

# **Commissioner Street No. 1 (RF) Limited**

**(Registration Number 2007/033844/06)**

**Annual Financial Statements**

**for the year ended 31 December 2018**

**Audited**

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

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

# Commissioner Street No. 1 (RF) Limited

(Registration Number 2007/033844/06)

Annual Financial Statements for the year ended 31 December 2018

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# Commissioner Street No. 1 (RF) Limited

## Statement of Directors' Responsibility For the year ended 31 December 2018

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The directors are responsible for the preparation, integrity and objectivity of the annual financial statements that fairly present the state of affairs of Commissioner Street No. 1 (RF) Limited ("the Company") at the end of the financial period and the net income and cash flows for the year, and other information contained in this report.

To enable the directors to meet these responsibilities:

- all directors and management will endeavour to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach;
- the board sets standards and management implements systems of internal control and accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- the board and management identify all key areas of risk across the Company and endeavour to minimise these risks by ensuring that appropriate infrastructure controls, systems and disciplines are applied and managed within predetermined procedures and constraints;
- the audit committee plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

The Company consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis. The annual financial statements of the Company have been prepared in accordance with the provisions of the Companies Act, No 71 of 2008 (as amended), of South Africa, and comply with International Financial Reporting Standards (IFRS) and all applicable legislation.

The directors have reason to believe the entity will not be a going concern in the reporting period ahead, based on the intention to deregister the entity. These financials have been prepared on a going concern basis. Refer to note 21.

It is the responsibility of the independent auditors to report on the annual financial statements. Their report to the shareholders of the Company is set out on pages 10 - 12 of this report.

### Approval of the annual financial statements

The directors' report on pages 8 - 9 and the annual financial statements of the Company, which appear on pages 13 - 40, were approved by the board of directors and are signed by:



**ML De Nysschen**

Director

Date: 29 April 2019



**ME Du Plooy**

Director

Date: 29 April 2019

# Commissioner Street No. 1 (RF) Limited

## Company Secretary's Certificate For the year ended 31 December 2018

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To the shareholder of Commissioner Street No. 1 (RF) Limited

In accordance with the provisions of the Companies Act, No 71 of 2008 (as amended), ("the Act"), Absa Secretarial Services Proprietary Limited, in its capacity as Company Secretary, certifies that, in respect of the year ended 31 December 2018, the Company has lodged with the Registrar of Companies, all returns prescribed by the Act and that all such returns are, to the best of its knowledge and belief, true, correct and up to date.



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Absa Secretarial Services Proprietary Limited  
Company Secretary representative: GJ Van Rooyen  
Johannesburg  
29 April 2019

# Commissioner Street No. 1 (RF) Limited

## Corporate Governance Statement For the year ended 31 December 2018

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The Company is fully committed to the governance outcomes, principles and practices as set out in the King IV Report on Corporate Governance™ in South Africa 2016 (“King IV Report”).

King IV was implemented on a proportional basis and practices were scaled considering the extent and complexity of the Company’s activities.

For the year under review the Board has satisfied itself that the Company has applied the principles of King IV to the extent deemed necessary, or has put alternative measures in place.

Below is an explanation of the Company’s application of paragraph 5.7(b) of the JSE Debt Listing Requirements as at 31 December 2018:

### **Board of directors**

The board consists of:

- Independent non-executive directors (three)
- Executive director (one)

*Principle 1: The governing body should lead ethically and effectively.*

The Board is committed to the highest standards of corporate governance and in this regard the directors collectively and individually execute their duties and responsibilities in accordance with standards of behaviour required by relevant regulation and legislation, the Company’s Memorandum of Incorporation (Mol).

*Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.*

The Company’s Board of Directors (the “Board”) is the focal point of the Company’s corporate governance. The Mol sets out the practices for implementing the corporate governance provisions set out in King IV, the Companies Act No. 71 of 2008 (as amended) (“the Companies Act”), other good governance practices and the governance principles determined by the Board from time to time.

*Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.*

Directors are appointed with due regard to relevant legislation, the constitution of the Company and the skills and expertise and industry knowledge required to enable the board to function effectively.

*Principle 4: The governing body should appreciate that the organisation’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.*

The Board (i) approves the Company’s strategic objectives and business plans, (ii) and monitors management’s implementation of the strategy and plans according to the approved risk appetite, the available opportunities, and the macro and regulatory environment.

*Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.*

The effectiveness of the Board and performance of individual directors and the Chairman will be assessed during the 2019 financial year, against set criteria.

# Commissioner Street No. 1 (RF) Limited

## Corporate Governance Statement For the year ended 31 December 2018

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### Independent advice

A director or any member of a board committee may, if necessary, take independent professional advice at the expense of the Company.

### Company secretary

All directors have access to the advice and services of the company secretary, who provides guidance to the board as a whole and to individual directors with regard to how their responsibilities should be discharged in the best interest of the Company.

### Audit committee

The board has concluded that the audit and risk committee has satisfied its responsibilities.

### Remuneration policy

The Company is a ring-fenced special purpose vehicle. All its services are outsourced to external service providers and the Company has no employees. Therefore it is not necessary for the Board to appoint a CEO and it is not necessary for the Company to have a remuneration committee.

The executive director of the Company is a full time employee of Absa Bank Limited and therefore earns no directors' fees for her services as director.

The Company's directors' fees were paid to TMF Corporate Services (South Africa) Proprietary Limited for director services provided to the company. The company had three directors who are employees of, and remunerated by, TMF Corporate Services (South Africa) Proprietary Limited on a separate basis. Absa Group Limited representative directors are not remunerated for their services by the Company, or any other company in the group.

### Risk management

The Company aligns with the Absa Group Limited Risk Policy. Absa Corporate Investment Banking ("CIB"), a division of Absa Bank Limited administers the company and develops appropriate risk processes. CIB assists in assessing and reporting risk matters to the board.

### Fundamental and affected transactions

The Company does not conduct business with entities in which its directors have an interest. Directors are requested to declare their directorships in other companies on a quarterly basis.

### IT governance

*Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.*

Information Technology governance is performed in aligned with the Absa Group Limited IT Policy. Executive management is responsible for the day-to-day management of IT.

### Compliance

*Principle 13: The governing body should govern compliance with laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.*

The company relies upon Absa Group Compliance to provide the function of a Compliance officer where required. The administrator provides the function of a compliance officer. The administrator ensures that the entity complies with rules and regulations.

# Commissioner Street No. 1 (RF) Limited

## Corporate Governance Statement For the year ended 31 December 2018

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### Reporting and assurance:

*Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.*

*Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.*

The Company's primary report is the annual financial statements in which the Company's business activities and financial position is recorded.

The Board oversees the preparation of the annual financial statements and ensures that the state of affairs of the Company and its financial wellbeing are fairly presented through application of appropriate assurance processes supported by an effective control environment. The Audit Committee assists the board in overseeing assurance services and the effectiveness of the control environment in order to ensure the objectivity and integrity of the financial statements. The Board is ultimately responsible for the integrity of the report and approves the financial statements.

# Commissioner Street No. 1 (RF) Limited

## Audit Committee Report

For the year ended 31 December 2018

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### Members of the Audit Committee

R Thanthony (Chairperson)	Appointed:	27/02/2015
JN Wheeler	Appointed:	01/12/2018
ML De Nysschen	Appointed:	01/08/2018

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

### Meetings held by the Audit Committee

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

The committee held meetings on 16 April 2018 and 31 October 2018 during which it fulfilled its responsibilities in terms the audit committee charter, in order to be able to recommend approval of the Company's annual financial statements to the Board.

### Expertise and experience of finance function

Absa Secretarial Services Proprietary Limited, as Company Secretary provides ongoing Company Secretarial administration to Commissioner Street No. 1 (RF) Limited. Absa Bank Limited, acting through its Corporate and Investment Banking Division ("CIB") is the administrator of the Issuer, whose function is outsourced to Maitland Group SA under a Service Level Agreement.

