



# Harcourt Street 1 (RF) Limited

(Registration Number : 2015/047670/06)

Annual Financial Statements  
for the period ended 31 March 2017

In terms of S 29(1)(e)(ii) of the Companies Act 71 of 2008 as amended, we confirm that the preparation of the following financial statements is the responsibility of Nickesh Rajdew, Transaction Manager.

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

# Harcourt Street 1 (RF) Limited

(Registration Number : 2015/047670/06)

## Annual Financial Statements

for the period ended 31 March 2017

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# Harcourt Street 1 (RF) Limited

## Company information

*for the period ended 31 March 2017*

<b>Directors</b>	B Harmse (resigned 31 December 2016) WH Swanepoel (resigned 26 July 2016) Jack E Trevena (appointed 31 December 2016) Bertus J Korb (appointed 26 July 2016) R Thanthony KW van Staden
<b>Date of incorporation</b>	16 February 2015
<b>Period covered by financial statements</b>	1 April 2016 - 31 March 2017
<b>Registration number</b>	2015/047670/06
<b>Nature of business and principal activities</b>	Pursuant to the Secured Note Programme: To issue debt instruments, and/or to use funds borrowed or raised from such debt instruments to acquire assets of any kind; and/or enter into hedging transactions to mitigate its credit, currency, interest and other risks; and/or collateralise its debt instruments in respect of each asset or hedging transaction.
<b>Secretary</b>	Investec Group Data Proprietary Limited (Reg. No. 1937/009329/07)
<b>Independent Auditor</b>	KPMG Inc.
<b>Bankers</b>	Investec Bank Limited
<b>Registered Office</b>	c/o Company Secretarial Investec Bank Limited 100 Grayston Drive Sandown Sandton 2196
<b>Postal address</b>	c/o Company Secretarial Investec Bank Limited PO Box 785700 Sandton 2146
<b>Service provider</b>	The account bank, administrator, interest rate swap counterparty a committed facility provider is Investec Bank Limited.

# Harcourt Street 1 (RF) Limited

## Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Harcourt Street 1 (RF) Limited, comprising the statement of financial position at 31 March 2017, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the Directors' Report.

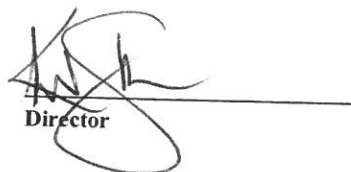
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

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

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

### Approval of annual financial statements

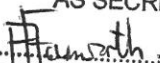
The annual financial statements of Harcourt Street 1 (RF) Limited, as identified in the first paragraph, were approved by the board of directors on 26 July 2017 and signed on their behalf by:

  
Director  
Director

## Declaration by the Company Secretary

In terms of section 88(2)(e) of the South African Companies Act No 71 of 2008, as amended (the Act), I hereby certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission, for the financial period ended 31 March 2017, all such returns as are required in terms of the Act and that all such returns are true, correct and up to date.

INVESTEC  
GROUP DATA PROPRIETARY LIMITED  
AS SECRETARIES

  
.....  
AUTHORISED SIGNATORIES

COMPANY SECRETARY  
26 July 2017

# Harcourt Street 1 (RF) Limited

## Directors' report

*for the period ended 31 March 2017*

The directors have pleasure in submitting their report on the activities of the company for the period ended 31 March 2017.

### Nature of business

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

### Operating results and financial position

The results of the company's operations and cash flows for the year, and its financial position at 31 March 2017, are set out in the financial statements and require no further comment.

### Share capital

Details of authorised and issued share capital are disclosed in note 11 to the financial statements.

### Directorate

The directors of the Company at the date of this report are B Harmse (resigned as director on 31 December 2016), WH Swanepoel (resigned as director on 26 July 2016), Jack E Trevena (appointed as director on 31 December 2016), Bertus J Korb (appointed as director on 26 July 2016), R Thanthony and KW van Staden.

### Interest of the director and officers

The director and officers have no interests in the company.

### Dividends

No dividends were declared or paid during the period.

### Events after the reporting date

Series 1: Noteholder approval was obtained and on 21 April 2017, the maturity date of the loan asset and notes in issue were changed from 30 April 2017 to 31 October 2017.

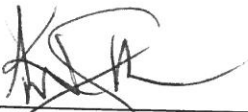
Series 3: A prepayment notice was received from the borrower of the underlying term loan, noteholder approvals were obtained to give effect accordingly, and on 27 June 2017 the loan asset was fully paid up and on 28 June 2017 the commercial paper note HC3T1 paid up and fully redeemed.

