Kagiso Sizanani Capital Limited (RF)
(Registration number 2003/028948/07)

Financial Statements
for the year ended 30 June 2016

CONTENTS

The reports and statements set out below comprise the financial statements presented to the shareholder:

These financial statements for the year ended 30 June 2016 were internally prepared under the supervision of the Chief Financial Officer.

These financial statements have been audited in compliance with the applicable requirements of the Companies Act No. 71 of 2008.

CORPORATE INFORMATION

Country of incorporation and domicile

South Africa

Company registration number

2003/028948/07

Non-executive directors

FF Gillion
V Nkonyeni
JB Hinson

Company secretary

MM Manjingolo

Business address

Kagiso Tiso House
100 West Street
Wierda Valley
Sandton
2196

Level of assurance

These applicable statements have been audited in compliance with the applicable requirements of the Companies Act No. 71 of 2008.

Nature of business and principal activities

Financing activities

Auditors

PricewaterhouseCoopers Incorporated
Chartered Accountants (S.A.)
Registered Auditors

Holding Company

Kagiso Tiso Holdings Proprietary Limited
incorporated in South Africa

Postal address

P.O. Box 55276
Northlands
Johannesburg
2116

Preparer

The financial statements were internally compiled by:
Given Sibiya
Financial Manager

Published

4 November 2016

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the maintenance of adequate accounting records and the preparation of the financial statements.

The financial statements are prepared, in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act No. 71 of 2008, on the going concern basis and incorporate full and responsible disclosure. The financial statements are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates. The financial statements have been prepared under the supervision of the Chief Financial Officer.

The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the period then ended and the financial position of the company at the reporting date.

The directors are also responsible for the company's system of internal financial controls. The system was developed to provide reasonable, but not absolute assurance regarding the reliability of the financial statements, the safeguarding of assets, and to prevent and detect misrepresentation and losses.

To the best of their knowledge, the board of directors confirm that they have every reason to believe that the company has adequate resources in place to continue as a going concern in the future. The financial statements have accordingly been prepared on this basis.

The financial statements were audited by the company's independent auditor, PricewaterhouseCoopers Incorporated, to whom unrestricted access was given to all financial records and related information. The auditor's report is presented on page 7.

The financial statements set out on pages 5 - 24 were approved by the board of directors and were signed on its behalf by:

Director - FF Gillion

Director – V Nkonyeni

4 November 2016

Date

CERTIFICATE BY THE COMPANY SECRETARY

In terms of section 88(e) of the Companies Act No.71 of 2008, as amended (Companies Act), I, Mlawuli Manjingolo, in my capacity as company secretary, confirm that, to the best of my knowledge and belief, for the year ended 30 June 2016, that the company has filed with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

MM Manjingolo
Company secretary

4 November 2016

Date

DIRECTORS' REPORT

The directors have pleasure in presenting their report of the company for the year ended 30 June 2016.

1. **Nature of the business**
The principal activity of the company is that of providing funding to Kagiso Tiso Holdings Proprietary Limited under the Domestic Note and Redeemable Preference Share Programme.

2. **Share Capital**
Ordinary shares
Authorised share capital
Kagiso Sizanani Capital Limited (RF) is authorised to issue 1 000 ordinary shares of R 1.00 par value and 1 000 000 redeemable preference shares of R 0.01 each.

Issued share capital
1(One) ordinary par value share of R 1 (One rand) was issued with a premium of R 4 999 999 (2015: Nil). The company has 402 ordinary shares in issue at a total issue consideration of R 33 085 per share (2015: 401 ordinary shares issued at R 20,699 per share).

3. **Dividends**
No dividends were declared and paid to the shareholder by the board of directors of the company (2015: Nil).

4. **Shareholder**
The entire issued ordinary share capital is held by Kagiso Tiso Holdings Proprietary Limited incorporated in South Africa.

5. **Directors**
The names of the directors in office at the date of this report appear on the corporate information page.

Directors' interests
No director has any interest in any of the contracts entered into with the company or its group companies.

Directors' remuneration
Refer to Annexure A.

6. **Special resolutions**
All special resolutions taken during the financial period are available for inspection at the company's registered office.