The committee satisfied itself that the composition, experience and skills set of the finance function met the Company's requirements.

### Independence of external auditors

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

The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

### Discharge of responsibilities and Audited Annual Financial Statements

Following the review by the committee of the audited annual financial statements of the Company for the year ended 31 December 2018 and based on the information provided to it, the committee considers that, in all material respects, the Company complies with the provisions of the Companies Act No 71 of 2008, as amended, International Financial Reporting Standards, and that the accounting policies applied are appropriate.

Following the review of the audited annual financial statements the committee recommended the Company's 2018 audited annual financial statements for approval to the Board on 29 April 2019

The committee further concurred with the Board and management that the adoption of the going-concern status in preparation of the annual audited financial statements is appropriate.

On behalf of the audit committee:

  
\_\_\_\_\_  
R Thanthony  
Chairperson: Audit Committee  
29 April 2019

# Commissioner Street No. 1 (RF) Limited

## Directors' Report For the year ended 31 December 2018

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The directors have pleasure in presenting their report for the year ended 31 December 2018.

### 1. Nature of business

The activities of Commissioner Street No. 1 (RF) Limited ("the Company") are restricted by the Issuer Transaction Documents and will be limited to the issue of Notes, the purchase of the Loan Agreements, the exercise of related rights and powers and other activities referred to in the Issuer Transaction Documents or reasonably incidental to such activities.

### 2. Financial results and dividends

The results for the year are set-out in the attached annual financial statements. The Company made a loss of R 4,343,992 (2017: R 2,922,933). No ordinary dividends have been declared during the year and none are recommended.

### 3. Authorised and issued share capital

The authorised share capital consists of 1000 ordinary shares with a par value of R1 per share and 100 non-cumulative redeemable preference shares of R0.01 each.

The issued share capital consists of 100 ordinary par value shares issued to Commissioner Street Owner Trust and 1 non-cumulative redeemable preference share issued to Absa Bank Limited.

### 4. Holding entity

The Company's parent entity, in accordance with the Companies Act, is the Commissioner Street Owner Trust, which is registered and domiciled in South Africa and holds 100% of the ordinary shares issued. In terms of the International Reporting Financial Standards, Absa Bank Limited controls the company.

### 5. Directors and secretary

The directors of the company during the period under review until the signing of these financials were:

#### Independent non-executive directors

R Thanthony	Appointed:	13/06/2013	Resigned:	30/09/2014	Re-appointed:	27/02/2015
B Korb	Appointed:	31/01/2017	Resigned:	10/10/2018		
O Shabangu	Appointed:	31/01/2017	Resigned:	10/10/2018		
O Ferreira (Alternate)	Appointed:	31/01/2017				
ML De Nysschen	Appointed:	01/08/2018				
JN Wheeler	Appointed:	01/12/2018				

#### Executive director

ME Du Plooy	Appointed:	01/01/2017
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#### Company Secretary

TMF Corporate Services (South Africa) Proprietary Limited	Resigned:	17/09/2018
Absa Secretarial Services Proprietary Limited	Appointed:	17/09/2018

#### Business

7th Floor  
Absa Towers West  
15 Troye Street  
Johannesburg  
2000

#### Postal

PO Box 7735  
Johannesburg  
Gauteng  
2000

#### Public Officer:

Rishendrie Thanthony	Appointed:	15/02/2013	Resigned:	01/11/2018
Bongeka Ndamase	Appointed:	01/11/2018		

# Commissioner Street No. 1 (RF) Limited

## Directors' Report

For the year ended 31 December 2018

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### 6. Directors' interest in contracts

No contracts were entered into in which directors of the Company had an interest and which significantly affected the business of the Company.

### 7. Directors' emoluments

The Company's directors' fees of R174 127 (2017: R212 164) are paid to TMF Corporate Services (South Africa) Proprietary Limited for director services provided to the company. Non-executive directors are employees of, and remunerated by, TMF Corporate Services (South Africa) Proprietary Limited on a separate basis. The Absa representative director is not remunerated for her services by the company or any company in the group as defined by the Companies Act.

### 8. Going concern

On 20 September 2019, the Company's loan portfolio will be realised and its debt securities in issue will be settled in full. The directors have the intention to deregister the company within 12 months of the date of this report.

IAS1 – Presentation of Financial Statements and IAS10 – Events after the Reporting Period require that the financial statements should not be prepared on a going concern basis if management determines that it intends to liquidate the entity or to cease trading. The directors have considered an alternative basis of preparation but believe that IFRS as a basis for preparation best reflects the financial position and performance of the entity.

The carrying value of the assets, which were determined in accordance with the accounting policies, have been reviewed for possible impairment and changes which have occurred since the year end and consideration has been given to whether any additional provisions are necessary as a result of the decision to deregister. It is expected that all assets will realise at least at the amounts at which they are included in the statement of financial position and there will be no material additional liabilities.

It should be noted that due to events after finalisation of the AFS, the final amounts to be received could vary from the amount shown in the statement of financial position due to circumstances which arise subsequent to preparation of the financial statement and these variations could be material.

### 9. Special Resolutions

No special resolutions were passed during the year.

## **Independent Auditor's Report to the Shareholders of Commissioner Street No. 1 (RF) Limited**

### **Report on the Audit of Annual Financial Statements**

#### *Opinion*

We have audited the financial statements of Commissioner Street No. 1 (RF) Limited, set out on pages 13 to 40, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Commissioner Street No. 1 (RF) Limited, as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing the audit of Commissioner Street No. 1 (RF) Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit Commissioner Street No. 1 (RF) Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

#### *Emphasis of Matter*

We draw attention to Note 21 to the financial statements, which indicates that that the Directors have taken a decision to deregister the entity. This condition indicates that the Entity is no longer a going concern, and that the final amounts to be received upon realization of the assets and settlement of the liabilities could vary from the amounts shown in the statement of financial position. Our opinion is not modified in respect of this matter.

#### *Other Information*

The directors are responsible for the other information. The other information comprises of the Directors' responsibilities and approval, Company secretary's certificate, Corporate Governance statement, Audit committee report and the Directors' Report as required by the Companies Act of South Africa. The other

information does not include the financial statements and our auditor's report thereon.

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

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

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

#### *Directors' Responsibilities for the Financial Statements*

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

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors’.
- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

*Report on other Legal and Regulatory Requirements*

In terms of the IRBA Rule published in the Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Commissioner Street No. 1 (RF) Limited for 1 year.

*Ernst & Young Inc.*

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Ernst & Young Inc.  
Partner – Janneman Labuschagne  
Registered Auditor  
Chartered Accountant (SA)  
30 April 2019

# Commissioner Street No. 1 (RF) Limited

## Statement of Financial Position As at 31 December 2018

	Note	2018 R	Restated 2017 R
<b>Assets</b>			
<b>Non-current assets</b>			
Loans and advances	3	-	28,608,982
		<b>25,884,780</b>	53,713,029
<b>Current assets</b>			
Cash and cash equivalents	4	3,000	3,570,556
Trade and other receivables	5	24	21,284
Loans and advances	3	25,881,756	50,121,189
Deferred tax	9	-	-
		<b>25,884,780</b>	82,322,011
<b>Total assets</b>			
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Ordinary and preference share capital	7	(8,748,817)	(4,404,825)
Retained earnings		100	100
		<b>(8,748,917)</b>	(4,404,925)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Debt securities in issue*	8	-	28,762,932
		<b>34,633,597</b>	57,963,904
<b>Current liabilities</b>			
Trade and other payables	10	197,552	37,361
Debt securities in issue*	8	34,430,710	57,742,690
Derivative liability	6	5,335	183,853
		<b>34,633,597</b>	86,726,836
<b>Total liabilities</b>			
		<b>25,884,780</b>	82,322,011
<b>Total equity and liabilities</b>			

\* Restated. Refer to Note 8.