### Going Concern

Harcourt Street 1 (RF) Limited has been set up as an insolvency remote special purpose vehicle and its liabilities are enforced, among others, by certain subordination and non-petition clauses between secured creditors. Furthermore, in accordance with the transaction documents, when all assets have been expunged, all secured creditors will waive their claims against the Company. Because of this legal set-up, the Company's outgoing cash flows are limited to both its assets and the yield on these assets and it therefore continues to operate as a going concern.

### Auditor

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

  
\_\_\_\_\_  
Director  
\_\_\_\_\_  
Director

# **Harcourt Street 1 (RF) Ltd**

## **Audit Committee Report**

*for the year ended 31 March 2017*

### **Members of the Audit Committee**

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

Jack E Trevena  
Rishendrie Thanthony  
Bertus J Korb  
KW Van Staden

The chairman of the Board, Jack E Trevena, serves on the Audit Committee, but another independent non-executive director acts as chairman thereof. Given that the Company is a special purpose vehicle incorporated as an Issuer under commercial paper regulations (as regulatory defined), the afore-going is considered acceptable and reasonable.

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

### **Meetings held by the Audit Committee**

The Audit Committee performs the duties laid upon it by Section 94(7) of the Companies Act 71 of 2008 as amended by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditor. During the financial year under review, the meetings were held on 26 July 2016 and 14 February 2017.

### **Expertise and experience of finance function**

The administration of the Company's assets is performed and prepared by Investec Bank Limited (jointly hereinafter "Administrator"). The Internal Audit function does not directly report to the Audit Committee, but highlights any matters relevant to the Company's annual financial statements via the Administrator to the Audit Committee.

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

### **Independence of external auditor**

The Company's auditor is KPMG Inc.

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

The Audit Committee, after consultation with the Administrator, agreed to the terms of the external auditor's engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as timing of the audit, the extent of the work required and the scope.

# Harcourt Street 1 (RF) Ltd

## **Audit Committee Report (Continued)** *for the year ended 31 March 2017*

### **Discharge of responsibilities**

The committee is satisfied that, in respect of the financial year under review, it has discharged its duties and responsibilities in accordance with its terms of reference and in terms of the Companies Act 71 of 2008 as amended. The Board concurred with the assessment.

The committee "inter alia" performed the following activities during the year under review:

- o The contents of the Audit Committee's ToR (Terms of Reference) approval
- o Approved the external auditor's fees for the 2017 audit;
- o Other services provided by the auditor and
- o Considered the independence and objectivity of the external auditor.

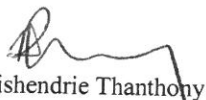
### **Annual Financial Statements**

Following the review by the committee of the annual financial statements of the Harcourt Street 1 (RF) Limited for the period ended 31 March 2017 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.

The committee recommended the Company's 2017 annual financial statements for approval by the Board on 26 July 2017.

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

On behalf of the Audit Committee:



Rishendrie Thanthony  
**Chairman: Audit Committee**  
26 July 2017



# Harcourt Street 1 (RF) Ltd

## King IV Report

for the year ended 31 March 2017

King IV Principle	Description	Applied by Company (Yes/No)	Compliance Status
<b>Ethical Culture</b>			
1	The directors should lead ethically and effectively.	yes	<p>Our values require that directors behave with integrity, accountability, displaying consistent and uncompromising moral strength in order to promote and maintain trust. The Board sets the tone from the top in the manner in which it conducts itself and oversees the structures and the framework for corporate governance.</p> <p><b>Conflicts of interest</b> are managed by the directors disclosing any potential conflicts at the opening of each Board meeting and should there be potential conflicts of interest, directors are prohibited from voting on the matter to be considered.</p> <p>Directors receive regular formal presentations on regulatory and governance matters as well as on the business and support functions.</p> <p>Following the Board and director's performance evaluation process, any training needs are communicated to the Company secretaries who ensure these needs are addressed.</p>
2	The directors should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	yes	<p>The directors ensures that:</p> <ul style="list-style-type: none"> <li>- The direction is set for ethics</li> <li>- Whistle-blowing procedures have been put in place which ensures that all employees are protected which disclose unlawful or irregular conduct by the Company, its employees or stakeholders.</li> </ul>
3	The directors should ensure that the organisation is and is seen to be a responsible corporate citizen.	yes	<p>The board provides strategic guidance to the company and ensures that all decisions consider the immediate and long-term impact these have on the environment, the communities in which the Company operates as well as internal and external stakeholders.</p> <p>For the Company, being a good corporate citizen is about building our businesses to ensure we have a positive impact on the economy and social progress of communities and on the environment, while growing and preserving clients' and stakeholders' health based on strong relationships and trust.</p>



