Kagiso Sizanani Capital (RF) Limited
(Registration number 2003/028948/06)

Financial Statements
for the year ended 30 June 2017

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 2017 were internally prepared under the supervision of the Chief Executive 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

Directors
V Nkonyeni
D Slabbert (Appointed on the 28th August 2017)
M Danisa (Appointed on the 28th August 2017)
FF Gillion (Resigned on 15 June 2017)
JB Hinson (Resigned on 13 December 2016)

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

12 October 2017

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 Executive Officer.

The external auditors are engaged to express on independent opinion on the financial statements.

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 external auditors are responsible for independently auditing and reporting on the financial statements.

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 pages 9 -13.

The financial statements set out on pages 14 - 31 were approved by the board of directors and were signed on its behalf by:

Director - V Nkonyeni

Director – D Slabbert

12 October 2017
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 2017, 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

12 October 2017
Date

DIRECTORS' REPORT

The directors have pleasure in presenting their report of the company for the year ended 30 June 2017.

1. Nature of the business

The principal activity of the company is that of providing funding to Kagiso Tiso Holdings Proprietary Limited ("KTH") under the Domestic Note and Redeemable Preference Share Programme.

2. Share Capital

Ordinary shares

Authorised share capital

Kagiso Sizanani Capital (RF) Limited 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

No additional shares were issued in the current financial year. The company has 402 ordinary shares in issue at a total issue consideration of R 33 085 per share (2016: 402 ordinary shares issued at R 33 085 per share).

3. Dividends

No dividends were declared and paid to the shareholder by the board of directors of the company (2016: Nil).

4. Shareholder

The entire issued ordinary share capital is held by KTH 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

KSB 007 was fully redeemed on the 31 August 2017.

DIRECTORS' REPORT

11. 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 company will consider King IV and report its compliance thereon in the 2018 Financial statements.

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.

12. Review of financial results and activities

The annual financial statements have been prepared in accordance with IFRS and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compare to the prior year.
The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net loss of the company was R 865 410 (2016: R 5 698 854).

AUDIT COMMITTEE REPORT

The audit and risk committee presents its report for the financial period ended 30 June 2017 in terms of the requirements of section 94 of the Companies Act of South Africa ("the Act"), as amended from time to time and in terms of the JSE Limited Listing Requirements.

The audit and risk committee is appointed by the Board of KTH, the sole shareholder of Kagiso Sizanani Capital (RF) Limited, to oversee all duties as assigned by the Board in respect of all subsidiaries of KTH excluding Kagiso Media Proprietary Limited and Lupo Bakery Proprietary Limited that have their own audit and risk committees.

Committee members and attendance at meetings

The committee is currently chaired by Ms Babalwa Ngonyama who is a Chartered Accountant and an independent non-executive Board member. The committee further comprises one member nominated by each of the three significant shareholders of KTH, namely Blackstar (Cyprus) Investors Limited (Mr. Nkululeko Sowazi), The Kagiso Charitable Trust (Mr. Paballo Makosholo) and the Industrial Partnerships Proprietary Limited (Mr. Jan du Toit). Members are elected at the annual general meeting of KTH and up to three additional members can be elected provided that each of these members shall be a non-executive director of KTH.

All the committee members are suitably skilled and experienced. In terms of the committee's charter, at least two meetings should be held annually.

During the year under review the committee met three times and details of the attendance are set out as follows:

Member	Attended
B Ngonyama (Chairperson)	3/3
N Sowazi	3/3
P Makosholo	3/3
J du Toit	2/3

The Chief Executive Officer, Chief Financial Officer, certain members of management and representatives of the external and internal auditors attend the committee meetings by invitation.

Role and responsibilities

The committee's role and responsibilities include its statutory duties as per the Companies Act, as well as the responsibilities assigned to it by the Board.

The committee is satisfied that it has fulfilled all of its duties during the financial year under review, as further detailed below.

External audit

In the conduct of its duties, the committee performed the following statutory duties:

- The Audit and Risk Committee evaluated the independence, effectiveness and performance of the external auditors and obtained assurance from the auditors that adequate accounting records were maintained and appropriate accounting principles are in place and were consistently applied;
- Determined the fees to be paid to the external auditor and their terms of engagement;
- Ensured that the appointment of the external auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors;
- Determined the nature and extent of any non-audit services that the external auditor provided to KTH and its wholly owned subsidiaries; and
- Ensured that the scope of the external audit had no limitations imposed by management and that there was no impairment on their independence.

The group's external auditor is PricewaterhouseCoopers Incorporated, represented by Ms. P Pope.

