Strate Proprietary Limited

Annual Financial Statements

for the year ended 31 December 2016

Audited

Prepared by: Nomfundo Zondi CA (SA) under the supervision of the Chief Financial Officer A Maharaj CA (SA) in terms of section 29(1)(e)(ii) of the Companies Act of South Africa. The financial statements have been audited in compliance with the requirements of section 30(2) of the Companies Act.

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Annual Financial Statements

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Directors' Responsibility for the Annual Financial Statements

for the year ended 31 December 2016

The directors are responsible for the preparation and fair presentation of the Annual Financial Statements of Strate Proprietary Limited (hereafter referred to as Strate or the Company), comprising the statement of financial position at 31 December 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

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

The directors have assessed the ability of the Company to continue as a going concern and have no reason to believe that Strate will not function as such in the year ahead.

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

Approval of the Annual Financial Statements

The Annual Financial Statements of Strate Proprietary Limited, were approved by the Board of directors on 29 March 2017 and are signed by:

Ms MJ Singer	**Mr RJG Barrow**
CEO	Chairman
Authorised director	Authorised director

Strate Proprietary Limited

Directors' Report
for the year ended 31 December 2016

The directors have pleasure in presenting their report for the year ended 31 December 2016.

Incorporation

Strate Proprietary Limited, registration number 1998/022242/07, is incorporated and domiciled in South Africa.

Principal Activities

The Company's primary activities for the year under review include the:

- Settlement of trades in securities listed on the JSE, other exchanges and off- market trades;
- Clearing of trades in securities;
- Settlement of trades in money market securities; and
- Provision of collateral management services.

The Company operates under various licenses that have been granted to it by:

- Financial Services Board (FSB), which authorises Strate to be a Central Securities Depository (CSD) and Associated Clearing House in South Africa; and
- The Payments Association of South Africa (PASA), which authorises Strate to be a payments system operator.

In terms of its CSD license, the Company assumes additional responsibilities in terms of the CSD Rules and the Financial Markets Act, 2012 (FMA). These include the responsibility for the regulation of the business activities of the equity and bond CSD.

Operating Results

Net Profit after Tax (NPAT) for the period under review increased by 9% to R112,1m (2015: R103,0m).

Revenue increased by 10% to R445,5m (2015: R404,5m). 4% of the current year revenue is attributable to the successful dispute settlement of Ad valorem equity fees of R19,7m previously reported as a contingent asset.

Expenditure increased by 11% to R309,2m (2015: R278,0m). 27% of the current year expenditure is attributable to research and development initiatives undertaken during the year.

Refer to the Financial Review section in the Annual Integrated Report for additional information in respect of the operating results.

Strate Proprietary Limited

Directors' Report *(continued)*
for the year ended 31 December 2016

Stated Capital

The Company did not issue any shares during the year under review. Details of the Company's authorised and issued stated capital appear in the notes to the financial statements.

Ownership

The shareholders of the Company and their percentage holdings at the date of this report are as follows:

	2016	2015
	%	%
JSE Limited	**44.547**	44.547
Nedbank Limited	**14.996**	14.996
The Standard Bank of South Africa	**14.996**	14.996
ABSA Bank Limited	**12.679**	12.679
FirstRand Bank Limited	**12.679**	12.679
Citibank N.A.(South African Branch)	**0.103**	0.103
	100.000	100.00

Dividends

An ordinary dividend of R5,279 per share equivalent to R51,5m was paid on 12 May 2016. (2015: R4,331 per share equivalent to R42,3m)

Directors

The directors in office at the date of this report were:

Independent non-executive directors

Mr RJG Barrow	Chairman
Mr K Getz	Lead Independent non-executive director
Mr PL Campher	
Mr RM Loubser	
Ms D Naidoo	
Mr RSM Ndlovu	
Mr NG Payne	
Ms M Ramplin	

Strate Proprietary Limited

Directors' Report *(continued)*
for the year ended 31 December 2016

Non-executive directors

Mr C Edwards	Mr Edwards and Mr Proudfoot rotated as director/alternate director on 6 June 2016
Ms A Greenwood	Appointed 19 July 2016, re-appointed 4 November 2016
Ms NF Newton King	Appointed 4 November 2016
Mr MJ Stocks	Mr Stocks and Mr Bruyns rotated as director/alternate director on 1 August 2016

Executive directors

Ms MJ Singer	CEO
Ms A Maharaj	CFO Appointed on 16 May 2016

Alternate directors were:

