value

The fair value of derivatives used by the Company is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques used by market participants. The fair value of the interest rate swap and the deferred purchase price liability are shown in the related Notes.

At the reporting year end, the Company has an interest rate swap contract to hedge the risk of floating interest rates on the Class A and B notes. The fair value of such interest rate swap contracts are calculated by discounting future cash flows using appropriate and observable market data.

The fair value of the day one DPP liability represents the directors' assessment of the residual income inherent in the finance contracts acquired. The fair value is reassessed on an annual basis with any movement in the DPP liability fair value being expensed in the statement of comprehensive income through interest payable.

Debt instrument Notes

The carrying amount of the Notes is linked to the underlying pool of auto loans to which the Company is exposed. The Company has a legal interest in finance contracts which were assigned at the issue date. The assigned finance contracts carry a fixed interest rate. The fair value of the debt instrument Notes are determined on a discounted cash flow basis.

Derivative instruments

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the date of the statement of financial position, and is calculated by discounting future cash flows using observable market data at that date.

Cash and cash equivalents and other assets

Due to the short term nature of these balances, the carrying amount is assumed to be the same as the fair value.

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	2018 £	2017 £
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15. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy

The Company classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements; this is done for instruments recognised at fair value. The Company's fair value hierarchy has the following levels:

Level 1 - Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Fair value is determined using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and

Level 3 - Fair value is determined using a valuation technique and inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For Level 2 and Level 3 the Company uses a discounted cash flow technique using estimated future cash flows discounted at a representative risk-free curve.

For Level 3 the information used to determine the future cash flows are based on assumptions which are unobservable (the prepayment and write-off %).

As such, if the finance contracts and debt instrument Notes were to be valued at fair value, these would be categorised in the Level 3 and Level 2 category respectively.

The following table presents the financial instruments recognised at fair value on the statement of financial position:

	Level 1	Level 2	Level 3	Total
30 June 2018				
Financial assets				
Interest rate swap	-	345 050	-	345 050
	-	345 050	-	345 050
30 June 2018				
Financial liabilities				
Deferred purchase price	-	-	18 212 568	18 212 568
	-	-	18 212 568	18 212 568
30 June 2017				
Financial liabilities				
Deferred purchase price	-	-	37 283 574	37 283 574
Interest rate swap	-	284 431	-	284 431
	-	284 431	37 283 574	37 568 005

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	2018 £	2017 £
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15. Fair value of financial instruments (continued)

The following tables show a reconciliation of the opening and closing balances for fair value liabilities classified as Level 3 in terms of the fair value hierarchy, for which recurring fair value measurements are required.

2018	Fair value on 1 July 2017	Purchase and sales	Transfer into/(out of) Level 3	Fair value on 30 June 2018
Financial liabilities				
Deferred purchase price	37 283 574	(19 071 006)	-	18 212 568

The tables below sets out the valuation techniques applied by the Company for recurring fair value measurements of assets and liabilities categorised as Level 2 and Level 3 in the fair value hierarchy:

Fair value of financial instruments		
Interest rate swap liability/(asset)	(345 050)	284 431
Deferred purchase price liability	18 212 568	37 283 574
	17 867 518	37 568 005

Model valuation technique and related inputs

Interest rate swap

The fair value of the interest rate swap model is determined using the interest rate swap model. The projected net cash flows (derived from expected amortising profile Notes) are discounted using a risk-free swap curve. The observable input used in the valuation technique is the interest rate (fixed and variable).

Deferred purchase price liability

The fair value of the deferred purchase price liability is determined using a waterfall model where the projected priority of payments are discounted using a risk-free curve. The unobservable inputs used in the valuation technique are the write off rate and the prepayment rate.

16. Ultimate controlling party

The entire share capital of the Company is held by Intertrust Corporate Services Limited, who holds the shares on a discretionary trust basis for the benefit of certain charities in terms of a Declaration of Trust in relation to the Turbo Finance 6 Plc Charitable Trust.

In terms of IFRS 10 control exists when all three of the following conditions are met:

- Power over the relevant activities of the entity;
- Exposure to variable returns; and
- The ability to use the power to influence the amount of the returns.

FirstRand Limited assisted with the set up of the structure and will have control over the decision as to whether or not to maintain the structure or wind it down and buy back the advances (once the clean up call trigger per the Transaction documentation is breached). After the initial set up, the Company operates according to the Transaction documentation until a decision has been taken to wind down the structure. The key relevant activity of the Company is the servicing of the finance contracts, where MotoNovo exerts power. Therefore FirstRand Limited and FirstRand Bank Limited (through MotoNovo) have power over the Company. However, FirstRand Bank Limited is deemed by the directors to be acting as agent on behalf of the noteholders.

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	2018	2017
	£	£

16. Ultimate controlling party (continued)

FRI Guernsey will have the most significant exposure to variability in returns as they will provide a large portion of the funding to the Company through holding of the Class C and D notes as well as holding the entitlement to the receipts of the deferred purchase price. FirstRand Limited will be exposed to the variable returns earned by FRI Guernsey from their involvement with the Company by virtue of the fact that FRI Guernsey is a wholly-owned subsidiary of FirstRand Limited.

Given that FirstRand Investment Holdings Proprietary Limited ("FRIHL"), through FRI Guernsey (La Plaiderie House, La Plaiderie, St Peter Port, Guernsey, GY1 1WF, Guernsey), has the greatest exposure to the variable returns, the Company is consolidated by FRIHL (4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton, Gauteng, 2196, South Africa), a subsidiary of FirstRand Limited.

The Company's ultimate controlling party and smallest/largest group of which the Company is a member is FirstRand Limited, a company incorporated in South Africa. Copies of the group financial statements are available from FirstRand Group Company Secretary's Office, 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton, Gauteng, 2196, South Africa.