The committee is satisfied that the company's external auditor, PricewaterhouseCoopers Incorporated, is independent of the company and is thereby able to conduct their audit functions without any influence from the company.

Internal audit

The appointed internal auditors are Nkonki Incorporated, represented by Ms. Nyarai Muzarewetu.

The scope of work includes the following:

- Preparation and submission of the internal audit charter for approval by the Committee;
- Preparation and submission of a three year rolling strategic internal audit plan;
- Issue internal audit status update reports to the audit and risk committee and management summarizing results of audit activities in line with the KTH audit and risk committee reporting calendar;
- Keep the committee informed of emerging trends and successful practices in internal auditing;
- Consider the scope of work of the external auditors and other assurance providers, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost; and
- Ad-hoc assignment as requested by management which will be discussed and agreed separately.

Internal audit started providing assurance in terms of the three year rolling strategic plan in the 2016 financial year.

Internal financial control and accounting systems

The committee is satisfied that KTH has effective financial policies and procedures in place, has invested in appropriate accounting systems and is therefore satisfied that the internal controls are effective to provide the basis for the preparation of reliable financial statements.

Financial statements and going concern

The committee has reviewed the annual financial statements and is satisfied that they comply with IFRS, the requirements of the Companies Act and the Debt Listing requirements of the JSE Limited Listing Requirements, and that the accounting policies used are appropriate.

The committee has also reviewed a documented assessment prepared by management of the going concern premise of the company before recommending to the Board that the company and will be a going concern in the foreseeable future.

Confidential meetings

Committee agendas provides for confidential meetings between the committee members and external auditors without the involvement of management. The external auditors have direct access to the committee chairperson.

Finance function

The committee considered the expertise, resources and experience of the finance function and concluded that these were substantially appropriate based on the nature, complexity and size of the KTH's group operations.

Governance of risk

The committee is responsible for overseeing the governance of the risk management function within the KTH group excluding Kagiso Media Proprietary Limited. This incorporates operations, financial reporting, fraud, internal controls, IT governance and compliance risks among others. The risk management process and the governance thereof, as well as the necessary disclosure with regard thereto, is one of the key responsibilities assigned to the committee by the Board. In this regard the committee has evaluated reports on the effectiveness of risk management conducted by management with assistance from KPMG and is therefore satisfied that the risk management process is effective.

Recommendation of the annual consolidated financial statements for approval by the Board

The committee has reviewed the annual consolidated financial statements, read together with the report of the External Auditors, and has recommended it for approval by the Board.

B Ngonyama
Chairperson of the Audit and Risk Committee
Sandton
12 October 2017

Independent auditor's report

To the Shareholder of Kagiso Sizanani Capital (RF) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kagiso Sizanani Capital (RF) Limited (the Company) as at 30 June 2017, 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.

What we have audited

Kagiso Sizanani Capital (RF) Limited's financial statements set out on pages 14 to 31 comprise:

- the statement of financial position as at 30 June 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Company in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

pwc

Our audit approach

Overview

Overall materiality • *Overall materiality: R13,482,603 which represents 0.8% of total assets.*
Key audit matters • *Loans to the holding company.*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	*R13,482,603*
How we determined it	*0.8% of total assets*
Rationale for the materiality benchmark applied	*We have chosen total assets as the benchmark due to the fact that the Company's purpose is to hold and service the Kagiso Tiso Holdings Proprietary Limited (KTH) debt and investors need to ensure that sufficient funds are available to repay the liabilities in full. We chose 0.8% based on our professional judgement and after consideration of the range of quantitative materiality thresholds that we would typically apply when using total assets to compute materiality.*

pwc

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Loans to the holding company *The Company established a Domestic Note and Redeemable Preference share programme for a total value of R2 billion. The Company currently has three notes in issue, listed on the interest rate market of the Johannesburg Stock Exchange ("JSE").* *The proceeds raised from the issuance of the notes were advanced to KTH, the holding company. The carrying value of all the loans issued to KTH at 30 June 2017 amounted to R1,682,904,966.* *Our audit effort has been concentrated around the valuation of the loans.* *The terms of the loans issued to KTH are detailed in note 6.* *The audit of the loans was considered a matter of most significance to the current year audit as it represents 99% of the total assets of the Company.* *Refer to note 6 of the financial statements for the detailed disclosures.*	*In testing the amortised cost of the loans to the holding company, we examined the terms of the loans and recalculated the balances outstanding at year end by re-computing the interest calculations and inspecting bank statements for all repayments made and noted no material exceptions.* *In testing the recoverability of the balance due to the Company, we inspected KTH's consolidated financial statements for the year ended 30 June 2017 and assessed its ability to service both the interest and capital as and when it becomes due. We also inspected minutes of meetings and cash flow projections to assess whether KTH Group's available cash resources exceed its obligations in terms of these loans.* *We assessed the classification of the loans by inspecting the contractual terms of the loans as per the agreements with the holding company and noted no exceptions.* *We also considered the payment history by inspecting the bank statements for evidence of regular cash receipts by the Company from KTH, settling the obligations as and when these fall due. In accordance with the terms of the loan R250,000,000 and the accrued interest thereon was repaid on 31 August 2017. We inspected the bank statement to verify the receipt of the capital and interest on 31 August 2017.*