Mr RD Proudfoot	Alternate to Mr Edwards
Mr C Bruyns	Alternate to Mr Stocks. Appointed director on 30 June 2016

Director's resignation:

Ms M Kerns	Resigned 30 June 2016
Ms L Fourie	Resigned 18 July 2016
Mr A van Eden (alternate director)	Resigned 1 August 2016
Ms NF Newton-King	Resigned 14 September 2016
Ms A Greenwood	Resigned 15 September 2016
Ms L Parsons (alternate director)	Resigned 14 September 2016
Ms S Davies (alternate director)	Resigned 15 September 2016
Mr MR Johnston	Resigned 29 September 2016

Company Secretary and Registered Office

The Company secretary at the date of this report is Ms. Elva Price

Business address	**Postal address**
9 Fricker Road	PO Box 78608
Illovo Boulevard	Sandton
Sandton,	2146
2196	

Strate Proprietary Limited

Directors' Report *(continued)*
for the year ended 31 December 2016

Contracts

No contracts in which directors and officers had an interest and that significantly affected the affairs or business of the Company were entered into during the year.

Going Concern

The directors believe that the Company has adequate resources to continue as a going concern in the foreseeable future.

Events after the reporting date

No material events occurred after the reporting date that would require adjustment or disclosure in the Annual Financial Statements.

CSD Participants

The CSD Participants at 31 December 2016 were:

Citibank N.A, South African Branch
Computershare Proprietary Limited
Eskom Holdings SOC Limited
FirstRand Bank Limited
Link Investor Services Proprietary Limited
Nedbank Limited
Société Générale Johannesburg Branch
Standard Chartered Bank, Johannesburg Branch
The South African Reserve Bank
The Standard Bank of South Africa Limited

Group Financial Statements

The group comprises Strate Proprietary Limited and a wholly owned subsidiary company named Central Depository Nominees Proprietary Limited (CD Nominees). CD Nominees is a dormant entity and considered to be immaterial to the financial position, performance and cash flows of the group. Therefore, CD Nominees has not been consolidated into the Company's results. This is consistent with the previous year.

Strate Proprietary Limited

Report of the Audit, Risk and Compliance Committee

for the year ended 31 December 2016

Introduction

The Audit, Risk and Compliance Committee presents its report for the financial year ended 31 December 2016.

Roles and Responsibilities

The Committee operated within written terms of reference during the year under review. The terms of reference were reviewed and updated during the year and approved by the Board.

Composition and meeting procedures

During the year under review, the Committee was chaired by an independent non-executive director and its members comprised four independent non-executive directors and one non-executive director.

The membership of the committee during the year under review was:
Ms D Naidoo – Chairman – independent non-executive director
Mr C Edwards – non-executive director
Mr R Loubser – independent non-executive director
Mr N Payne – independent non-executive director
Ms M Ramplin – independent non-executive director

At least two non-conflicting members are required to form a quorum.

Meetings were attended by appropriate executives, including the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Information Officer (CIO) and the Head of Risk; representatives from the external and internal auditors; and the FSB, by invitation.

The Committee obtained assurance from the external and internal auditors that they received full co-operation from management.

Combined assurance

The Combined Assurance Forum (incorporating internal audit, external audit, the CFO, the CIO and the Head of Risk) provides assurance to the Board that the risk management process is integrated into the daily business activities of the Company and that the appropriate levels of assurance are obtained where appropriate.

Internal audit

The internal auditor is responsible for reviewing and providing assurance on the adequacy of the internal control environment according to the agreed internal audit plan. This function has been outsourced to PricewaterhouseCoopers Inc (PwC). The engagement partner is responsible for reporting the findings of the internal audit work to the Committee.

External auditors

The external auditor is KPMG Inc. Mr P MacDonald was appointed as the designated registered auditor.

Fees paid to the internal and external auditors are disclosed in note 5 of the financial statements.

Key Audit Matters (KAMs)

The Committee considered and noted the Key Audit Matters contained in the audit opinion of the external auditor.

Going concern

The going-concern assumption was reviewed by management during the year. The Committee reviewed documentation supporting management's assumption and recommended to the Board the approval of the assessment.

Risk management

The Board has assigned oversight of the Company's risk management function to the Committee.