17. Related party transactions

Intertrust Corporate Services Limited is a wholly owned subsidiary of Intertrust Management Limited. During the year under review Intertrust Management Limited provided corporate services to the Company and received £20,141 for these services in the current year (2017: £10,737).

The Company paid an initial consideration of £392,021,813 to FirstRand Bank, a wholly owned subsidiary of the FirstRand Limited group during 2015 to acquire a portfolio of finance contracts. Additional finance contracts for a consideration of £nil were acquired during the year (2017: £123 850 110). The directors have estimated that a further £18,018,813 (2017: £37,031,518) deferred purchase price will be receivable. FirstRand Bank acts as servicer for the portfolio of finance contracts owned by the Company and received £245 690 (2017: £402 453 service fees during the year. At end of the year, cash due to the Company but not yet received from FirstRand Bank amounted to £1 311 282 (2017: £1,567,469).

FirstRand Limited, through FRI (Guernsey), holds the Class C and D notes. The carrying value, at 30 June 2018, of the Class C and D notes was £9 844 139 and £2 756 281 respectively. Interest on the Class C and D note of £516 075 and £411 750 respectively was paid to FRI Guernsey during the year.

Other liability relates to the deferred purchase price liability due to FirstRand Limited, through FRI (Guernsey). At year end the deferred purchase price liability was £18 212 568. The fair value movement on the deferred purchase price liability was £3,966,698 during the year. Cash flows totalling £23 037 704 were paid over during the year.

18. Capital management

The Company is not subject to any external capital requirements, except for the minimum requirements under the Companies Act 2006. No breaches of these minimum requirements have occurred in the current year (2017: £nil).

19. Events after the reporting period

No matter that is material to the financial affairs of the Company has occurred between the statement of financial position date and the date of approval of the financial statements.

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20. New Standards and Interpretations

20.1 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 July 2018 or later periods:

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 and revised requirements specifically deal with the classification and measurement of financial instruments, the measurement of impairment losses based on an expected credit loss model and revised requirements relating to hedge accounting.

Classification and measurement:

- IFRS 9 introduced a principal based approach for classifying financial assets, which is based on the entity's business model and nature of cash flows. Financial assets whose business model is achieved by collecting contractual cash flows are classified as at amortised cost. Financial assets with a mixed business model, i.e. held to collect contractual cash flows which are solely payments of principal and interest and through sale, are classified at fair value through other comprehensive income. All other financial assets under a different business model are classified at fair value through profit or loss.
- The classification and measurement of financial liabilities is effectively the same as under IAS 39, with the exception that for financial liabilities designated at fair value, any changes in the fair value of the liability due to the company's own credit risk should be recognised in other comprehensive income.
- The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

The transition note provides a reconciliation of the closing balance sheet as at 30 June 2018 to the opening balance sheet at 1 July 2018, together with a summary of the impact on the financial statements.

Management used assumptions and judgments in applying IFRS 9 accounting policies to determine the estimated impact of the implementation of IFRS 9. There has been no change on the revised classification and measurement, except for the recognition of earlier impairments. The transition to IFRS 9 has an impact on the amounts recognised in the financial statements as at 1 July 2018.

The table below provides an analysis of the transition to IFRS 9 from IAS 39:

	Balance at 30 June 2018	Impairment Change	Balance at 1 July 2018
Assets			
Finance contract	166 630 704	(734 236)	165 896 468
Equity and liabilities			
Retained income	5 437 624	(734 236)	4 703 388

IFRS 9 introduces a new impairment model that requires the recognition of expected credit losses on all financial assets carried at amortised cost or at fair value through other comprehensive income. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

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IFRS 9 establishes a three-stage approach for impairment of financial assets:

- Stage 1 - At initial recognition of a financial asset, the asset is classified as stage 1 and 12-month expected credit losses are recognised, which are credit losses related to default events expected to occur within the next 12 months.
- Stage 2 - If the asset has experienced a significant increase in credit risk since initial recognition but the asset is not credit impaired, the asset is classified as stage 2 and lifetime expected credit losses are recognised.
- Stage 3 - If the asset has become credit impaired since initial recognition, it is classified as stage 3, with expected credit losses measured and recognised on a lifetime basis.

The Company will be adopting the probability of default approach for the calculation of expected credit losses for material advances and a simplified approach for less material balances. The expected credit losses will be based on a probability-weighted average of three macroeconomic scenarios incorporating a base scenario, upside scenario and downside scenario, weighted by the probability of occurrence. The model have been developed by the FirstRand Group and has been guided by appropriate frameworks, which articulate minimum required standards and reference industry guidance and best practice.

Cash and cash equivalents and other assets are short-term instruments held with a reputable counterparties that do not expose the company to significant credit risk, the expected credit losses on these instruments is assumed to be zero.

The table below, reconciles the closing impairment allowances for financial assets in accordance with IAS 39 and IAS 37 provisions, contingent liabilities and contingent assets as at 30 June 2018 and the opening impairment allowances determined in accordance with IFRS 9 as at 30 June 2019.

The table below presents a breakdown of financial assets in scope of IFRS 9 where there has been an increase in impairment allowance with stage allocation by asset classification:

Gross exposure
As at 1 July 2018
 Finance contracts

Stage 1	Stage 2	Stage 3	Total
152 510 271	11 868 847	5 466 241	169 845 359

Impairment allowance
As at 1 July 2018
 Finance contracts

Stage 1	Stage 2	Stage 3	Total
(651 695)	(883 684)	(2 413 511)	(3 948 890)

Net exposure
As at 1 July 2018
 Finance contracts

Stage 1	Stage 2	Stage 3	Total
151 858 576	10 985 163	3 052 730	165 896 469