# Commissioner Street No. 1 (RF) Limited

## Statement of Comprehensive Income For the year ended 31 December 2018

	Note	2018 R	2017 R
<b>Net interest expense</b>		<b>(3,253,492)</b>	(2,139,177)
Interest income	11	2,873,920	8,574,030
Interest income on EIR basis	11	214,906	-
Interest expense	12	(6,342,318)	(10,713,207)
<b>Operating expenditure</b>		<b>(1,092,500)</b>	(783,756)
Operating expenditure	13	(1,092,069)	(783,756)
Fair value loss on loan	13	(177,730)	(534,377)
Fair value gain on swap	13	177,299	534,377
Other income		2,000	-
<b>Operating loss before tax</b>		<b>(4,343,992)</b>	(2,922,933)
Taxation	14	-	-
<b>Loss for the year</b>		<b>(4,343,992)</b>	(2,922,933)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		<b>(4,343,992)</b>	(2,922,933)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(4,343,992)</b>	(2,922,933)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>(4,343,992)</b>	(2,922,933)

# Commissioner Street No. 1 (RF) Limited

## Statement of Changes in Equity

Financial Statements for the year ended 31 December 2018

	Note	Ordinary share capital	Retained earnings	Total
		R		
<b>Balance at 1 January 2017</b>		100	(1,481,992)	(1,481,892)
<b>Comprehensive loss</b>		-	(2,922,933)	(2,922,933)
Loss for the year		-	(2,922,933)	(2,922,933)
<b>Total comprehensive loss for the year</b>		-	(2,922,933)	(2,922,933)
<b>Balance at 31 December 2017</b>		<u>100</u>	<u>(4,404,925)</u>	<u>(4,404,825)</u>
<b>Balance at 1 January 2018 as previously reported</b>		100	(4,404,925)	(4,404,825)
Adoption of IFRS 9	2.5	-	-	-
<b>Adjusted balance as at 1 January 2018</b>		<u>100</u>	<u>(4,404,925)</u>	<u>(4,404,825)</u>
<b>Comprehensive loss</b>		-	(4,343,992)	(4,343,992)
Loss for the year		-	(4,343,992)	(4,343,992)
<b>Total comprehensive loss for the year</b>		-	(4,343,992)	(4,343,992)
<b>Balance at 31 December 2018</b>	7	<u>100</u>	<u>(8,748,917)</u>	<u>(8,748,817)</u>

# Commissioner Street No. 1 (RF) Limited

## Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018	2017
		R	
Cash generated from operations	15.1	1,966,895	2,299,097
Interest paid		(6,474,274)	(10,713,207)
Interest received		3,333,630	8,574,030
<b>Net cash flows (used in) / from operating activities</b>		<b>(1,173,749)</b>	<b>159,920</b>
<b>Cash flows from investing activities</b>			
Loans and advances settled	3	49,786,217	49,475,834
<b>Cash flows from investing activities</b>		<b>49,786,217</b>	<b>49,475,834</b>
<b>Cash flows used in financing activities</b>			
Debt securities in issue repaid	8	(52,180,024)	(52,260,259)
<b>Cash flows used in financing activities</b>		<b>(52,180,024)</b>	<b>(52,260,259)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,567,556)</b>	<b>(2,624,505)</b>
Cash and cash equivalents at beginning of the year		3,570,556	6,195,061
<b>Cash and cash equivalents at end of the year</b>	4	<b>3,000</b>	<b>3,570,556</b>

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements

For the year ended 31 December 2018

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### 1. General information

Commissioner Street No. 1 (RF) Limited (Registration Number 2007/033844/06) ("the Company") is a public company incorporated in the Republic of South Africa, the entire issued share capital of which is held by the Commissioner Street Owner Trust, a registered, discretionary trust. The Company is an entity incorporated for the sole purpose of issuing notes, the purchase of loan agreements and the exercise of related rights and powers and other activities reasonably incidental to such activities. This enables investors to invest in various instruments. The address of the Company's registered office is 7th Floor, 15 Troye Street, Johannesburg, 2000.

### 2. Accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Statement of compliance

The audited annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), SAICA Financial Reporting Guide as issued by the Accounting Practices Committee, and in the manner required by the Companies Act No 71 of 2008 (as amended).

#### 2.2 Basis of accounting and measurement

The financial statements set out on pages 13 - 40 are prepared on the historical cost basis. The financial statements have been prepared in accordance with International Financial Reporting Standards in addition to the following:

- All assets have been assessed for impairment regardless of whether any indicators for impairment was identified and;
- All possible liabilities that might arise from the deregistration has been accrued for

The directors have considered an alternative basis of preparation but believe that IFRS as a basis for preparation best reflects the financial position and performance of the entity. The carrying value of the assets, which were determined in accordance with the accounting policies, have been reviewed for possible impairment and changes which have occurred since the year end and consideration has been given to whether any additional provisions are necessary as a result of the decision to deregister. It is expected that all assets will realise at least at the amounts at which they are included in the statement of financial position and there will be no material additional liabilities.

#### 2.3 Functional and presentation currency

The annual financial statements are presented in South African Rand, which is the Company's functional and presentation currency. All financial information is presented to the nearest Rand.

#### 2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Management has determined that the underlying assumptions are appropriate and the Company's annual financial statements therefore present the financial position fairly.

Information about significant areas of estimation uncertainty and critical judgements in applying the accounting policies that have the most significant effect on the amounts recognised in the annual financial statements are included in the individual notes to the annual financial statements. Refer to Note 17 which discloses the assumptions made regarding estimation uncertainty surrounding fair value disclosures. Refer to note 2.6.3 regarding the calculation of expected credit losses.

The company currently has an estimated assessed tax loss that is available for offset against future taxable income, which should result in a deferred tax asset. However, management does not foresee any prospect of future taxable income. Therefore, in addition to the fact that the directors intend to deregister the company in the next financial year, no deferred tax asset is recognised.

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.5 New standards and interpretations

##### (a) Standards and interpretations effective and adopted in the current year

During the current year, the company has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2017. The adoption of these new and revised standards and interpretations has not resulted in material changes to the company's accounting policies. The company adopted the following standards, interpretations and amended standards during the year:

##### **IFRS 15**

Revenue from Contracts with Customers replaces the previous revenue recognition standards and interpretations, including IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. IFRS 15 establishes a single approach for the recognition and measurement of revenue, and requires an entity to recognise revenue as performance obligations are satisfied. It applies to all contracts with customers except for transactions specifically scoped out, which includes interest, dividends, leases, and insurance contracts.

The entity's main source of revenue generated is interest income, which falls outside the scope of IFRS 15. Therefore, the adoption of IFRS 15 is not expected to have a significant impact on the entity.

##### **IFRS 9**

The new requirements contained in IFRS 9 (Financial Instruments) relating to the classification and measurement of financial instruments were applied retrospectively by the company in the financial year 2018. The available exemption not to adjust comparative information for previous periods was applied. Information on accounting in accordance with IFRS 9 is provided in the Accounting Policies.

Prior to the adoption of IFRS 9, financial instruments were accounted for in accordance with IAS 39. In accordance with those requirements, the company's financial assets were allocated to either cash or to the categories "loans and receivables" or "held for trading". Financial liabilities were allocated to the categories "loans and borrowings". On initial recognition, financial instruments accounted for in accordance with IAS 39 were measured at fair value, whereby transaction costs were taken into account except in the case of financial instruments allocated to the category "at fair value through profit or loss". Subsequent to initial recognition, held-for-trading financial instruments and financial assets for which the fair value option was applied were measured at their fair value. Financial assets that were classified as loans and receivables and financial liabilities (with the exception of derivative financial instruments) were subsequently measured at amortised cost using the effective interest method. The IAS 39 impairment model was based on a regular determination of whether objective evidence indicated that impairment had already occurred. For the purposes of assessing possible impairment, all available information, such as market conditions and prices as well as the length of time and the scale of the decline in value were taken into account. Under IFRS 9, impairment is recognised based on expected credit losses.