7. **Company secretary**
The company secretary is M Manjingolo and the details of the registered office and postal address appear on the corporate information page.

8. **Auditors**
PricewaterhouseCoopers Incorporated will continue in office in accordance with section 90(6) of the Companies Act No. 71 of 2008.

9. **Going concern**
The financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates. The directors assess the company's future financial performance and financial position on an on-going basis and have no reason to believe that the company will not be a going concern in the year ahead.

10. **Material events after reporting date**
The directors are not aware of any material events subsequent to reporting date.

DIRECTORS' REPORT

11. Audit committee

Kagiso Sizanani Capital Limited (RF) does not have its own audit committee. The functions duly performed by an audit committee are performed by the audit and risk committee of Kagiso Tiso Holdings Proprietary Limited (holding company).

12. Compliance with the King III Report on corporate governance for South Africa 2009

The company does not comply with King III except for section 2.9 of the King III Report on Corporate Governance for South Africa 2009 ("King III code") (laws, rules, codes and standards in terms of governance principle 2.9 of the King III code). The company is a wholly-owned subsidiary of Kagiso Tiso Holdings Limited ("KTH"), which is responsible for compliance with the remaining principles of the King III code, to the extent that the board of KTH has deemed such principles as appropriate.

The financial statements of the company are available for inspection at the offices of the company and on KTH's website www.kth.co.za.

13. New bond issue

On the 05th August 2015, a new bond was issued and listed on the JSE with a Stock Code KSB 009. The note was issued for a nominal value of R 800 million and it is a floating rate note. The note bears a coupon which is payable and repriced quarterly at a fixed margin of 3.85% above the 3-month JIBAR rate. The maturity date of the note is the 05th of August 2020.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF KAGISO SIZANANI CAPITAL LIMITED (RF)

We have audited the financial statements of Kagiso Sizanani Capital Limited (RF) set out on pages 8 to 24, which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income and statement of changes in equity and the cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kagiso Sizanani Capital Limited (RF) as at 30 June 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2016, we have read the Directors' Report, and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Peta-Lynn Pope
Registered Auditor
Johannesburg
Date: 4 November 2016

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T: +27 (11) 797 4000, F: +27 (11) 209 5800, www.pwc.co.za

Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Firm's principal place of business is at 2 Eglin Road, Sunninghill where a list of the partners' names is available for inspection.
VAT reg.no. 4070182128

STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	2016 R	2015 R
ASSETS			
Non-current assets			
Amounts due from group company	6	1 649 900 000	849 900 000
Total non-current assets		**1 649 900 000**	849 900 000
Current assets			
Amounts due from group company	6	32 718 537	16 546 598
Cash and cash equivalents	7	3 272 267	3 947 363
Total current assets		**35 990 804**	20 493 961
Total Assets		**1 685 890 804**	870 393 961
EQUITY AND LIABILITIES			
Equity			
Share capital	8	13 300 300	8 300 300
Accumulated loss		(10 242 033)	(4 543 180)
Total equity		**3 058 267**	3 757 120
Liabilities			
Non-current liabilities			
Borrowings	9	1 650 000 000	850 000 000
Total non-current liabilities		**1 650 000 000**	850 000 000
Current liabilities			
Other payables	10	114 000	90 242
Borrowings	9	32 718 537	16 546 598
Total current liabilities		**32 832 537**	16 636 841
TOTAL EQUITY AND LIABILITIES		**1 685 890 804**	870 393 961

The accounting policies and notes on pages 12 to 24 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2016 R	2015 R
Other operating expenses	11	(5 698 854)	(854 753)
Finance income	12	159 802 288	78 277 215
Finance costs	13	(159 802 288)	(78 277 215)
Loss before taxation		**(5 698 854)**	(854 752)
Income tax expense	14	-	-
Loss for the year		**(5 698 854)**	(854 752)
Other comprehensive income		-	-
Total comprehensive loss for the year		**(5 698 854)**	(854 752)