It fulfils an oversight role regarding the:

- adequacy of the nature, intent and effectiveness of the risk and control infrastructure;
- development and maintenance of a comprehensive, dynamic system of internal and external controls to ensure the Company's adherence to the CSD Rules;
- review of, and compliance with, the risk philosophy, strategies, and policies of the Company; and
- review of risk identification and measurement methodologies employed within the Company

Ethics

Material incidents and issues are brought to the attention of the Committee. No unethical behaviour was noted during the period under review. The Code of Conduct is reviewed and recommended to the Board for approval on a bi-annual basis, and an updated version was approved by the Board in June 2016. The next scheduled date for review is the second meeting of the Committee in 2018.

Compliance

The Committee reviewed the compliance reports, which detail the applicable laws and regulations and the respective compliance risks; the effectiveness of the controls in place; and the respective risk rating of the compliance risks. The Company remained compliant with all legislation relevant to it.

IT governance

The Board assigned oversight of the Company's IT governance function to the Committee.

The Committee fulfils an oversight role regarding:

- IT being aligned with the performance and sustainability objectives of the Company;
- delegating to management the responsibility for the implementation of, and adherence to, an IT governance framework;
- monitoring and evaluating significant IT investments and expenditure;
- IT forming an integral part of the Company's risk management process; and
- ensuring that information assets are managed effectively.

New business

The Committee considered new business opportunities by reviewing new business proposals. It also ensured that the decisions and recommendations in relation to the proposals fell within the ambit of the core services of the Company.

Special Purpose Reserve Fund (SPRF)

The Committee considered proposals for the use of the SPRF based on the mandate of the SPRF and approved all funds spent by the SPRF. All fines collected by STRATE Supervision in its supervisory role are allocated to a separate fund, which is part of the Company's reserves. This fund may only be used for the benefit of the financial markets in one or more of the following manners:

- to fund or subsidise the costs of training or exams provided to the financial markets by Company; and
- to fund special projects that would benefit the CSD Participants and/or the financial markets.

The Committee approved funds that were paid out amounting to R5,1 million in 2016.

Strate Proprietary Limited

Report of the Audit, Risk and Compliance Committee

for the year ended 31 December 2016 (continued)

Fees

A review of all fees was undertaken and recommendations were tabled to the Board for approval.

Whistle-blowing

The Committee is satisfied that adequate and appropriate provision is made for whistle-blowing. No instances requiring action were raised or identified during the year under review.

Sustainability reporting

The Committee considered the Company's sustainability information, as disclosed in the Annual Integrated Report, and has assessed its consistency with operational and other information known to committee members. The Committee is satisfied that the sustainability information is reliable and consistent with the financial results.

Ms Daisy Naidoo
Chairperson: Audit, Risk and Compliance Committee

Strate Proprietary Limited

Declaration by the Company Secretary

for the year ended 31 December 2016

In my capacity as Company Secretary, I hereby confirm, in terms of the Companies Act of South Africa, that for the year ended 31 December 2016, the Company has lodged with the Registrar of Companies all such returns that are required of a company in terms of this Act and that all such returns appear to be true, correct and up to date.

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Ms Elva Price
Company Secretary

Independent Auditor's Report

To the Shareholders of Strate Proprietary Limited

Opinion

We have audited the financial statements of Strate Proprietary Limited (the Company), set out on pages 17 to 53, which comprise the statement of financial position at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Strate Proprietary Limited at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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.

Valuation of intangible assets

Refer to Notes 3.4, 3.5 and 9 to the financial statements.

The key audit matter	How the matter was addressed in our audit

The main component of the Company’s non-current assets is intangible assets, which represents 89% of total non-current assets. Intangible assets comprise purchased and developed software. The Company measures intangible assets at cost less accumulated amortisation and accumulated impairment losses.
 	
Management apply significant judgement in determining the timing and extent of future cash flows, discount rates and terminal growth rates used in the impairment assessment of the intangible assets. In addition, management apply significant judgment and estimation in determining the useful lives of intangible assets on an annual basis.
 	
Valuation of intangible assets is a key audit matter due to the significance of the balance in the financial statements and the significant judgement and estimation required by management in the determination of any impairments requiring to be recognised and the assessment of useful lives impacting the amortisation of these intangible assets.
	Our procedures included:
	