The following table shows the reconciliation of the categories and carrying amounts of financial instruments as well as the impact on company's equity of the first-time application of IFRS 9.

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

### 2. Accounting policies (continued)

#### 2.5 New standards and interpretations (continued)

##### (a) Standards and interpretations effective and adopted in the current year (continued)

The company's reclassification of financial instruments at 1 January 2018 are as follows:

	Classification	
	IAS 39	IFRS 9
<b>Financial Assets</b>		
Loans and advances	Fair value through profit and loss	Fair value through profit and loss
Cash and Cash Equivalents	Loans and receivables	Amortised cost
<b>Financial Liabilities</b>		
Debt securities	Amortised cost	Amortised cost
Derivative financial liability	Fair value through profit and loss	Fair value through profit and loss
Trade and other payables	Amortised cost	Amortised cost

	Measurement				
	IAS 39	Changes to opening balances	IFRS 9 - restated balance	Deferred taxation	Retained income
	R	R	R	R	R
<b>Financial Assets</b>					
Loans and advances	78,730,169	-	78,730,169	-	-
Cash and Cash Equivalents	3,570,556	-	3,570,556	-	-
<b>Total financial Assets</b>	<b>82,300,725</b>	<b>-</b>	<b>82,300,725</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>					
Debt securities	86,505,621	-	86,505,621	-	-
Derivative financial liability	183,853	-	183,853	-	-
Trade and other payables	37,361	-	37,361	-	-
<b>Total Financial liabilities</b>	<b>86,726,835</b>	<b>-</b>	<b>86,726,835</b>	<b>-</b>	<b>-</b>
<b>Total impact to equity</b>					<b>-</b>

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.5 New standards and interpretations (continued)

##### (a) Standards and interpretations effective and adopted in the current year (continued)

The impact of the various changes arising in conjunction with the first-time application of IFRS 9 is explained below:

- a). Derivative financial asset were reclassified from held for trading to category "at fair value through profit or loss". There was no difference between carrying amounts pursuant to IAS 39 and fair values at 1 January 2018.
- b). Loans and advances were classified as "at fair value through profit and loss" under IAS 39 in order to avoid an accounting mismatch due to the economically hedged relationship with the derivative financial instruments which are economically hedging the interest rate risk of the loans and advances and are measured at FVTPL. In terms of IFRS 9, loans and advances are at fair value through profit and loss due to the same reason (avoiding an accounting mismatch). Therefore, there was no difference between carrying amounts pursuant to IAS 39 and carrying amounts pursuant to IFRS 9 at 1 January 2018 and thus no expected credit loss provision as the loans continue to be measured at FVTPL.
- c). Cash and cash equivalents and trade and other receivables - these continue to be classified and measured at amortised cost. The value expected credit losses on these items has been assessed as negligible.

##### (b) Standards and interpretations not yet effective and not adopted

At the date of authorisation of these annual financial statements, the following standards and interpretations were in issue but not yet effective:

Standard	Annual periods beginning on or after:
<b>• IFRIC 23 Uncertainty Over Income Tax Treatments</b>	
Interpretation clarifying the accounting for uncertainties in income taxes.	1 January 2019
<b>• AIP 2015-2017</b>	
Non-urgent but necessary clarifications and amendments to the following standards of IFRS IFRS 3 Business Combinations IFRS 11 Joint Arrangements IAS 12 Income Taxes IAS 23 Borrowing Costs	1 January 2019
<b>• IFRS 3 Business Combinations</b>	
Amendments to the definitions included in the appendix to IFRS 3 which will assist entities in determining whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.	Acquisitions on or after 1 January 2020

Standards and interpretations issued but not yet effective are not anticipated to impact the entity as it is the intention to deregister the entity.

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.6 Financial instruments

Financial instruments are initially measured at fair value and are subsequently measured on the basis as set out below. Transaction costs of instruments carried at fair value through profit and loss are recognised immediately through the profit and loss component of the statement of comprehensive income. For other categories of financial instruments, transaction costs (which includes incremental costs) and transaction income (i.e. initiation fees) are capitalised to the initial carrying amount.

Financial instruments are recognised on the date when the Company enters into contractual arrangements with counterparties to purchase or sell the financial instruments.

The Company is required to group instruments into classes that are appropriate to the nature of the information disclosed and take into account the characteristics of those financial instruments. Classes of financial instruments have been determined by referring to the nature and extent of risks arising from the financial instruments and how these are managed.

#### *Derivative financial instruments*

Subsequent to initial recognition, derivative financial instruments are re-measured at fair value (attributable transaction costs are recognised in the profit and loss component of the statement of comprehensive income when incurred). All derivative financial instruments are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

#### 2.6.1 Classification - financial assets

##### (a) Policy applicable from 1 January 2018

##### Business model assessment

The company makes an assessment of the objective of business model in which an asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management.

The company financial assets include loans and advances, trade and other receivable and cash and cash equivalents.

Depending on the business model and the structure of contractual cash flows, financial assets are classified as follows:

- Amortised cost

The 'amortised cost' is the amount at which financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowed before 1 January 2018).

A financial asset is classified at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit and loss ("FVTPL") :

- The asset is held within the business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI).

- Fair value through profit and loss ("FVTPL")

Financial assets are designated at fair value through profit or loss (FVTPL) to avoid an accounting mismatch.

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.6 Financial instruments (continued)

##### 2.6.1 Classification - financial assets (continued)

###### (b) Policy applicable before 1 January 2018

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

After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in the profit and loss component of the statement of comprehensive income. The carrying amount of impaired loans on the statement of financial position is reduced through the use of identified or unidentified impairment.

Once a loan has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### 2.6.2 Financial liabilities

###### (a) Policy applicable from 1 January 2018

Management determines the classification of financial liabilities at initial recognition. The company classified its financial liabilities in two categories:

- At amortised cost
  - At fair value through profit or loss
- All other financial liabilities are classified as at FVTPL

###### (b) Policy applicable before 1 January 2018

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit and loss. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.6 Financial instruments (continued)

##### 2.6.3 Impairment of financial assets

###### (a) Policy applicable from 1 January 2018

The entity uses a mixed approach to impairment where parameters are modelled at an individual financial instrument level or on a portfolio basis when they are only evident at this higher level. A collective approach will only be carried out when financial instruments share similar risk characteristics, which could include factors such as instrument type, collateral type, industry, geography and credit risk ratings.

The Company recognises expected credit losses based on unbiased forward-looking information. Expected credit losses are recognised on:

- financial assets at fair value through profit and loss
- financial assets at amortised cost

Impairment is recognised based on a three-stage approach:

- Stage 1: Exposures where there has not been a significant increase in credit risk since origination. For these exposures an expected credit loss is recognised based on the credit losses expected to result from default events that are possible within 12 months of the reporting date. Interest income is calculated based on the gross carrying value of these instruments.
- Stage 2: Exposures for which the credit risk has increased significantly since initial recognition. For these exposures lifetime expected credit losses should be recognised (i.e. credit losses from default events that are possible over the life of the instrument). The Company will assess whether a significant increase in credit risk has occurred based on (i) qualitative drivers including being marked as high risk or reflected on management's watch list; and (ii) quantitative drivers such as the change in the asset's cumulative weighted average lifetime probability of default (PD). Any exposure that is more than 30 days past due will also be included in this stage. Interest income is calculated based on the gross carrying value of these instruments.
- Stage 3: Exposures which are credit impaired. For these exposures, expected credit losses are based on lifetime losses. Assets are considered to be credit impaired when they meet the regulatory definition of default which includes unlikelihood to pay indicators as well as any assets that are more than 90 days past due. Interest income is calculated based on the carrying value net of the loss allowance.