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Certificate by the Company Secretary as required by the Companies Act of South Africa, and the Statement of Responsibility by the Board of Directors and the Corporate Information. 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 identified above 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.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 394475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditors of Kagiso Sizanani Capital (RF) Limited for 15 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Peta-Lynn Pope
Registered Auditor
Johannesburg
12 October 2017

STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	2017 R	2016 R
ASSETS			
Non-current assets			
Amounts due from group company	6	799,900,000	1,649,900,000
Total non-current assets		**799,900,000**	1,649,900,000
Current assets			
Amounts due from group company	6	883,022,462	32,718,537
Cash and cash equivalents	7	2,402,920	3,272,267
Total current assets		**885,425,382**	35,990,804
Total Assets		**1,685,325,382**	1,685,890,804
EQUITY AND LIABILITIES			
Equity			
Stated capital	8	13,300,300	13,300,300
Accumulated loss		(11,107,444)	(10,242,033)
Total equity		**2,192,856**	3,058,267
Liabilities			
Non-current liabilities			
Borrowings	9	800,000,000	1,650,000,000
Total non-current liabilities		**800,000,000**	1,650,000,000
Current liabilities			
Borrowings	9	883,022,462	32,718,537
Other payables	10	92,568	114,000
Amounts due to group companies	6	17,496	-
Total current liabilities		**883,132,526**	32,832,537
TOTAL EQUITY AND LIABILITIES		**1,685,325,382**	1,685,890,804

The accounting policies and notes on pages 18 to 31 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2017 R**	2016 R
Other operating expenses	11	(865,410)	(5,698,854)
Finance income	12	178,830,095	159,802,288
Finance costs	13	(178,830,095)	(159,802,288)
Loss before taxation		**(865,410)**	(5,698,854)
Income tax expense	14	-	-
Loss for the year		**(865,410)**	(5,698,854)
Other comprehensive income		-	-
Total comprehensive loss for the year		**(865,410)**	(5,698,854)

The accounting policies and notes on pages 18 to 31 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 at 1 July 2015	401	8,299,899	(4,543,180)	**3,757,120**
Issue of shares	1	4,999,999	-	**5,000,000**
Total comprehensive loss for the year	-	-	(5,698,854)	**(5,698,854)**
Loss for the year	-	-	(5,698,854)	**(5,698,854)**
Other comprehensive income	-	-	-	**-**
Balance at 1 July 2016	402	13,299,898	(10,242,033)	**3,058,267**
Total comprehensive loss for the year	-	-	(865,410)	**(865,410)**
Loss for the year	-	-	(865,410)	**(865,410)**
Other comprehensive income	-	-	-	**-**
Balance at 30 June 2017	**402**	**13,299,898**	**(11,107,444)**	**2,192,856**

Notes

The accounting policies and notes on pages 18 to 31 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Note	2017 R	2016 R
Cash flows utilised in operating activities			
Cash paid to suppliers		(869,346)	(5,668,256)
Cash used in operations		(869,346)	(5,668,256)
Finance income		178,526,170	143,630,348
Finance costs paid		(178,526,170)	(143,630,348)
Net cash used in operating activities		**(869,346)**	(5,668,256)
Cash flows generated from (utilized in) financing activities			
Proceeds on issue of ordinary share		-	5,000,000
Movement in group company loans advanced		-	(800,006,840)
Proceeds from borrowings		-	800,000,000
Net cash generated from financing activities		-	4,993,160
Net movement in cash and cash equivalents		(869,346)	(675,096)
Cash and cash equivalents at the beginning of year		3,272,267	3,947,363
Cash and cash equivalents at the end of the year	7	**2,402,920**	3,272,267

The accounting policies and notes on pages 18 to 31 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 IFRS (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

1.2.4 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 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 or 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.