The accounting policies and notes on pages 12 to 24 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Share premium	Accumulated loss	Total equity
	R	R	R	R
Balance as at 1 July 2014	401	8 299 899	(3 688 428)	**4 611 872**
Total comprehensive loss	-	-	(854 752)	**(854 752)**
(Loss) for the year	-	-	(854 752)	**(854 752)**
Other comprehensive income	-	-	-	-
Balance as at 1 July 2015	401	8 299 899	(4 543 180)	**3 757 120**
Issue of share	1	4 999 999	-	**5 000 000**
Total comprehensive loss	-	-	(5 698 854)	**(5 698 854)**
(Loss) for the year	-	-	(5 698 854)	**(5 698 854)**
Other comprehensive income	-	-	-	-
Balance as at 30 June 2016	**402**	**13 299 898**	**(10 242 033)**	**3 058 267**
Note	8			

The accounting policies and notes on pages 12 to 24 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Note	2016 R	2015 R
Cash flows utilised in operating activities			
Cash paid to suppliers		(5 668 256)	(496 523)
Cash used in operations		(5 668 256)	(496 523)
Finance income		143 630 348	77 806 474
Finance costs paid		(143 630 348)	(77 806 474)
Net cash used in operating activities		**(5 668 256)**	(496 523)
Cash flows generated from/(utilised in) financing activities			
Proceeds on issue of ordinary share		5 000 000	-
Movement in group company loans advanced		(800 006 840)	(6 722 931)
Proceeds from borrowings		800 000 000	-
Net cash generated from(used in) financing activities		**4 993 160**	(6 722 931)
Net movement in cash and cash equivalents		(675 096)	(7 219 454)
Cash and cash equivalents at the beginning of year		3 947 363	11 166 816
Cash and cash equivalents at the end of the year	7	**3 272 267**	3 947 363

The accounting policies and notes on pages 12 to 24 are an integral part of these financial statements.

ACCOUNTING POLICIES

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies are consistent with those reported in the previous year.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act No. 71 of 2008.

These financial statements have been prepared under the historical cost convention.

The preparation of these financial statements in conformity with IFRS necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and statement of comprehensive income. Although estimates are based on management's best knowledge and judgements of current facts as at reporting date, the actual outcome may differ from those estimates. Where appropriate, details of estimates are presented in the accompanying notes to the financial statements.

The financial statements are presented in South African Rands.

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

1.2 Financial instruments

Financial instruments disclosed in the financial statements include cash and cash equivalents, amounts due to and from group companies and borrowings. Financial assets are initially recognised at fair value plus directly attributable transaction costs on transaction date. Financial instruments are initially recognised at fair value, including transaction costs, when the company becomes party to the contractual terms of the instruments. All purchases and sales of financial instruments are recognised at the trade date. The transaction costs relating to the acquisition of financial instruments held at fair value through profit or loss are expensed. Subsequent to initial recognition, these instruments are measured as follows:

1.2.1 Financial assets – classification

The company classifies its financial assets in the following category: loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. These instruments are carried at amortised cost using the effective interest rate method.

1.2.2 Financial liabilities

Other payables and borrowings

Other payables and borrowings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Debt securities

Debt securities which carry a mandatory coupon, or are redeemable at specific dates at the option of the holder are recognised initially at fair value, net of transaction costs incurred. Debt securities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Interest paid on these debt securities is charged to profit or loss at the effective interest rate method.

The company's debt issued debt securities are classified as liabilities due to their mandatory interest and redemption.

Refer to note 9 for settlement terms on debt securities.

1.2.3 Derecognition of financial instruments

Financial assets (or portions thereof) are derecognised when the company realises the rights to the benefits specified in the contract, the rights expire or the company surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable, as well as any prior adjustments to reflect fair value that had been recognised in other comprehensive income, is included in the statement of comprehensive income.

Financial liabilities (or portions thereof) are derecognised when the company's obligation specified in the contract is discharged or cancelled or has expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it, is included in the statement of comprehensive income.

ACCOUNTING POLICIES

1.2 Financial instruments (continued)

1.2.4 Loans to and from group companies

These include loans to and from the holding company and are recognised initially at fair value plus direct transaction costs. Loans to group companies are classified as loans and receivables and carried at amortised cost.