## King IV Report (Continued)

Strategy, Performance and Reporting			
4	The directors 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.	yes	The directors charter emphasises the fact that they acknowledge that strategy, risk, performance and sustainability are inseparable. The directors and its committees monitor key performance indicators for material issues, as well as a broader range of sustainability, risk and compliance indicators.
5	The directors 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.	yes	<p>The Board ensures that there are processes in place enabling complete, timely relevant, accurate and accessible risk disclosure to stakeholders and monitors the administrator's communication with all stakeholders and disclosures made to ensure transparent and effective communication.</p> <p>The Audit Committee is tasked with the specific duty of considering whether the Integrated Annual Report taken as a whole was fair, balanced and understandable and provided the information necessary for stakeholders to assess the company's performance.</p>
Governance Functional Areas			
6	The directors should serve as the focal point and custodian of the corporate governance in the organisation.	yes	The directors operates in accordance with a detailed charter that specifically deals with the roles, responsibilities and accountabilities of the directors. It meets at least three (3) times a year. Through its meetings and interaction with management the directors ensures that applicable principles are implemented and a high level of compliance maintained.
7	The directors should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively.	yes	<p>The balance of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no one individual or group can dominate board processes or have unfettered powers of decision-making.</p> <p>The board of directors consists of four (4) directors, three (3) Non-Executive Directors and one (1) Executive Directors. All of the Non-Executive Directors are independent.</p> <p>The Chair is responsible for setting the Board agenda, ensuring that there is sufficient time available for discussion of all items, that information received is accurate, timely and clear to enable directors to perform their duties effectively.</p>

## King IV Report (Continued)

8	The directors should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	yes	<p>The directors committees assist in executing its duties, powers and authorities. The required authority is delegated by the directors to each committee to enable it to fulfil its respective functions through formally approved terms of reference.</p> <p>Delegating authority to directors committees or management, other than the specific matters for which the audit committee carries ultimate accountability in terms of the Companies Act, does not mitigate or discharge the directors and its directors of their duties and responsibilities and the directors fully acknowledges this fact.</p> <p>Formal terms of reference have been adopted by each committee and are reviewed on an annual basis. Committee chairpersons report back to the directors at each board meeting and the minutes of all committee meetings are included in board meeting pack.</p> <p>Refer to the committee reports in the 2017 Annual Financial Statements for further detail.</p>
9	The directors 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.	yes	The Board continues to be committed to regularly evaluating its own effectiveness and that of its committees. In this light, the Board undertakes an annual evaluation of its performance and that of its committees and individual directors.
10	The directors should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	yes	The Company Secretaries are professionally qualified and have experience gained over a number of years. Their services are evaluated by Board members during the annual Board evaluation process. They are responsible for the flow of information to the Board and its committees and for ensuring compliance with Board procedures.
11	The directors should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	yes	The Board ensures appropriate resources to manage risk in by having independent Risk Management, Compliance and Financial Control functions. This is supplemented by Internal Audit, who report independently to the Audit Committee Chair.
12	The directors should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	yes	<p>The directors has assumed the responsibility for IT governance but has delegated the establishment of an appropriate IT policy, framework and strategy to management.</p> <p>Multiple layers of assurance exist to oversee, independently assess and provide assurance over management activities. These include Internal Audit, External Audit and specialized consultants, all of which provide feedback to the Board.</p>

## King IV Report (Continued)

13	The board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	yes	<p>The board receives legislative and compliance updates from time to time and is responsible for ensuring that the Company complies with applicable laws, considers adhering to non-binding rules, codes and standards.</p> <p>The compliance officer monitors compliance with applicable laws and also considers non-binding codes, rules and standards, assesses the impact and recommends a suitable course of action to the board. The board take responsibility for deciding whether to follow the recommendations of the compliance officer.</p> <p>The Company received no fines or penalties for non-compliance during 2016/17 financial year.</p>
14	The board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	yes	Trustee fees are approved by the board. Full details are disclosed in the 2017 Annual Financial Statements.
15	The board 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.	yes	<p>The board, through the Audit Committee, has established a Company's-wide risk-based internal audit function whose purpose, authority and responsibilities are defined in the Director's responsibility statement.</p> <p>The Annual Financial Statements are compiled by an internal team, approved by management with oversight from the Audit Committee and finally approved by the board prior to publication and circulation.</p>
<b>Stakeholders</b>			
16	In the execution of its governance role and responsibilities, the board should adopt a stakeholder- inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	yes	The Company has identified its stakeholder groups and management from various functions are assigned to manage relationships with stakeholders. The board realises that there is a broad range of stakeholders who have a genuine stake in or are affected by the Company and its various activities.
<b>Responsibilities of Institutional Investors</b>			
17	The board of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.	yes	The board delegates to management the responsibility to implement and execute its policy on responsible investment.