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.

ACCOUNTING POLICIES

1.8 Impairment of assets (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

2. New and amended accounting standards and interpretations

The following are the IFRS and amendments effective for the first time for 30 June 2017 year-end. The changes have no material impact on the results, financial position or cash flow of the company.

IFRS	Effective date	Executive summary
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on applying the consolidation exemption	1 January 2016	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation.	1 January 2016	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
Amendments to IAS 1,'Presentation of financial statements' disclosure initiative	1 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.
"Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation	1 January 2016	In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
Amendments to IAS 27, 'Separate financial statements' on equity accounting	1 January 2016	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
Amendment to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations	1 January 2016	This is an amendment to the changes in methods of disposal - Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

The following are the IFRS and amendments issued but not effective and not relevant for the 30 June 2017 year-end.
The company has not yet adopted the following pronouncements and is still busy assessing the impact of these, which have been issued by the IASB.

Amendment to IAS 12 – Income taxes Recognition of deferred tax assets for unrealised losses.	1 January 2017	The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets. The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

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

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.
IFRS 15 – Revenue from contracts with customers.	1 January 2018	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.
Amendment to IFRS 15 – Revenue from contracts with customers.	1 January 2018	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
IFRS 9 – Financial Instruments (2009 &2010) · Financial liabilities · Derecognition of financial instruments · Financial assets · General hedge accounting	01 January 2018	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

NOTES TO THE FINANCIAL STATEMENTS

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

FRS 16 – Leases	01 January 2019	After ten years of joint drafting by the IASB and FASB they decided that lessee's should be required to required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios). IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.
Annual improvements 2014-2016	02 January 2018	These amendments impact 3 standards: • IFRS 1,' First-time adoption of IFRS', regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018. • IFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018.
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets	Initially 01 January 2016	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

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 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 KTH.

The company's sensitivity to interest rate

The company has used 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) interest income/interest expense by the amounts shown below.

	Change	2017 R	2016 R
Jibar interest rate	1.00%	16,167,378	15,869,356
		16,167,378	15,869,356

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

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.

Loan 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 Ba2 rating for domestic long term credit rating and P-2 for domestic short term credit rating as assigned on the 01st of May 2017 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 (Baa3) credit rating.

NOTES TO THE FINANCIAL STATEMENTS

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 5 years	More than 5 years
		R	R	R
30 June 2017				
Financial liabilities				
Borrowings	1,953,168,958	875,730,010	1,077,438,948	-
Accrued interest	33,022,462	33,022,462	-	-
Other payables	92,568	92,568	-	-
Amount due to group company	17,496	17,496	-	-
	1,986,301,484	**908,862,536**	**1,077,438,948**	**-**

	Total	Less than 1 year	Between 1 and 5 years	More than 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

Kagiso Sizanani Capital (RF) Limited ("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 1-2 years is therefore covered by KTH.

NOTES TO THE FINANCIAL STATEMENTS

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 2017		
Amounts due from group companies	1,682,922,462	1,682,922,462
Cash and cash equivalents	2,402,920	2,402,920
	1,685,325,382	**1,685,325,382**

	Loans and receivables	Carrying value
	R	R
Financial assets		
30 June 2016		
Amounts due from group companies	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

	Liabilities at amortised cost	Carrying value
	R	R
30 June 2017		
Financial liabilities		
Borrowings	1,650,000,000	1,650,000,000
Accrued interest	33,022,462	33,022,462
Amounts due to group companies	17,496	17,496
Other payables	92,568	92,568
	1,683,132,526	**1,683,132,526**

	Liabilities at amortised cost	Carrying value
	R	R
30 June 2016		
Financial liabilities		
Borrowings	1,650,000,000	1,650,000,000
Accrued interest	32,718,537	32,718,537
Other payables	114,000	114,000
	1,682,832,538	1,682,832,538

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

	2017 R	2016 R
Holding company		
KTH	**1,682,904,966**	1,682,618,537
Net indebtedness due from group company	**1,682,904,966**	1,682,618,537

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

	2017 R	2016 R
Non-current assets	799,900,000	1,649,900,000
Current assets	883,022,462	32,718,537
Current liabilities	(17,496)	-
	1,682,904,966	1,682,618,536

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 869 424 469 (2016:R 1 644 349 778).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. These inputs include Kagiso Sizanani Capital's available borrowing rate.