Lifetime expected credit losses will no longer be recognised when there is evidence that the criteria are no longer met. This could include a history of timely payment performance. The low credit risk exemption in IFRS 9 has not been adopted by the Company.

The measurement of expected credit losses must reflect:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money (represented by the effective interest rate); and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.6 Financial instruments (continued)

##### 2.6.3 Impairment of financial assets (continued)

###### (a) Policy applicable from 1 January 2018 (continued)

Expected credit losses comprise the unbiased probability weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. Expected credit losses are calculated (for both 12 months and lifetime losses) as a function of the exposure at default (EAD); PD and loss given default (LGD). These terms are interpreted as follows per the requirements of IFRS 9:

- EAD is the estimated amount at risk in the event of a default (before any recoveries) including behavioural expectation of limit usage by customers in the various stages of credit risk.
- PD is the probability of default at a particular point in time, which may be calculated, based on the defaults that are possible to occur within the next 12 months; or over the remaining life; depending on the stage allocation of the exposure.
- LGD is the difference between the contractual cash flows due and the cash flows expected to be received, discounted to the reporting date at the effective interest rate. The expectation of cash flows take into account cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The estimate reflects the amount and timing of cash flows expected from the enforcement of collateral less the costs of obtaining and selling the collateral. The collection of any cash flows expected beyond the contractual maturity of the contract is also included.

###### ***Lifetime of financial instruments***

For exposures in stage 2 and stage 3, the maximum lifetime over which expected credit losses should be measured, is the maximum contractual period over which the Company is exposed to credit risk. The Company estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument. In rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the Company use the remaining contractual term of the financial instrument.

Certain credit exposures include both a drawn and an undrawn component and the Company's contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to the contractual notice period. In this case, expected credit losses are measured over the period that the Company is exposed to credit risk, even if that period extends beyond the maximum contractual period. Within the Company, this applies to overdrafts, credit cards and other revolving products. These contracts are cancellable at very short notice and they have no fixed term but credit may continue to be extended for a longer period and may only be withdrawn after the credit risk of the borrower increases, which could be too late to prevent losses. For these types of products the expected life is based on the behavioural life, i.e. the period over which there is exposure to credit risk which is not expected to be mitigated by credit actions (e.g. limit decreases) even though the contract permits immediate limit decrease.

###### ***Forward looking information***

Forward-looking information is factored into the measurement of expected losses through the use of multiple expected macro economic scenarios that are either reflected in estimates of PD and LGD for material portfolios; or adjusted through expert credit judgement where the effects could not be statistically modelled.

###### ***Write-off***

Loans and advances are written off when there is no realistic prospect of recovery.

###### (b) Policy applicable before 1 January 2018

The entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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 (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.6 Financial instruments (continued)

##### 2.6.4 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The contractual rights to the cash flows arising from the financial assets have expired or have been forfeited by the Company; or
- The Company retains the rights to receive cash flows from the asset but has assumed an obligation to pay for them in full without material delay to a third party under a pass-through arrangement; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the assets; or
- It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the assets.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Company could be required to repay.

##### 2.6.5 Derecognition of financial liabilities

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same tender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss component of the statement of comprehensive income.

##### 2.6.6 Fair value

None of the Company's financial instruments are carried at fair value through profit or loss.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The method of determining the fair value of financial instruments can be analysed into the following categories:

(a) Level 1 – Unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

(b) Level 2 – Valuation techniques using market observable inputs. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of similar instruments; and
- discounted cash flow analysis, pricing models or other techniques commonly used by market participants.

(c) Level 3 – Valuation techniques, as described in (b) above, for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.6 Financial instruments (continued)

##### 2.6.6 Fair value (continued)

The valuation techniques in (b) and (c) use inputs such as interest rate yield curves, equity prices, volatilities of the underlying and correlations between inputs. The models used in these valuation techniques are calibrated against industry standards, economic models and to observed transaction prices where available.

#### 2.7 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### 2.8 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### 2.8.1 Net interest income

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised in 'Net interest income' in the statement of comprehensive income using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount on initial recognition. When calculating the effective interest rate, the Company estimates the cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

In calculating effective interest, the Company estimates cash flows using projections based on its experience of customer behaviour considering all contractual terms of the financial instrument but excluding future credit losses. Cash flows arising from the transaction costs of issuing financial instruments are also taken into account in the calculation.

Interest is accrued in respect of impaired advances, based on the original effective interest rate used to determine the recoverable amount.

Interest from fair value financial assets and financial assets at amortised cost are presented separately as interest income and interest income on the effective interest rate basis respectively.

#### 2.9 Cash and cash equivalents

For the purposes of the statement of cash flows, cash comprises cash on hand and demand deposits. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months.

#### 2.10 Taxation

The taxation charge comprises current and deferred tax. Income tax expense is recognised in the profit and loss component of the statement of comprehensive income, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

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### 2. Accounting policies (Continued)

#### 2.10 Taxation (Continued)

##### 2.10.1 Current taxation

The current tax liability or asset is the expected tax payable or recoverable, using tax rates and tax laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The taxation charge in the annual financial statements for amounts due to fiscal authorities in the various territories in which the Company operates, includes estimates based on a judgement of the application of law and practice in certain cases to determine the quantification of any liability arising. In arriving at such estimates, management assesses the relative merits and risks of the tax treatment for similar classes of transactions, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

##### 2.10.2 Deferred tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes in the annual financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The rates enacted or substantively enacted at the reporting date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit and loss.

Deferred income tax is provided on temporary differences arising principally from fair value movements on interest rate swaps and accrued interest on financial assets and liabilities.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable Company and the same taxation authority.

#### 2.11 Operating segments

Commissioner Street No. 1 (RF) Limited issues various debt security notes which enables investors to invest in various debt instruments. The information regarding the results of the reportable segment is disclosed in the annual financial statements as currently set out. Management views the entire entity as one segment, thus no further disclosures are required in accordance with IFRS 8 Operating segments.

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

	2018 R	2017 R
<b>3. Loans and advances</b>		
Loans and advances are financial assets that provide a contractual right to receive cash.		
<b>Non-current assets</b>		
Fixed rate loans to Transnet Limited ("Transnet") via Absa Bank Limited, acting through its Corporate and Investment Banking Division ("CIB").	-	28,608,982
<b>Current assets</b>		
Fixed rate loans to Transnet Limited via Absa Bank Limited, acting through its Corporate and Investment Banking Division ("CIB").	<b>25,881,756</b>	50,121,189

Commissioner Street No. 1 (RF) Limited bought the above loan exposures from Absa Bank Limited. These exposures are guaranteed by Finnvera plc to Transnet. The Company issued various classes of notes to investors (refer to note 8). Absa Bank Limited invested in 100% of the class B notes. Interest and capital is payable quarterly.

All the company's rights and interests to the Loans and Advances are pledged to Commissioner Street No. 1 Security SPV Proprietary Limited (refer to note 8).

Contractual maturity dates of the loans:

		Fixed interest rate	Capital amount:
Loan 2	20/03/2019	10.21%	31,851,015
Loan 3	20/09/2019	10.32%	42,534,458

A breakdown of the loan balances is as follows:

Capital	<b>24,599,256</b>	74,385,473
Premium paid	<b>1,188,056</b>	3,827,718
Interest accrued	<b>90,168</b>	334,972
<b>Amortised cost value</b>	<b>25,877,480</b>	78,548,163
Fair value adjustment	<b>4,276</b>	182,008
	<b>25,881,756</b>	78,730,171
Less: Loans and advances reclassified to current assets	<b>(25,881,756)</b>	(50,121,189)
	-	28,608,982

The fair value adjustment is as a result of interest rate risk and credit risk. The loan has been economically hedged and designated at fair value to avoid an accounting mismatch. Refer to note 6.