1.2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.2.6 Offsetting of financial instruments

Where a current legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

The legally enforceable right should not be contingent on future events and must be enforceable in the ordinary course of business and in the event of default, insolvency or bankruptcy.

1.3 Current income tax and deferred tax

The tax expense on the profit or loss for the prior financial year comprises current tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Tax expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are varying transactions and calculations for which the ultimate tax determination is uncertain during ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The entity recognises the net future tax benefits related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income.

1.4 Share capital

Ordinary shares of the company are classified as equity. Costs directly attributable to the issue of new shares are accounted for in equity as a deduction from the proceeds.

1.5 Finance income

Finance income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the company. Interest income on loans is recognised using the original effective interest rate. Dividends are recognised when the right to receive payment is established.

1.6 Finance costs

Finance costs are recognised as an expense in the period in which they are incurred.

1.7 Current/Non-current distinction

Items are classified as current when it is expected to be realised, traded, consumed or settled within twelve months after the reporting date, or the company does not have an unconditional right to defer settlement for at least twelve months after the reporting date.

ACCOUNTING POLICIES

1.8 Impairment of assets

Financial instruments carried at amortised cost

A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in the statement of comprehensive income.

2. New and amended accounting standards and interpretations

The following are the International Financial Reporting Standards and amendments issued but not effective and not relevant for the 30 June 2016 year-end.
The impacts of these amendments have not yet been assessed:

IFRS	Effective date	Executive summary
Amendments to IAS 1,'Presentation of financial statements' disclosure initiative	01 January 2016	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
IFRS 9 – Financial Instruments (2009 &2010) · Financial liabilities · Derecognition of financial instruments · Financial assets · General hedge accounting	01 January 2018	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.
Amendment to IFRS 9 - 'Financial instruments', on general hedge accounting	01 January 2018	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following: · The own credit risk requirements for financial liabilities. · Classification and measurement (C&M) requirements for financial assets. · C&M requirements for financial assets and financial liabilities. · The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.
Amendment to IAS 7 – Cash flow statements	1 January 2017	In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

ACCOUNTING POLICIES

2. New and amended accounting standards and interpretations (continued)

The following amendments are effective for annual periods beginning on or after 01 January 2016.

IFRS 7 – 'Financial Instruments: Disclosures'	01 January 2016	Servicing contracts - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.
IFRS 7 – 'Financial Instruments: Disclosures'	01 January 2016	Applicability of the offsetting disclosures to condensed interim financial statements. The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose '[...] an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report.

3 Financial risk management

Various financial risks have an impact on the company's results: market risk (including interest rate risk), credit risk and liquidity risk. The company's risk management programmes, of which key aspects are explained below, acknowledge the unpredictability of financial markets and are aimed to minimise any negative effect thereof.

3.1 Capital management

The company manages its shareholders' equity, i.e. its share capital as capital. The company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns to the shareholder in the form of dividends and capital appreciation.

Kagiso Sizanani Capital Limited (RF) is a funding vehicle which on lends funds through the bond programme to Kagiso Tiso Holdings Proprietary Limited. Capital management and the gearing ratio of the company is not managed at the individual special purpose vehicle level but by Kagiso Tiso Holdings Proprietary Limited.

3.2 Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rate.

Interest rate risk arises from the re-pricing of floating rate debt securities as well as incremental funding/new borrowings and the roll-over of maturing debt securities/refinancing of existing borrowings. All material borrowings are at floating rates.

The company's borrowings are secured by a back to back funding agreement with its shareholder. Any interest rate risk associated with the funding is passed on to Kagiso Tiso Holdings Proprietary Limited.

The company's sensitivity to interest rate

The company uses a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in the JIBAR interest rates, from the rate applicable at 30 June, for each class of financial instrument with all other variables remaining constant.

Changes in JIBAR interest rates affect the interest income or expense of floating rate financial instruments. Changes in JIBAR interest rates only affect profit or loss in relation to financial instruments with fixed interest rates if these financial instruments are recognised at their fair value.