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 33,022,462 (2016:R 32,718,537) on funds provided through the DMTNP to the holding company by Kagiso Sizanani Capital (RF) Limited. 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

	2017 R	2016 R
Cash and cash equivalents consist of:		
Current bank balances	2,402,920	3,272,267
	2,402,920	3,272,267

8 Share capital

	2017 R	2016 R
Authorised		
1 000 ordinary share with R 1.00 par value	1,000	1,000
Issued		
402 (2016: 402) Ordinary shares of R 1.00 each	402	402
Share premium	13,299,898	13,299,898
	13,300,300	13,300,300
Movement of ordinary shares for the period		
Total number of shares issued at the beginning of the year	402	401
Share issued	-	1
	402	402

Unissued shares remain under the control of the directors.

9 Borrowings

	2017 R	2016 R
Debt securities	1,650,000,000	850,000,000
	1,650,000,000	850,000,000

NOTES TO THE FINANCIAL STATEMENTS

9 Borrowings (continued)

	2017	2016
Reconciliation of carrying amount		
Non current liabilities	800,000,000	850,000,000
Current liabilities	850,000,000	
	1,650,000,000	850,000,000

Debt securities
On 16 September 2005, Kagiso Sizanani Capital (RF) Limited 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 JSEas follows:

	2017 R	2016 R
KSB007	250,000,000	250,000,000
KSB008	600,000,000	600,000,000
KSB009	800,000,000	800,000,000
Total issued preference shares	**1,650,000,000**	1,650,000,000

	2017 R	2016 R
Accrued interest		
KSB007	8,543,909	8,333,879
KSB008	10,496,219	10,454,795
KSB009	13,982,334	13,929,863
	33,022,462	32,718,537

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. KSB 007 will be fully redeemed in the next financial year. 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 the 5 August 2020. In terms of the applicable pricing supplement the required default asset cover ratio is set at 2.25x.

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

The fair value of the non-current portion of the loan in the current year is R 869 424 469 (2016: R 1 644 349 778).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. These inputs include Kagiso Sizanani Capital's available borrowing rate.

NOTES TO THE FINANCIAL STATEMENTS

10 Other payables

	2017 R	2016 R
Audit fees	92,568	114,000
	92,568	114,000

11 Other operating expenses

	2017 R	2016 R
Other operating expenses is stated after taking the following into account:		
Expenses		
Auditors' remuneration	(92,568)	(114,000)
Consulting and professional fees	(609,900)	(5,458,180)
Bond programme expenses	(157,874)	(120,129)
Bank charges	(5,069)	(6,542)
Other operating expenses - net	**(865,410)**	**(5,698,854)**

12 Finance income

	2017 R	2016 R
Finance income from group company - KTH	178,830,095	159,802,288
	178,830,095	159,802,288

13 Finance costs

	2017 R	2016 R
Interest on loans	(178,830,095)	(159,802,288)
	(178,830,095)	(159,802,288)

14 Income tax expense

	2017 R	2016 R
Major components of the tax expense		
Current income tax	-	-
Reconciliation between accounting profit and tax expense		
Loss before income tax	(865,410)	(5,698,854)
Tax at the applicable tax rate of 28%	(242,315)	(1,595,679)
Expenses not deductible for tax purposes	-	-
Consulting and professional fees	214,977	1,561,927
Bank charges	1,419	1,832
Audit fee	25,919	31,920
Sundry expenses	-	-
	-	-

No provision has been raised for current tax as the entity had a taxable loss of R 865 410 (2016: R 5 698 854)

NOTES TO THE FINANCIAL STATEMENTS

15 Related party information

Key management personnel
The directors of the company are as follows:
V Nkonyeni
D Slabbert (Appointed on the 28th August 2017)
M Danisa (Appointed on the 28th August 2017)
FF Gillion (resigned on the 15 June 2017)
JB Hinson (resigned on the 13 December 2016)

Shareholder
The company is held 100% by KTH.

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

KTH paid the following expenses (Strate: R 2,013.42, Computershare: R 4,082.42 and One Capital R 11,400 on behalf of the company in the current year.

16 Material events after reporting date

KSB 007 was fully redeemed on 31 August 2017.

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.

	Salary	Performance related payments	*Gains/(losses) from Share Appreciation Rights	Loss of office	Pension and other contributions	Total
	R'000	R'000	R'000	R'000	R'000	R'000
30 June 2017						
Non-executive directors						
V Nkonyeni	3,712	3,113	25,967	-	412	33,204
JB Hinson	1,395	4,903	25,967	-	207	32,472
FF Gillion	3,281	4,669	25,967	8,283	500	42,700
For services as directors	8,387	12,684	77,901	8,283	1,120	108,376

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