**KPMG Inc**  
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Docex 472 Johannesburg  
Internet kpmg.co.za

## **Independent Auditor's Report**

### **To the Shareholders of Harcourt Street 1 (RF) Limited**

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

##### *Opinion*

We have audited the financial statements of Harcourt Street 1 (RF) Limited (the Company) set out on pages 15 to 30, which comprise the statement of financial position as at 31 March 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Harcourt Street 1 (RF) Limited as at 31 March 2017, 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 Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Key Audit Matters*

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

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Policy Board:  
Chief Executive: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Malaba,  
M Oddy, CAT Smit

Other Directors: ZA Beseti, LP Fourie, N Fubu,  
AH Jaffer (Chairman of the Board), ME Magondo,  
F Mall, GM Pickering, JN Pierce

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.





### *Other Information*

The directors are responsible for the other information. The other information comprises all the information included in the Declaration by the Company Secretary, King IV Report, Directors' report and the Audit Committee Report as required by the Companies Act of South Africa, The Company information and the Director's responsibility statement. Other information does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

**KPMG Inc.**

Per Marcelle Fouché  
Chartered Accountant (SA)  
Registered Auditor  
Director  
11 August 2017

# Harcourt Street 1 (RF) Limited

## Statement of financial position

as at 31 March 2017

Assets	Notes	2017 R	2016 R
Cash and cash equivalents	2	1 574 892	254 696
Loans and advances	3	641 760 969	85 547 676
Investment security	4	343 985 233	-
Derivative financial instrument	5	13 544 370	-
<b>Total assets</b>		<b>1 000 865 464</b>	<b>85 802 372</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Ordinary share capital	11	841 690	(105 768)
Preference share capital	11	100	100
Retained earnings/ (accumulated loss)		1	1
		841 589	(105 869)
<b>Liabilities</b>			
Commercial paper issued		1 000 023 774	85 908 140
Other liabilities	6	998 664 850	85 863 390
Taxation payable	7	1 272 882	44 750
		86 042	-
<b>Total equity and liabilities</b>		<b>1 000 865 464</b>	<b>85 802 372</b>

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# Harcourt Street 1 (RF) Limited

## Statement of Comprehensive Income for the period ended 31 March 2017

	Notes	2017 R	2016 R
Interest income	9	64 067 739	863 390
Interest expense	10	(52 972 796)	( 863 390)
<b>Net interest income</b>		<b>11 094 943</b>	<b>-</b>
Discount received on loan asset		985 870	24 286
Interest accrual on Swap		(9 167 614)	-
Other operating expenses	8	(1 638 457)	( 130 155)
<b>Profit/ (loss) before taxation</b>		<b>1 274 742</b>	<b>( 105 869)</b>
Taxation	13	(327 284)	-
<b>Profit/ (loss) for the year/ period</b>		<b>947 458</b>	<b>( 105 869)</b>
<b>Total comprehensive income/ (loss) for the year/ period</b>		<b>947 458</b>	<b>( 105 869)</b>

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## Harcourt Street 1 (RF) Limited

### Statement of Changes in Equity for the period ended 31 March 2017

	Share capital	Retained earnings/ (loss)	Total
Loss for the period and other comprehensive income	101	( 105 869)	( 105 768)
<b>Balance at 31 March 2016</b>	<u>101</u>	<u>(105 869)</u>	<u>(105 768)</u>
<b>Total comprehensive income for the year</b>			
Profit for the year and other comprehensive income	-	947 458	947 458
<b>Balance at 31 March 2017</b>	<u>101</u>	<u>841 589</u>	<u>841 690</u>

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# Harcourt Street 1 (RF) Limited

## Statement of Cash Flows

for the period ended 31 March 2017

	Notes	2017	2016
		R	R
<b>Cash flows from operating activities</b>			
Profit/(loss) before taxation		1 274 742	( 105 869)
<i>adjusted for:</i>			
Taxation paid		( 241 242)	-
Fair value movement on swap		(13 544 370)	-
<i>Changes in working capital:</i>			
Increase in other liabilities		<u>1 228 132</u>	<u>44 750</u>
<b>Net cash utilised from operating activities</b>		<u>(11 282 738)</u>	<u>( 61 119)</u>
<b>Cash flows from investing activities</b>			
Investment securities acquired		(343 985 233)	101
Loans and advances	3	<u>(556 213 293)</u>	<u>(85 547 676)</u>
<b>Net cash flows from investing activities</b>		<u>(900 198 526)</u>	<u>(85 547 575)</u>
<b>Cash flows from financing activities</b>			
Commercial paper issued		<u>912 801 460</u>	<u>85 863 390</u>
<b>Net cash flows from financing activities</b>		<u>912 801 460</u>	<u>85 863 390</u>
<b>Net increase in cash and cash equivalents for the year/ period</b>		1 320 196	254 696
<b>Cash and cash equivalents at the beginning of the year</b>		254 696	-
<b>Cash and cash equivalents at end of the year/ period</b>	2	<u><u>1 574 892</u></u>	<u><u>254 696</u></u>

# Harcourt Street 1 (RF) Limited

## Notes to the financial statements for the period ended 31 March 2017

### 1. Significant accounting policies

#### 1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act 71 of 2008, as amended, and incorporate the following principle accounting policies set out below:

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

#### 1.2 Use of estimates and judgement

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Key areas in which judgement is applied include:

The determination of impairments against assets that are carried at amortised cost involves the assessment of future cash flows which is judgmental in nature.