### 4. Cash and cash equivalents

Cash and cash equivalents for purposes of the statement of cash flow are as follows:

Current account	<b>3,000</b>	2,808
Call account	-	49,438
Fixed deposit	-	3,518,310
	<b>3,000</b>	3,570,556

The balance on deposits earns interest at a floating all-in rate of 7.925% per annum.

All the Company's rights and interests to these balances are pledged to the Security SPV (refer to note 8).

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

	<u>2018</u>	<u>2017</u>
	R	R
<b>5. Trade and other receivables</b>		
Interest accrued on bank accounts	24	19,185
Other receivables	-	2,099
	<u>24</u>	<u>21,284</u>

All the Company's rights and interests to the interest receivable are pledged to the Security SPV (refer to note 8).

### 6. Derivative financial instruments

Derivatives, that have been designated as hedging instruments, comprise two interest rate swap agreements with Absa Bank Limited. The financial instruments that have been hedged for interest rate risk include loans and advances. The net swap interest is calculated as the difference between the fixed rate payable and the variable rate received of 3 month JIBAR plus a fixed margin. The net interest is settled quarterly.

#### Details of the above interest rate swaps:

	Nominal values	Maturity date	Fixed rates		
Swap 1	18,229,053	20/09/2019	10.32%	(4,167)	(128,630)
Swap 2	6,370,203	16/09/2019	10.21%	(542)	(53,378)
Total				<u>(4,709)</u>	<u>(182,008)</u>
Accrued Interest				(626)	(1,845)
				<u>(5,335)</u>	<u>(183,853)</u>

Fair value gain/loss on derivatives presented in:

Interest expense	86,086	(37,132)
Fair value movement	(177,299)	534,377
Total	<u>(91,213)</u>	<u>497,245</u>

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

### 7. Share Capital

#### Authorised

• 1000 (2017: 1000) ordinary shares of R1 each	1,000	1,000
• 100 (2017: 100) non-cumulative redeemable preference shares of R0.01 each	1	1

#### Issued

• 100 (2017: 100) ordinary shares of R1 each	100	100
• 1 (2017: 1) non-cumulative redeemable preference share of R0.01	-	-

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

						2018	2017
						R	R
<b>8. Debt securities in issue</b>							
Class	Coupon Type	JSE Description	Expected maturity date	Final contractual maturity date	Rating	All-in Rate	
Class A2 senior secured	Variable	MFS1A2	20/12/2018	20/03/2020	Aaa.za	8.400%	
Class B subordinated secured	Fixed	MFS1B	20/09/2019	20/03/2020	Unrated	10.250%	

The expected maturity date is the earliest date notes are expected to be settled. If not settled that the notes can be settled at any time after this, but not later than the contractual maturity date.

The notes constitute a financial liability to pay cash and are accounted for at amortised cost. The carrying value and fair value of the notes are as follows:

Description	Fair value		Carrying value	
	2018	2017	2018	2017
	R	R	R	R
MFS1A2	5,346,184	57,628,336	5,327,638	57,507,662
MFS1B	19,663,756	29,547,320	29,000,000	29,000,000
	<b>25,009,940</b>	87,175,656	<b>34,327,638</b>	86,507,662
Interest accrued			103,072	235,028
Discount granted on MFS1A2 notes			(1,958,828)	(1,958,828)
Amortisation of the discount			1,958,828	1,721,760
			<b>34,430,710</b>	86,505,622
Less: Interest reclassified to current liabilities			(103,072)	(235,028)
Less: Capital reclassified to current liabilities			(34,327,638)	-
			-	86,270,594

A breakdown of the debt securities in issue balances is as follows:

### Non-current liability:

Capital	-	28,762,932
	-	28,762,932

### Current liability:

Capital	34,327,638	57,507,662
Interest accrued	103,072	235,028
	<b>34,430,710</b>	57,742,690

### Amortised cost

	<b>34,430,710</b>	86,505,622
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The fair value of the debt securities has been derived using the listed price and projected cashflow adjustments as at 31 December 2018. All notes are expected to be settled during the next financial year.

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

	<u>2018</u>	<u>2017</u>
	R	R
<b>8. Debt securities in issue (continued)</b>		
<b>Maturity analysis of the capital amount for the above notes is:</b>		
Within 1 year	<b>34,327,638</b>	57,507,662
From 1 to 5 years	-	29,000,000
	<b>34,327,638</b>	<b>86,507,662</b>
<p>In terms of the Security SPV Guarantee, Commissioner Street 1 Security SPV Proprietary Limited holds and can realise security for the benefit of the Series Transaction Secured Creditors (the Noteholders) in the event of a default. In brief, the security consists of the Company's rights, title and interests in and to the bank accounts and permitted investments, the collateral and all other benefits and rights flowing from the aforementioned rights and interests. The default event that drives the guarantee is Commissioner Street No.1 (RF) Limited defaulting on the notes and not the underlying borrowers defaulting on their loans.</p>		
<p>The Company issued various classes of notes, which are listed on the Johannesburg Securities Exchange (JSE), to investors. The notes constitute direct, secured, limited recourse obligations of the Company. There is no legal obligation to quarterly interest and capital payments currently being made in terms of the debt securities. However, the latest date that the interest and capital can be repaid is the final contractual maturity date. The notes are secured by the underlying assets and the obligation to pay is limited to the cash available. The notes were rated by Moody's Investor Services South Africa (Proprietary) Limited.</p>		
<p>The classification between current and non-current was incorrect as presented in the financial statements for the 2017 financial year, this has been corrected in the current financial year. The classification as presented in the 2016 financial statements was correct. Note MFS1A2 has not been fully settled as at 31 December 2018 as expected. The maturity analysis was previously current R 235,028 and non-current R 86,270,594</p>		
<b>9. Deferred tax</b>		
<p>Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 28%.</p>		
<p>Deferred tax asset / (liability) arising from:</p>		
Assessed loss	<b>3,619,468</b>	2,403,150
Loans and advances	<b>(294,415)</b>	(866,260)
Fair value gain/(loss) on interest rate swaps	<b>1,318</b>	50,961
Unutilised assessed (loss)	<b>(3,326,371)</b>	(1,587,851)
	-	-
<b>10. Trade and other payables</b>		
Directors fees	-	35,361
Audit fees	<b>197,552</b>	-
Annual duty	-	2,000
	<b>197,552</b>	<b>37,361</b>
<b>11. Interest Income</b>		
Loans and advances - interest	<b>5,513,582</b>	10,605,992
Money market asset - fixed deposit	<b>196,526</b>	412,153
Money market asset - call account	<b>18,380</b>	58,015
Loan discount received amortisation	-	137,531
Loan premium amortisation	<b>(2,639,662)</b>	(2,639,661)
	<b>3,088,826</b>	<b>8,574,030</b>

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

	<u>2018</u>	<u>2017</u>
	R	R
<b>11. Interest Income (continued)</b>		
<i>Portfolio analysis</i>		
Interest on financial assets held at amortised cost	<b>2,873,920</b>	8,574,030
Interest on financial assets on effective interest rate ("EIR") basis	<b>214,906</b>	-
	<b>3,088,826</b>	8,574,030
<b>12. Interest expense</b>		
Interest expense and similar charges are paid on:		
Debt securities in issue	<b>3,283,750</b>	7,777,839
Derivative financial instruments	<b>86,068</b>	(37,132)
Amortisation of discount on A2 notes	<b>2,972,500</b>	2,972,500
	<b>6,342,318</b>	10,713,207
<i>Portfolio analysis</i>		
Interest on financial liabilities held at amortised cost	<b>6,342,318</b>	10,713,207
	<b>6,342,318</b>	10,713,207
<b>13. Operating loss before tax</b>		
Included in operating loss before tax are the following significant transactions:		
Fair value adjustment on swap - (gain) / loss	<b>(177,299)</b>	534,377
Fair value adjustment on loan to portfolio - gain / (loss)	<b>177,299</b>	(534,377)
Aggregated other expenses	<b>1,092,069</b>	783,756
Audit fees	<b>287,658</b>	-
Management fees	<b>573,750</b>	570,000
Director fees	<b>174,127</b>	212,164
Other expenses	<b>56,534</b>	1,592
<b>14. Taxation</b>		
South African normal taxation		
<b>Current tax</b>		
Current year on profit for the year	-	-
<b>Deferred tax</b>		
Deferred tax liability reduced (see Note 9)	-	-
	-	-