	For impairment assessment
	
	• We compared forecasted operational volumes and cash flows for the purchased and developed software to Board approved business plans to confirm their reasonability;
	• We inspected Board and Audit, Risk and Compliance Committee minutes to identify possible indicators of impairment of systems including:
	    • whether there were any delays in the planned implementation dates
	    • whether the brought-into-use systems are generating lower revenues than previously forecasted
	    • whether the recoverable amount is greater than the carrying amount
	• We challenged management’s key assumptions and estimates based on our knowledge and experience by:
	    • Comparing previous forecasts to actual results to confirm their reasonability
	    • Re-performing calculations of the value in use to confirm accuracy
	    • Comparing our sensitivity analysis on the key inputs (including the amount and timing of forecasted operational volumes and resulting cash flows) to those prepared by the management
	Useful lives for amortisation
	• With the assistance of our Information Technology specialists we assessed and challenged the useful life assumptions based on our understanding of the nature and future use of the intangible assets and management’s Information Technology Roadmap to confirm their reasonability.
	• We tested controls over the preparation and authorisation of changes in useful lives applied to intangible assets.
	• On a sample basis, we re-performed the calculation of amortisation of intangible assets based on the approved useful lives.

Revenue recognition

Refer to Notes 3.7 and 4.1 to the financial statements.

The key audit matter	How the matter was addressed in our audit
Revenue is the most significant financial caption and the main determinant of the Company's performance and profitability. Revenues consists principally of settlement fees and Ad valorem fees. Settlement fees are based on published rates and are calculated using automated processes based on transaction data interfaces with the JSE Limited. The transaction volumes are very significant and the processing systems must remain operational continuously to ensure correct functioning of the market. Ad valorem fees are based on published rates and are calculated and collected on behalf of the Company by the JSE Limited. Recognition of revenue was considered a key audit matters due to the significance of the balance, the significant volume of settlement fees processed during the year, the reliance on the systems and the work effort required to be performed by the audit team.	Our procedures included: • With the assistance of our Information Technology specialists we obtained an understanding of the automated settlement fee processes and re-performed the calculation of automated settlement fees based on extracted system data and published rates. • We tested application controls over the configuration of the revenue systems that address the completeness of settlement fee transactions with the JSE Limited and the interface between the revenue systems and the accounting system. • We confirmed the Ad valorem fees recorded by the Company by way of direct confirmation from the JSE Limited. • We inspected documentary evidence to support accrued Ad valorem fees due at year end.

Other Information

The directors are responsible for the other information. The other information comprises the Declaration by the Company Secretary, Report of the Audit, Risk and Compliance Committee in terms of section 94(7) (f) and the Directors' report as required by the Companies Act of South Africa and the Directors Responsibility for the Annual Financial Statements. The other information does not include the financial statements and our auditor's report thereon.

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

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

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.

KPMG Inc.

Per PM MacDonald
Chartered Accountant (SA)
Registered Auditor
Director
21 April 2017

KPMG Incorporated
85 Empire Road
Parktown
South Africa
2193

Strate Proprietary Limited

Statement of Comprehensive Income

for the year ended 31 December 2016

	Note	2016 R'000	2015 R'000
Revenue	*4.1*	**445 512**	404 529
Other income	*4.2*	**1 875**	2 892
Total Income		**447 387**	407 421
Operating Expenditure	*5*	**(309 225)**	(277 960)
Personnel expense		**(142 423)**	(122 192)
IT and maintenance expenditure		**(82 533)**	(69 520)
Depreciation and amortisation expense		**(41 019)**	(55 520)
Allowance for impairment on receivables		**(502)**	(501)
Impairment on intangible assets		**(572)**	–
Other operating expenditure		**(42 176)**	(30 227)
Profit from operations		**138 162**	129 461
Net finance income	*6*	**17 913**	13 877
Finance income		**19 415**	14 284
Finance costs		**(1 502)**	(407)
Profit before taxation		**156 075**	143 338
Taxation	*7*	**(43 957)**	(40 323)
Net profit for the year		**112 118**	103 015
Total comprehensive income		**112 118**	103 015