#### 1.3 Financial instruments

##### 1.3.1 Recognition

Financial assets and financial liabilities are recognised on the statement of financial position when the company becomes a party to the contractual provisions of the instrument.

##### 1.3.2 Measurement

Financial instruments are initially measured at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Subsequent to, initial recognition, these instruments are measured as set out below:

###### *Commercial paper issued*

The assets of the respective series are carried at fair value through profit or loss. To eliminate the mismatch between assets and liabilities, commercial paper issued for the series are designated as held at fair value through profit or loss.

###### *Derivative instruments*

Derivative instruments are recognised on the statement of financial position at fair value. Positive and negative fair values are reported as assets and liabilities and are offset when there is both an intention to settle net and a legal right to offset.

Derivative positions are entered into either for trading purposes or as part of the Company's asset and liability management activities to manage exposures to interest rate risk. Both realised and unrealised profits and losses arising on derivatives are recognised in profit or loss.

###### *Loans and advances*

Loans and advances are initially measured at fair value plus incremental direct transaction costs.

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

###### *Subsequent measurement*

Subsequent to initial measurement, financial instruments are measured at either fair value or amortised cost, depending on their classification.

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# Harcourt Street 1 (RF) Limited

## Notes to the financial statements for the period ended 31 March 2017 (continued)

### 1.3 Financial instruments (continued)

#### 1.3.3 Fair value measurement

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

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

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

#### 1.3.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### 1.3.5 Investment securities

Investment securities are carried at fair value through profit or loss. Investments are listed on the JSE and thus fair value is determined with reference to the closing price at year-end.

#### 1.3.6 Identification and measurement of impairment

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic issuers in the group, or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment for loans and receivables at both a specific and a collective level. Loans and receivables are first assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

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

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

### 1.4 Revenue recognition

Revenue is measured at the fair value of the consideration received and represents amounts receivable for interest income and fees earned.

#### Interest income

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

# Harcourt Street 1 (RF) Limited

## Notes to the financial statements

for the period ended 31 March 2017 (continued)

### 1.5 Taxation

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

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

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

### 1.6 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes all cash in current accounts and deposits held on call. Cash and cash equivalents are carried at amortised cost in the statement of financial position, which approximates fair value.

### 1.7 Contingencies and commitments

Transactions are classified as contingencies where the company's obligations depend on uncertain future events, the amounts of which cannot be reasonably estimated. Items are classified as commitments where the company either commits itself to future transactions or the item will result in the acquisition of assets.

### 1.8 Hedge accounting

The company applies cash flow hedge accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the company ensures that all of the following conditions are met:

- At inception of the hedge, the company formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also, at the inception of the hedged relationship, a formal assessment is undertaken to ensure hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in cash flows attributable to the hedged risk during the hedge is expected to be highly effective if the changes in cash flows attributable to the hedged risk during the year for which the hedge is designated are expected to offset in a range of 80% to 125%.
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
- The effectiveness of the hedge can be reliably measured, i.e the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting year for which the hedge was designated.

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

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

### 1.9 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans and advances comprise corporate loans and include accrued interest receivable.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