A change in the above JIBAR interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

	Change	2016 R	2015 R
Jibar interest rate	1.00%	15 869 356	8 112 262
		15 869 356	8 112 262

3.3 Credit risk

The company's exposure to credit risk is the fair value of loans, other receivables and cash and cash equivalents. Credit risk associated with the funding in terms of the Domestic Note and Redeemable Preference Share Programme is concentrated to the company's shareholder due to a back to back funding arrangement.

Loans to holding company

Loans provided to the holding company are in terms of financing obtained under the Domestic Note and Redeemable Preference Share Programme listed on the Johannesburg Stock Exchange. Kagiso Tiso Holdings Proprietary Limited, the holding company, has a Baa2 rating for domestic long term credit rating and P-2 for domestic short term credit rating as assigned on the 11th of March 2016 by Moody's Investors Service.

Cash and cash equivalents

Cash and cash equivalents are only held by approved institutions with an acceptable credit-worthiness. The group treasury policy sets the limit for each financial institution.

The company's cash and cash equivalents are invested with Standard Bank which has a BBB credit rating.

3.4 Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Liquidity risk arises from existing commitments associated with financial instruments and the management of funds in order to meet these commitments. The company manages liquidity risk by maintaining counterparty relations on a professional and sound basis and only issues specifically defined instruments within set limits and policy guidelines being set by the company's holding company.

The table below analyses the company's financial liabilities and assets and net-settled financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. All balances reprice within 12 months and as a result their carrying balances are not significantly affected by discounting. In calculating the undiscounted cash flows, the company has applied no change to the JIBAR rate.

	Total	Less than 1 year	Between 1 and 2 years	Between 2-5 years
		R	R	R
30 June 2016				
Financial liabilities				
Borrowings	2 141 129 719	149 491 445	990 266 219	1 001 372 055
Accrued interest	32 718 537	32 718 537	-	-
Other payables	114 000	114 000	-	-
	2 173 962 256	**182 323 982**	**990 266 219**	**1 001 372 055**

	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
		R	R	R
30 June 2015				
Financial liabilities				
Borrowings	1 007 180 021	-	1 007 180 021	-
Accrued interest	16 546 598	16 546 598	-	-
Other payables	90 242	90 242	-	-
	866 636 840	16 636 840	1 007 180 021	-

Kagiso Sizanani Capital Proprietary Limited (RF) ("KSC"), has a domestic note and redeemable preference share programme for a total programme value of R2 billion. The bonds issued carries mandatory coupon rates, and are redeemable at specific dates in the future. Once KSC obtains the funds on the issued instruments from the market, it then lends it on the back –to-back arrangement with KTH. In terms of the back-to-back arrangement KTH is required to repay the funds on the same terms as the issued instruments. This includes interest and capital repayments that are due currently and in the future.

KTH did not default on any of the obligations under the domestic note and redeemable preference share programme for the period under review. The risk of cash shortfall in 2-5 years is therefore covered by KTH.

4 Financial instruments by category

Financial instruments on the statement of financial position include cash, other payables, amounts due to/(from) group companies and borrowings. Details of the nature, extent and terms of these instruments are explained in the notes to the relevant items. The carrying amount of all financial instruments listed approximates its fair value.

The accounting policy for financial instruments was applied to the following statement of financial position line items:

	Loans and receivables	Carrying value
	R	R
Financial assets		
30 June 2016		
Amounts due from group company	1 682 618 537	1 682 618 537
Cash and cash equivalents	3 272 267	3 272 267
	1 685 890 804	**1 685 890 804**

	Loans and receivables	Carrying value
	R	R
Financial assets		
30 June 2015		
Amounts due from group company	866 446 598	866 446 598
Cash and cash equivalents	3 947 363	3 947 363
	870 393 961	870 393 961

	Liabilities at amortised cost	Carrying value
	R	R
Financial liabilities		
30 June 2016		
Borrowings	1 650 000 000	1 650 000 000
Accrued interest	32 718 537	32 718 537
Other payables	114 000	114 000
	1 682 832 537	**1 682 832 537**

	Liabilities at amortised cost	Carrying value
	R	R
Financial liabilities		
30 June 2016		
Borrowings	850 000 000	850 000 000
Accrued interest	16 546 598	16 546 598
Other payables	90 242	90 242
	866 636 841	866 636 841

5 Critical accounting estimations and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and statement of comprehensive income. Although estimates are based on management's best knowledge and judgements of current facts as at reporting date, the actual outcome may differ from those estimates. There are no critical accounting estimates and judgements in the current and prior years.