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

	2018 R	2017 R
<b>14. Taxation (continued)</b>		
<b>Reconciliation between operating loss and the taxation expense</b>		
Operating loss before income tax	(4,343,992)	(2,922,933)
Tax calculated at a tax rate of 28%	(1,216,318)	(818,421)
Tax effect of – Assessed tax loss not recognised	<b>1,216,318</b>	818,421
<p>The tax rate used for the reconciliation above is the corporate tax rate of 28% payable by corporate companies in South Africa. The Company has an estimated assessed loss of R12,926,671 (2017: R8,582,679) that is available for offset against future taxable income, resulting in a deferred tax asset of R3,619,468 (2017: R2,403,150). However, management does not foresee any prospect of future taxable income. Therefore, no deferred tax asset is recognised.</p>		
<b>15. Notes to the statement of cash flows</b>		
<b>15.1 Cash generated from operations</b>		
Operating loss before tax	(4,343,992)	(2,922,933)
<i>Adjust for non cash items:</i>		
Amortisation and discount on loans and advances	2,639,662	2,502,130
Amortisation on discount granted on MFSA2 notes	237,070	244,435
Fair value adjustment on swap - loss/ (gain)	-	534,377
Fair value adjustment on loan - gain / (loss)	177,730	(534,377)
	<b>(1,289,530)</b>	(176,368)
<i>Separately disclosed items:</i>	<b>3,253,492</b>	2,139,177
Interest income	<b>(3,088,826)</b>	(8,574,030)
Interest expense	<b>6,342,318</b>	10,713,207
<i>Cash flow before changes in working capital</i>	<b>1,963,962</b>	1,962,809
<i>Changes in working capital:</i>	<b>2,933</b>	336,288
(Decrease) / increase in trade and other payables	<b>160,191</b>	(76,837)
Decrease in debt securities in issue - interest accrued	-	(139,314)
Decrease / (increase) in trade and other receivables	<b>21,260</b>	11,138
(Decrease) / decrease in derivative liability	<b>(178,518)</b>	541,301
<b>Cash (utilised in) / generated from operations</b>	<b>1,966,895</b>	2,299,097

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

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	<u>2018</u>	<u>2017</u>
	R	R
<b>16. Related parties</b>		
The following are defined as related parties of the Company:		
» the parent;		
» an entity controlled/jointly controlled or significantly influenced by the parent trust;		
» key management personnel; and		
» children and/or dependents and spouses or partners of the individuals referred to above.		
Commissioner Street Owner Trust owns 100% (2017: 100%) of the ordinary shares in the Company.		
Absa Bank Limited invested in 100% of the B notes (see Notes 3 and 8). Absa Corporate Investment Bank, a division of Absa Bank Limited administers the Company and receives a management fee as compensation. As per IFRS 10, Absa Bank Limited controls the company.		
Transactions with key management personnel (the directors) have been disclosed in Note 22.		
<b>Balances</b>		
Cash and cash equivalents - Absa Bank Limited	<b>3,000</b>	3,570,556
Interest rate swap derivative asset/(liability)- Absa Bank Limited, acting through its CIB Division	<b>(5,335)</b>	(183,853)
Interest payable on rate swap derivative liability - Absa Capital, a division of Absa Bank Limited	<b>(626)</b>	(1,845)
Debt securities in issue (capital) - Absa Bank Limited, acting through its CIB Division	<b>(34,327,638)</b>	(86,507,662)
Interest on debt securities in issue - Absa Bank Limited, acting through its CIB Division	<b>(103,072)</b>	(235,028)
Directors' fees payable	-	35,361
<b>Transactions</b>		
Interest expense - Absa Bank Limited, acting through its CIB Division	<b>2,972,500</b>	2,972,500
Interest expense on swap derivatives - Absa Capital, a division of Absa Bank Limited	<b>(86,067)</b>	37,132
Management fees expense - Absa Bank Limited, acting through its CIB Division	<b>(573,750)</b>	(570,000)
Directors' fees expense	<b>(174,127)</b>	(212,164)
Interest income on deposits held at bank	<b>214,906</b>	470,168

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

<b>2018</b>	<b>2017</b>
R	R

### 17. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The method of determining the fair value of financial instruments can be analysed into the following categories:

- (a) Level 1 – Unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.
- (b) Level 2 – Valuation techniques using market observable inputs. Such techniques may include:
  - using recent arm's length market transactions;
  - reference to the current fair value of similar instruments; and
  - discounted cash flow analysis, pricing models or other techniques commonly used by market participants.
- (c) Level 3 – Valuation techniques, as described in (b) above, for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

The valuation techniques in (b) and (c) use inputs such as interest rate yield curves, equity prices, volatilities of the underlying and correlations between inputs. The models used in these valuation techniques are calibrated against industry standards, economic models and to observed transaction prices where available.

The table below summarises the hierarchy level, carrying amounts and fair values of those financial instruments not held at fair value:

	2018			2017		
	Hierarchy level	Carrying value	Fair value	Hierarchy level	Carrying value	Fair value
		R	R		R	R
<b>Financial Liabilities</b>						
Debt securities in issue	Level 2	34,430,710	25,009,940	Level 2	86,505,622	87,175,656
		34,430,710	25,009,940		86,505,622	87,175,656

There were no transfers between the hierarchy levels during the year.

Trade and other receivables, trade and other payables and cash at bank carrying values estimate their respective fair values.

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

	2018		2017			
	R	R	R	R		
<b>17. Fair value of financial instruments (Continued)</b>						
The table below summarises the hierarchy level, carrying amounts and fair values of those financial instruments which are held at fair value:						
	2018		2017			
	Hierarchy level	Carrying value	Fair value	Hierarchy level	Carrying value	Fair value
<b>Financial Assets</b>						
Loans and advances	Level 2	25,881,756	24,693,700	Level 2	78,730,171	74,902,453
		<u>25,881,756</u>	<u>24,693,700</u>		<u>78,730,171</u>	<u>74,902,453</u>
<b>Financial Liabilities</b>						
Derivative liabilities - interest rate swap	Level 2	(5,335)	(5,335)	Level 2	(183,853)	(183,853)

(a) Financial instruments in level 2

Loans and advances and Derivative assets - The fair value has been determined by taking the interest rate risk into account by calculating the present value of the estimated future cash flows based on observable yield curves. Credit risk adjustments were deemed unnecessary due to the credit ratings of the counterparty and guarantor.

Trade and other payables - Valuation is based on the price in an active market where price represents a market transaction on an arm's length basis.

Debt Securities in issue - The fair value has been derived from an unadjusted listed price as at 31 December 2018 adjusted for observable cash flows.

## 18. Financial risks

The Company's financial instruments consist mainly of Loans and advances, Cash and cash equivalents, Debt securities in issue and Derivative financial instruments. Exposure to interest, credit and liquidity risks arises in the normal course of business.

The Company's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Company's risk management are to identify all key risks for the Company, measure these risks, manage the risk positions and determine capital allocations. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Company's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance. The Company defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The risks arising from financial instruments to which the Company is exposed are financial risks, which include credit risk, liquidity risk, market risk (which are discussed below) and operational risk.