Strate Proprietary Limited

Statement of Financial Position
for the year ended 31 December 2016

	Note	**2016 R'000**	2015 R'000
Assets			
Non-current assets		**195 748**	202 436
Equipment	*8*	**17 401**	25 697
Intangible assets	*9*	**174 743**	173 125
Loan receivable	*26*	**2 197**	1 970
Prepayment	*26*	**1 407**	1 644
Investment in subsidiary[1]	*22*	**–**	–
Current assets		**375 991**	317 247
Trade and other receivables	*10*	**106 216**	84 165
Cash and cash equivalents	*11*	**269 775**	224 909
Foreign exchange contracts		**–**	3 367
Taxation receivable	*17.3*	**–**	4 806
Total assets		**571 739**	519 683
Equity and liabilities			
Equity attributable to the owners		**498 605**	439 113
Stated capital	*13*	**20 000**	20 000
Retained earnings		**466 595**	405 985
Capital Redemption Reserve Fund		**50**	50
Special Purpose Reserve Fund		**11 960**	13 078
Non-current liabilities		**8 564**	12 977
Deferred taxation	*12*	**8 564**	11 939
Employee benefits	*20*	**–**	1 038
Current liabilities		**64 570**	67 593
Taxation payable	*17.3*	**3 375**	–
Trade and other payables	*14*	**35 572**	48 884
Foreign exchange contracts		**1 294**	–
Employee benefits	*20*	**17 555**	12 715
Provisions	*15*	**6 774**	5 994
Total equity and liabilities		**571 739**	519 683

1- Investment in CD Nominees is R1

Strate Proprietary Limited

Statement of Changes in Equity

for the year ended 31 December 2016

	Stated Capital R'000	Capital Redemption Reserve fund R'000	Special Purpose Reserved fund R'000	Retained earnings R'000	Total Equity R'000
Balance at 1 January 2015	20 000	50	10 874	347 427	378 351
Total comprehensive income for the year	–	–	–	103 015	103 015
Transfer	–	–	2 204	(2 204)	–
Dividends to equity holders	–	–	–	(42 253)	(42 253)
Balance at 1 January 2016	**20 000**	**50**	**13 078**	**405 985**	**439 113**
Total comprehensive income for the year	**–**	**–**	**–**	**112 118**	**112 118**
Utilisation of the reserve	**–**	**–**	**(1 118)**	**–**	**(1 118)**
Dividends to equity holders	**–**	**–**	**–**	**(51 508)**	**(51 508)**
Balance at 31 December 2016	**20 000**	**50**	**11 960**	**466 595**	**498 605**

Strate Proprietary Limited

Statement of Cash Flows

for the year ended 31 December 2016

	Note	2016 R'000	2015 R'000
Cash flows from operating activities			
Cash generated by operations	*17.1*	**152 546**	136 807
Interest received	*17.2*	**19 265**	14 284
Interest paid	*17.2*	**(1 366)**	(1 026)
Taxation paid	*17.3*	**(39 150)**	(44 758)
Dividends paid		**(51 508)**	(42 253)
Net cash inflow from operating activities		**79 787**	63 054
Cash flows from investing activities			
Investment in equipment		**(4 166)**	(11 815)
Investment to maintain operations	*8*	**(4 166)**	(11 815)
Investment in intangibles	*9*	**(30 759)**	(33 002)
Investment to maintain operations		**(30 759)**	(29 447)
Investments to expand operations		**–**	(3 555)
Proceeds and disposal of equipment		**4**	14
Net cash outflow from investing activities		**(34 921)**	(44 803)
Net increase in cash and cash equivalents		**44 866**	18 251
Cash and cash equivalents at beginning of year		**224 909**	206 658
Cash and cash equivalents at end of year		**269 775**	224 909

1. Reporting Entity - Strate (Pty) Ltd

The Company is domiciled in South Africa. The address of the Company's registered office is:

1st Floor, 9 Fricker Road
Illovo Boulevard
Illovo, Sandton
2196

The principal business activities are detailed in the Director's Report include the:

Settlement of trades in securities listed on the JSE, other exchanges and off-market trades;
Clearing of trades in securities;
Settlement of trades in money market securities and
Provision of collateral management services.

2. Basis of Preparation

2.1 Statement of Compliance

The financial statements at 31 December 2016 have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the Companies Act of South Africa.

The financial statements were approved by the Board of directors on 29 March 2017.

2.2 Basis of Measurement and Presentation

The financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. The financial statements are presented in Rands, which is the Company's functional currency, rounded to the nearest thousand.

2.3 Use of Estimates and Judgments

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

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

2. Basis of preparation *(continued)*

2.3 Use of Estimates and Judgments *(continued)*

In particular, information about areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most effect on the amounts recognised in the financial statements are included in the following notes:

Note 3.3 and 9	Intangible assets
Note 3.4 and 9	Impairment

3. Accounting Policies

The principle accounting policies set out below have been applied and are consistent with the previous year.

3.1 Financial Instruments

3.1.1 Derivative financial instruments

Derivative financial instruments comprise forward exchange contracts measured as financial assets and liabilities at fair value through profit and loss.

Measurement
Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. They are measured initially at fair value with transaction costs on these items being expensed.