## Harcourt Street 1 (RF) Limited

### Notes to the financial statements for the period ended 31 March 2017 (continued)

	2017 R	2016 R
<b>2. Cash and cash equivalents</b>		
Series 1 - Current account at Investec Bank Limited	510 442	254 595
Series 2 - Current account at Investec Bank Limited	452 486	-
Series 3 - Current account at Investec Bank Limited	372 669	-
Series 4 - Current account at Investec Bank Limited	239 194	-
Petty cash	101	101
	<b>1 574 892</b>	<b>254 696</b>
<b>3. Loans and advances</b>		
Loans and advances comprise corporate loans originated by various lenders and purchased by Harcourt Street 1 (RF) Limited.		
<u>Series 1 - Mercantile Series</u>		
Loans originated	267 000 000	85 000 000
Accrued interest	24 862 310	863 390
Discount on loan asset	(125 039)	(315 714)
	<b>291 737 271</b>	<b>85 547 676</b>
<u>Series 3 - KAP Series Transaction 1</u>		
Loans originated	220 000 000	-
Accrued interest	266 533	-
Loans and advances repaid	(20 952 380)	-
	<b>199 314 153</b>	<b>-</b>
<u>Series 4 - KAP Series Transaction 2</u>		
Loans originated	150 000 000	-
Accrued interest	709 545	-
	<b>150 709 545</b>	<b>-</b>
<b>Total Loans and advances</b>		
Loans originated	637 000 000	85 000 000
Accrued interest	25 838 388	863 390
Loans and advances repaid	(20 952 380)	-
Discount on loan asset	(125 039)	(315 714)
	<b>641 760 969</b>	<b>85 547 676</b>
<b>4. Investment Securities</b>		
This security comprises a Telkom "TL20" fixed rate bond purchased by Harcourt Street 1 (RF) Limited, Series 2. This bond has a face value of R376m, was purchased at a discount and is a listed instrument on the JSE.		
Telkom "TL20" bond purchased	350 000 000	-
Accrued interest	2 286 904	-
Discount amortised	3 726 316	-
Fair value adjustment	(12 027 987)	-
	<b>343 985 233</b>	<b>-</b>
<b>5. Derivative financial instruments</b>		
<i>Interest rate swap asset</i>		
Fair value - Series 2	12 027 987	-
Accrual on Swap	1 516 383	-
	<b>13 544 370</b>	<b>-</b>

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# Harcourt Street 1 (RF) Limited

## Notes to the financial statements

for the period ended 31 March 2017 (continued)

	2017 R	2016 R
<b>6. Commercial paper issued</b>		
Commercial paper issued are listed instruments on the JSE and are not rated.		
<u>Series 1 - Mercantile Series</u>		
Commercial paper issued	267 000 000	(85 000 000)
Accrued interest	24 792 115	(863 390)
Commercial paper outstanding	<u>291 792 115</u>	<u>(85 863 390)</u>
<u>Series 2 - Telkom Series</u>		
Commercial paper issued	350 000 000	-
Accrued interest	7 097 616	-
	<u>357 097 616</u>	<u>-</u>
<u>Series 3 - KAP Series Transaction 1</u>		
Commercial paper issued	220 000 000	-
Accrued interest	149 417	-
Partial redemption of notes	(20 952 380)	-
	<u>199 197 037</u>	<u>-</u>
<u>Series 4 - KAP Series Transaction 2</u>		
Commercial paper issued	150 000 000	-
Accrued interest	578 082	-
	<u>150 578 082</u>	<u>-</u>
<u>Total commercial paper issued</u>		
Commercial paper issued	987 000 000	85 000 000
Accrued interest	32 617 230	863 390
Partial redemption of notes	(20 952 380)	-
Total commercial paper outstanding	<u>998 664 850</u>	<u>85 863 390</u>
<b>7. Other liabilities</b>		
Audit fee accrual	127 281	
Accounts payable	349 865	(44 750)
Committed facility accrual	795 736	-
	<u>1 272 882</u>	<u>(44 750)</u>
<b>8. Other operating expenses</b>		
Other operating expenses include the following:		
Administrator fee	(83 600)	(4 750)
Auditor's remuneration	(206 753)	(89 818)
Agency fee	(74 100)	-
Committed facility fee	(795 736)	-
Regulatory costs	(174 099)	-
Trustee fee	(211 305)	-
Sundry expenses	(92 864)	(35 587)
	<u>(1 638 457)</u>	<u>(130 155)</u>
<b>9. Interest income</b>		
Loan and advances - Series 1	23 968 422	863 390
Investment security - Series 2	28 580 462	-
Loan and advances - Series 3	6 937 572	-
Loan and advances - Series 4	4 581 283	-
	<u>64 067 739</u>	<u>863 390</u>

# Harcourt Street 1 (RF) Limited

## Notes to the financial statements

for the period ended 31 March 2017 (continued)

	2017 R	2016 R
<b>10. Interest expense</b>		
Commercial paper issued		
- Series 1	(23 928 725)	(863 390)
- Series 2	(18 506 058)	-
- Series 3	(6 385 648)	-
- Series 4	(4 152 365)	-
	<u>(52 972 796)</u>	<u>(863 390)</u>
<b>11. Share capital</b>		
Ordinary share capital		
Authorised		
1 000 ordinary shares	<u>1 000</u>	<u>1 000</u>
Issued		
100 ordinary shares at no par value	<u>100</u>	<u>100</u>
The consideration received for these shares was R100		
The unissued shares are under the control of the directors until the next annual general meeting.		
Preference share capital		
Authorised		
100 cumulative redeemable preference shares		
Issued		
1 Preference share at no par value	<u>1</u>	<u>1</u>
The consideration received for these shares was R1		
The unissued shares are under the control of the directors until the next annual general meeting.		
<b>12. Related parties</b>		
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Should the company in the ordinary course of business enter into various transactions with related parties, these transactions would occur under terms and conditions that are no more favourable than those entered into with third parties.		
The company has a related party relationship with its directors and holding company, The Harcourt Street Issuer Owner Trust.		
No related party transactions occurred during the current financial period.		
<b>13. Taxation</b>		
South African normal tax		
-current (28%)	327 284	-
-deferred tax	-	-
Net taxation charge	<u>327 284</u>	<u>-</u>