NOTES TO THE FINANCIAL STATEMENTS

6 Amount due from group company

	2016 R	2015 R
Holding company		
Kagiso Tiso Holdings Proprietary Limited	**1 682 618 537**	866 446 598
Net indebtedness due from group company	**1 682 618 537**	866 446 598

The total of the above amounts due by the group company are classified as follows:

	2016 R	2015 R
Non-current assets	1 649 900 000	849 900 000
Current assets	32 718 537	16 546 598
	1 682 618 537	866 446 597

Amounts are due from KTH in respect of funding that has been provided on the same terms and conditions associated with the issuing of debt securities. Such advances are governed by proper approval and loan agreements that incorporate the same terms and conditions attached to the Domestic Note and Redeemable Preference share Programme "DMTNP".

The fair value of the non-current portion of the loan in the current year is R 1 644 349 778 (2015: R 844 309 431). The current portion's carrying value approximates to the fair value. If the instrument was measured at fair value it would be Level 3 on the hierarchy due to unobservable inputs.

Included in amounts due from related parties, in terms of the DMTNP are the following:

Interest receivable – Kagiso Tiso Holdings Proprietary Limited [KTH]
Interest receivable from KTH of R 32,718,537 (2015:R 16,546,598) on funds provided through the DMTNP to the holding company by Kagiso Sizanani Capital Limited (RF). Interest receivable is calculated at the same terms and conditions as the finance costs due on the instruments in issue under the DMTNP. Refer to note 9 for the terms and conditions.

7 Cash and cash equivalents

	2016 R	2015 R
Cash and cash equivalents consist of:		
Current bank balances	3 272 267	3 947 363
	3 272 267	3 947 363

8 Share capital

	2016 R	2015 R
Authorised		
1 000 ordinary share with R 1.00 par value	1 000	1 000
Issued		
402 (2015: 401) Ordinary shares of R 1.00 each	402	401
Share premium	13 299 898	8 299 899
	13 300 300	8 300 300
Movement of ordinary shares for the period		
Total number of shares issued at the beginning of the year	401	401
Share issued	1	-
	402	401

Unissued shares remain under the control of the directors.

9 Borrowings

	2016 R	2015 R
Debt securities	1 650 000 000	850 000 000
	1 650 000 000	850 000 000

Debt securities

On 16 September 2005, Kagiso Sizanani Capital Limited (RF) ["KSC"] established a Domestic Note and Redeemable Preference share programme for a total value of R 1 billion. On 17 August 2012, the programme memorandum was restated and the programme value was increased to R 2 billion.

The company currently holds three bonds listed on the Johannesburg Stock Exchange as follows:

	2016 R	2015 R
KSB007	250 000 000	250 000 000
KSB008	600 000 000	600 000 000
KSB009 - raised on the 05th August 2015	800 000 000	-
Total issued preference shares	**1 650 000 000**	850 000 000

	2016 R	2015 R
Accrued interest		
KSB007	8 333 879	7 568 198
KSB008	10 454 795	8 978 400
KSB009	13 929 863	-
	32 718 537	16 546 598

KSB007, for a nominal value of R 250 million is a floating rate note. The note bears interest which is payable six monthly but repriced quarterly at a fixed margin of 2.75% above the 3 month (Johannesburg Interbank Agreed Rate) JIBAR rate. The instrument was issued on 31 August 2012 and matures on 31 August 2017. In terms of the applicable pricing supplement the required default asset cover ratio is set at 2.25x.

KSB008, for a nominal value of R 600 million is a floating rate note. The note bears a coupon which is payable and repriced quarterly at a fixed margin of 3.30% above the 3 month JIBAR rate. The instrument was issued on 1 November 2012 and matures on 1 November 2017.