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

	2018	2017
	R	R

### 18. Financial risks (continued)

#### 18.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's borrowers or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from loans and advances.

Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk.

As in prior years, Absa Corporate Investment Bank performs an assessment of Transnet's credit risk on an on-going basis. The credit fundamentals on the underlying loans have not changed since inception. Furthermore, the loan is guaranteed by Finnvera, which is also monitored.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period represented below, is the worst case scenario of credit risk exposure.

	2018		
	Loans and advances	Cash and cash equivalents	Trade and other receivables
	R	R	R
Gross carrying amount	25,881,756	3,000	24
Expected credit loss			
Stage 1	-	-	-
Stage 2	-	-	-
Stage 3	-	-	-
<b>Carrying value of financial assets</b>	<b>25,881,756</b>	<b>3,000</b>	<b>24</b>

	2017		
	Loans and advances	Cash and cash equivalents	Trade and other receivables
	R	R	R
Neither past due nor impaired	78,730,171	3,570,556	21,284
Past due but not impaired	-	-	-
Identified impairment	-	-	-
<b>Carrying value of financial assets</b>	<b>78,730,171</b>	<b>3,570,556</b>	<b>21,284</b>

The credit quality of all the financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or past information about counterparty defaults rates.

#### Neither past due nor impaired

Cash and cash equivalents - counterparties with external credit ratings [Moody's Baa3 (2017: AA1.zaf) R 3,000].

Trade and other receivables - counterparties with external credit ratings [Moody's Baa3 (2017: AA1.zaf) R 24].

Loans and advances - counterparties with external credit ratings [Moody's Baa3 (2017: Baa3)R25 881 756].

Loans and advances guarantees purchased - counterparties with external credit ratings [Moody's Baa3 (2017: Aa1) R25 881 756].

	2018	2017
	R	R
<b>Industry sector analysis</b>		
Financial services	3,024	3,591,840
	<b>3,024</b>	<b>3,591,840</b>

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

	2018	2017
	R	R

### 18. Financial risks (Continued)

#### 18.2 Market risk

Market risk is the risk that the Company's earnings or capital, or its ability to meet its objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rate, foreign exchange rate, equity prices, commodity prices and credit spreads. The Company's market risk management objectives include:

- the protection and enhancement of the statement of financial position and statement of comprehensive income and facilitating business growth within a controlled and transparent risk management framework.
- the introduction of an interest rate risk management policy which uses a sensitivity analysis to simulate changes in the market and the effects thereof.

#### **Interest rate risk**

The company issues fixed rate loans funded by variable rate notes. The interest rate risk is however hedged by interest rate swap agreements entered into with Absa Bank Limited, acting through its Corporate and Investment Banking Division ("CIB").

As such, the only net exposure to interest rate risk relates to cash and cash equivalents. The effect of a 100 basis point increase or decrease in the deposit interest rate will be to increase or decrease respectively the interest received by R 30 (2017: R35 706).

#### **Currency risk**

The Company has no currency risk as all loans and advances are denominated in Rand.

#### 18.3 Liquidity risk

Liquidity risk results from both the differences between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. Liquidity risk management deals with the overall time profile of the current statement of financial position as well the expected future structure.

#### **Liquidity risk management process**

Any shortfalls will be absorbed by the junior noteholder.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	2018			
	Carrying amount	Contractual cash flows	On demand	Within 1 year
	R	R	R	R
Cash and cash equivalents	3,000	3,000	-	3,000
Trade and other receivables	24	24	-	24
Loans and advances	25,881,756	25,683,735	-	25,683,735
Debt securities in issue	(34,430,710)	(35,593,996)	-	(35,593,996)
Trade and other payables	(197,552)	(197,552)	-	(197,552)
Derivatives financial instruments	(5,335)	(5,335)	-	(5,335)
<b>Nett position</b>	<b>(8,748,817)</b>	<b>(10,110,124)</b>	<b>-</b>	<b>(10,110,124)</b>

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

	2018	2017
	R	R

### 18. Financial risks (Continued)

#### 18.3 Liquidity risk (continued)

	2017				
	Carrying amount	Contractual cash flows	On demand	Within 1 year	From 1 year to 4 years
	R	R	R	R	R
Cash and cash equivalents	3,570,556	3,570,556	-	3,570,556	-
Trade and other receivables	21,284	21,284	-	21,284	-
Loans and advances	78,730,171	81,228,338	-	55,544,603	25,683,735
Debt securities in issue	(86,505,623)	(93,922,777)	-	(63,491,481)	(30,431,296)
Trade and other payables	(37,361)	(37,361)	-	(37,361)	-
Derivatives financial instruments	(183,853)	(183,853)	-	(183,853)	-
Nett position	(4,404,826)	(9,323,813)	-	(4,576,252)	(4,747,561)

The net shortfall in the liquidity position above is as a result of repayment terms of the loans and advances and debt securities. Loans and advances contractual obligations require quarterly payment whilst there is no legal obligation to quarterly payments currently being made in terms of the debt securities. The forecast excess spread and current cash reserve remain sufficient to repay all forecast interest and operating expenses, but noteholders take the risk of any shortfalls.

### 19. Capital risk management

The proper planning and management of capital is essential to the Company to ensure it has sufficient and appropriate structured capital levels to support its risk appetite, business activities and regulatory requirements.

The Company is not subject to externally imposed capital requirements, and cannot guarantee any return.

### 20. Subsequent events

The financial statements were approved by the directors on the date in the statement of directors' responsibility. The directors are not aware of any events after the reporting date and at the date of authorisation of these annual financial statements (as defined per IAS10: Events after the reporting period).

### 21. Going Concern

On 20 September 2019, the Company's loan portfolio will be realised and its debt securities in issue will be settled in full. The directors have the intention to deregister the company within 12 months of the date of this report.

IAS1 – Presentation of Financial Statements and IAS10 – Events after the Reporting Period require that the financial statements should not be prepared on a going concern basis if management determines that it intends to liquidate the entity or to cease trading. The directors have considered an alternative basis of preparation but believe that IFRS as a basis for preparation best reflects the financial position and performance of the entity.

The carrying value of the assets, which were determined in accordance with the accounting policies, have been reviewed for possible impairment and changes which have occurred since the year end and consideration has been given to whether any additional provisions are necessary as a result of the decision to deregister. It is expected that all assets will realise at least at the amounts at which they are included in the statement of financial position and there will be no material additional liabilities.

It should be noted that due to events after finalisation of the AFS, the final amounts to be received could vary from the amount shown in the statement of financial position due to circumstances which arise subsequent to preparation of the financial statement and these variations could be material.

# Commissioner Street No. 1 (RF) Limited

## Notes to the Annual Financial Statements For the year ended 31 December 2018

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	<u>2018</u>	<u>2017</u>
	R	R
<b>22. Directors' remuneration</b>		
<p>The Company's directors' fees of R174 127 (2017: R212 164) are paid to TMF Corporate Services (South Africa) Proprietary Limited for director services provided to the company. Non-executive directors are employees of, and remunerated by, TMF Corporate Services (South Africa) Proprietary Limited on a separate basis. The Absa representative director is not remunerated for her services by the company or any company in the group as defined by the Companies Act.</p>		
<p>Directors' fees paid to TMF Corporate Services (South Africa) Proprietary Limited by other companies within the Group are as follows:</p>		
Commissioner Street No. 4 (RF) Limited	<b>161,573</b>	197,012
Commissioner Street No. 5 (RF) Limited	<b>77,279</b>	194,766
Commissioner Street No. 6 (RF) Limited	<b>179,529</b>	113,316
Commissioner Street No. 7 (RF) Limited	<b>138,839</b>	170,459
Commissioner Street No. 10 (RF) Limited	<b>146,342</b>	99,750
Commissioner Street No. 11 (RF) Limited	<b>102,470</b>	196,037

The directors' fees include an immaterial amount of corporate secretarial fees.