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# Harcourt Street 1 (RF) Limited

## Notes to the financial statements

for the period ended 31 March 2017 (continued)

### 14. Administration fees - Investec Bank Limited

Investec Bank Limited has been appointed under the terms of an administration agreement as administrator to Harcourt Street 1 (RF) Limited.

Investec Bank Limited charges fees for its administrative services under the administration agreement to the extent permitted by and in accordance with the Priority of Payments. The administration fee is charged per Series (exclusive of VAT) per annum.

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

### 15. Contingencies and commitments

Harcourt Street 1 (RF) Limited has indemnified Harcourt Street Security SPV 1 (RF) Proprietary Limited (Security SPV 1), Harcourt Street Security SPV 2 Trust (Security SPV 2), Harcourt Street Security SPV 3 Trust (Security SPV 3) and Harcourt Street Security SPV 4 Trust (Security SPV 4) in respect of any claims made against the Security SPVs arising out of a guarantee provided by the Security SPVs to the secured creditors of Harcourt Street 1 (RF) Limited.

#### *Cession and pledge*

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

### 16. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company, in the ordinary course of business, enters into various transactions with related parties. These transactions occur under terms and conditions that are no more favourable than those entered into with third parties.

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

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

	2017 R	2016 R
TMF Corporate Services (South Africa) Proprietary Limited (including directors fees)	157 700	17 100
Quadridge Trust Services Proprietary Limited (including directors fees)	53 605	6 750

#### *Harcourt Street 1 Owner Trust*

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

#### *Harcourt Street Security SPV Owner Trust*

Harcourt Street Security SPV Owner Trust is the sole beneficial shareholder of all the ordinary shares of Harcourt Street Security SPV 1 (RF) (Pty)Ltd.

# Harcourt Street 1 (RF) Limited

## Notes to the financial statements for the period ended 31 March 2017 (continued)

### 17. Risk management

In common with all other businesses, the Company is exposed to financial risks. These risks are managed as part of the normal operations of the Company and the Board of Directors oversees the effectiveness of the risk management processes carried out.

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

The more important financial risks to which the Company is exposed are described below:

#### Liquidity risk

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

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

#### Maturities of financial liabilities

2017	Current	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
	R	R	R	R	R	R
Commercial paper and notes	1 272 882	-	291 792 115	706 872 735	-	998 664 850
Trade and other payables	1 272 882	-	291 792 115	706 872 735	-	1 272 882
						999 937 732

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# Harcourt Street 1 (RF) Limited

## Notes to the financial statements

for the period ended 31 March 2017 (continued)

### 17. Risk management (continued) Maturities of financial liabilities (continued)

2016	Current		Between 1 and 3 months		Between 3 months and 1 year		Between 1 and 5 years		More than 5 years		Total	
	R	R	R	R	R	R	R	R	R	R	R	R
Commercial paper and notes	-	-	-	-	-	-	85 863 390	-	-	-	85 863 390	-
Trade and other payables	-	44 750	44 750	-	-	-	-	-	-	-	44 750	-
	-	44 750	44 750	-	-	-	85 863 390	-	-	-	85 908 140	-

The maturity analysis for financial liabilities represents the basis for effective management of exposure to structural liquidity risk. The table above shows the undiscounted cash flows (including interest) for all financial liabilities on a contractual basis on the earliest date on which the Company can be required to pay.

Cash flows are monitored on a monthly basis through the Priority of Payments to ensure that cash resources are adequate to meet the necessary requirements.

#### Interest rate risk

Interest rate risk arises when potential changes in relevant interest paid to investors and the rates earned on loans to borrowers and investments, occur at different times, at different rates and with varying degrees of uncertainty. Due to the Company's Series 2 assets being linked to a fixed rate, and the notes linked to the 3 Month JIBAR rate, the Company is exposed to interest rate risk. This exposure is mitigated through the interest rate swap entered into with Investec Bank Limited, as derivative counterparty.

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

#### Operational risk

Operational risk is the risk of direct or indirect losses arising from inadequate or failed internal processes, personnel, technology and other external causes.