KSB009, for a nominal value of R 800 million is a floating rate note. The note bears a coupon which is payable and repriced quarterly at a fixed margin of 3.85% above the 3 month JIBAR rate. The instrument was issued on 5 August 2015 and matures on 5 August 2020. In terms of the applicable pricing supplement the required default asset cover ratio is set at 2.75x.

KTH has provided a guarantee on issued notes KSB 007, KSB 008 and KSB 009. All notes are redeemable at nominal value.

10 Other payables

	2016 R	2015 R
Other payables	-	21 842
Audit fees	114 000	68 400
	114 000	90 242

NOTES TO THE FINANCIAL STATEMENTS

11 Other operating expenses

	2016 R	2015 R
Expenses		
Auditors' remuneration	(114 000)	(68 400)
Consulting and professional fees	(5 458 180)	(621 300)
Bond programme expenses	(120 129)	(123 507)
Bank charges	(6 545)	(5 442)
Other expenses	-	(36 104)
Other operating expenses	**(5 698 854)**	**(854 753)**

12 Finance income

	2016 R	2015 R
Finance income from group company - KTH	159 802 288	78 277 215
	159 802 288	78 277 215

13 Finance costs

	2016 R	2015 R
Interest on loans	(159 802 288)	(78 277 215)
	(159 802 288)	(78 277 215)

14 Income tax expense

	2016 R	2015 R
Major components of the tax expense		
	-	-
Current income tax		
Reconciliation between accounting profit and tax expense		
Loss before income tax	(5 698 854)	(854 752)
Tax at the applicable tax rate of 28%	(1 595 679)	(239 331)
Tax effect of adjustments on taxable income		
Consulting and professional fees	1 561 927	208 546
Bank charges	1 832	1 524
Audit fee	31 920	29 260
	-	-

No provision has been raised for current tax as the entity had a taxable loss of R 5,698,854 (2015: R 854 752)

NOTES TO THE FINANCIAL STATEMENTS

15 Related party information

Key management personnel
The directors of the company are as follows:
FF Gillion
V Nkonyeni
JB Hinson

Shareholder
The company is held 100% by Kagiso Tiso Holdings Proprietary Limited.

Refer to notes 6 and 12 for amounts due to/(from) the company and transactions with related parties.

Kagiso Tiso Holdings Proprietary Limited paid audit fees of R 6,840 on behalf of the company in the current year.

16 Material events after reporting date

The directors are not aware of any material events subsequent to reporting date.

17 Going concern

The financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates. The directors have assessed the company's future financial performance and financial position on an on-going basis and have no reason to believe that the company will not be a going concern for the year ahead.

18 Directors emoluments

Refer to Annexure A.

ANNEXURE A

Directors' emoluments and related benefits

All emoluments and related benefits to directors are for services rendered to group companies. These amounts are paid by Kagiso Tiso Holdings Proprietary Limited.

	Salary	Performance related payments	*Gains/(losses) from Share Appreciation Rights	Pension and other contributions	Total
	R	R	R	R	R
30 June 2016					
Non-executive directors					
V Nkonyeni	3 502 000	4 605 000	-	389 000	8 496 000
JB Hinson	3 288 000	5 115 000	-	603 000	9 006 000
FF Gillion	3 375 000	4 348 000	-	515 000	8 238 000
For services as directors	10 165 000	14 068 000	-	1 507 000	25 740 000

	Salary	Performance related payments	*Gains/(losses) from Share Appreciation Rights	Pension and other contributions	Total
	R	R	R	R	R
30 June 2015					
Non-executive directors					
V Nkonyeni	3 288 000	3 835 000	-	365 000	7 488 000
JB Hinson	3 090 000	3 835 000	-	654 000	7 579 000
FF Gillion	3 172 000	3 835 000	-	481 000	7 488 000
For services as directors	9 550 000	11 505 000	-	1 500 000	22 555 000

*V Nkonyeni, JB Hinson and FF Gillion are participants in the KTH Share Appreciation Rights (SARS) Scheme.
The units which have been allocated on 1 July 2014 at a strike price of R 6,688 per share with an allocation date of 1 July 2014 vested in full on 30 June 2016.

The allocations are 9,164 units per director.