Prime responsibility for managing this risk is outsourced in terms of the Administration Agreement to Investec Bank Limited. The Directors of the Company and the trustees are responsible for monitoring the performance of Investec Bank Limited in this regard.

#### Credit risk

Credit risk represents the financial risk to the Company as a result of a default by the counterparty, that is, failure of counterparty to comply with its obligations to service the outstanding debt. Credit risk is assessed by the administrator and directors, which establishes and ensures sound credit risk management policies and processes are in place.

# Harcourt Street 1 (RF) Limited

## Notes to the financial statements for the period ended 31 March 2017 (continued)

### 18. Financial assets and liabilities

Analysis of assets and liabilities by measurement basis

2017	Loans and receivables	Available-for-sale	Held-to-maturity	Trading	Designated at fair value	Liabilities at amortised cost	Non-financial instrument/financial instrument excluded from IAS39	Total
<i>Assets</i>								
Cash and cash equivalents*	1 574 892	-	-	-	-	-	-	1 574 892
Derivative financial instruments*	-	-	-	13 544 370	-	-	-	13 544 370
Loans and advances*	641 760 969	-	-	-	-	-	-	641 760 969
Investment security	-	-	-	-	343 985 233	-	-	343 985 233
	<b>643 335 861</b>	<b>-</b>	<b>-</b>	<b>13 544 370</b>	<b>343 985 233</b>	<b>-</b>	<b>-</b>	<b>1 000 865 464</b>
<i>Liabilities</i>								
Commercial paper and notes*	-	-	-	-	-	998 664 850	-	998 664 850
Taxation payable*	-	-	-	-	-	-	86 042	86 042
Trade and other payables*	-	-	-	-	-	1 272 882	-	1 272 882
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>999 937 732</b>	<b>86 042</b>	<b>1 000 023 774</b>

\* For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption also applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

# Harcourt Street 1 (RF) Limited

## Notes to the financial statements for the period ended 31 March 2017 (continued)

### 18. Financial assets and liabilities (continued)

Analysis of assets and liabilities by measurement basis (continued)

2016	Loans and receivables	Available-for-sale	Held-to-maturity	Trading	Designated at fair value	Liabilities at amortised cost	Non-financial instruments/financial instrument excluded from IAS39	Total
<i>Assets</i>								
Cash and cash equivalents*	254 696	-	-	-	-	-	-	254 696
Loans and advances*	85 547 676	-	-	-	-	-	-	85 547 676
	<b>85 802 372</b>	-	-	-	-	-	-	<b>85 802 372</b>
<i>Liabilities</i>								
Commercial paper and notes*	-	-	-	-	-	85 863 390	-	85 863 390
Trade and other payables*	-	-	-	-	-	44 750	-	44 750
	-	-	-	-	-	<b>85 908 140</b>	-	<b>85 908 140</b>

\* For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption also applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

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# Harcourt Street 1 (RF) Limited

## Notes to the financial statements

for the period ended 31 March 2017 (continued)

### 19. New standards and interpretations not yet effective and relevant to the Company

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. These will be adopted in the period that they become mandatory unless otherwise indicated:

IFRS 9	Financial Instruments	Annual periods beginning 1 January 2018*
IFRS 15	Revenue from Contracts with	Annual periods beginning 1 January 2018*

\* - The Company has chosen not to early adopt any of the applicable Standards and Interpretations and, as such, all applicable standards and interpretations will be adopted at their effective dates. The Company has not yet determined the impact of these standards on future disclosures.

#### IFRS 9 - Financial Instruments

IFRS 9 addresses the following and will replace the relevant sections of IAS 39:

- The classification and measurement of financial assets;
- The classification and measurement of financial liabilities; and
- The derecognition of financial assets and liabilities.

Under IFRS 9 there are two options in respect of the classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

IFRS 9 has retained in general the requirements of IAS 39 for financial liabilities, except for the following two aspects:

- Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income. The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which will likely increase the portfolio impairment allowance.

The Company has completed the work on classification and measurement (C&M), this includes a process description and an analysis of C&M per type of transaction. The Company will release an IFRS 9 balance sheet as at 31 March 2018 and expect audit sign off on this balance sheet.

#### IFRS 15 - Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

This standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised.

#### New standards and interpretations effective and relevant to the Company

IAS 1 Disclosure initiatives. The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

### 20. Events subsequent to period end

Series 1: Following noteholder approval, on 21 April 2017, the maturity date of the loan asset and commercial paper notes in issue were changed from 30 April 2017 to 31 October 2017.

Series 3: A prepayment notice was received from the borrower of the underlying term loan, noteholder approvals were obtained to give effect accordingly, and on 27 June 2017 the loan asset was fully paid up and on 28 June 2017 the commercial paper note HC3T1 paid up and fully redeemed.