Foreign exchange contracts
Forward exchange contracts are measured at the forward rate at year end. Foreign exchange gains and losses resulting from foreign exchange contracts are recognised in profit or loss during the year.

3.1.2 Non-Derivative financial instruments

Non-derivative financial instruments comprise loans and receivables, trade and other receivables, cash and cash equivalents and trade and other payables.

Measurement

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. They are measured initially at fair value plus any directly attributable transaction costs.

3. Accounting Policies *(continued)*

3.1 Financial Instruments *(continued)*

3.1.2 Non-derivative Financial Instruments *(continued)*

Financial instruments are recognised as loans and receivables, financial assets or financial liabilities. Included in loans and receivables are cash and cash equivalents and trade and other receivables. Included in other financial liabilities are trade and other payables.

The subsequent accounting treatment depends on the classification of an instrument as set out below:

Cash and Cash Equivalents
Cash and cash equivalents are measured at amortised cost using the effective interest method less impairment losses, and comprise cash on hand and call deposits.

Trade and Other Receivables
Trade and other receivables are measured at amortised cost using the effective interest method less impairment losses.

Trade and Other Payables
Trade and other payables are carried at amortised cost using the effective interest method.

3.2.2 Stated Capital

Shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Cash dividends to be paid are recognised as a liability until paid to the shareholder. Dividends are recognised as distributions within equity in the period in which they are payable to shareholders. No dividend withholding tax is deducted for all South African companies.

3. Accounting Policies *(continued)*

3.1 Financial Instruments *(continued)*

3.1.3 Offsetting of Financial Assets and Liabilities and Related Income

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

3.1.4 Derecognition of Financial Assets and Liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial assets are transferred. Any interest in such financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3.2 Equipment

Recognition and Measurement

Equipment comprises furniture and fittings, computer equipment and motor vehicles, which are measured at cost less accumulated depreciation and accumulated impairment.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the assets to reduce the value of the assets to their residual values.
The estimated useful lives are as follows:

Furniture and fittings	5 - 7 years
Motor vehicles:	5 years
Computer equipment:	3 – 5 years

The estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis

The gain or loss arising on the disposal of an item of equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Accounting Policies *(continued)*

3.3 Intangible Assets

Acquired Software
Software acquired is stated at cost less accumulated amortisation and accumulated impairment losses.

Research and Development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan for the production of new or substantially improved products and processes, is capitalised if the development cost can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete the development and its ability and intention is to use or sell the asset. The expenditure capitalised includes the cost of direct labour and an appropriate proportion of overheads and costs that are directly attributable to preparing the asset for its intended use.

Subsequent to initial recognition other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation
Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets.

Amortisation of an intangible asset begins when the asset is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Estimated useful lives are as follows:

Purchased software:	3 – 5 years
Developed software:	2 – 10 years

The estimated useful life and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Subsequent Expenditure
Subsequent expenditure on software assets is capitalised when it is probable that it will result in future economic benefits. All other expenditure is expensed as incurred.

Use of judgment and estimates
Judgment is required during the annual review of useful lives of intangible assets and impairment assessments.

3. Accounting Policies *(continued)*

3.4 Impairment

3.4.1 Financial Assets

Financial Assets at Amortised Cost
A financial asset categorised as loans and receivables is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

Individually significant financial assets are tested for impairment on an individual basis. In the case of assets that are not individually significant, these assets are grouped on the basis of similar characteristics. These characteristics are used in the estimation of future recoverable cash flows.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-financial assets
The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For capitalised development expenditure that is not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or a cash- generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. An impairment loss is recognised if the carrying amount of a cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss.

Strate Proprietary Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

3. Accounting Policies *(continued)*

3.4 Impairment *(continued)*

Non-financial assets *(continued)*
An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Employee Benefits

3.5.1 Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3.5.2 Short-term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.5.3 Long-term incentive (LTI) Employee Benefits

The LTI was implemented in order to retain key employees to assist the Company in achieving its strategic objectives. The LTI is determined based on a percentage of net profit after tax and then shared by the participants on a performance weighted pro-rated basis. The LTI is a five-year cycle scheme with payments spread equally in years 3, 4 and 5.

The Company's net obligation in respect of long- term obligations other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and prior periods and the interest earned on the tranches; that benefit is discounted to determine its present value, and the value of any related assets are deducted.

3. Accounting Policies *(continued)*

3.5 Employee Benefits *(continued)*

3.5.3 Long-term incentive (LTI) Employee Benefits *(continued)*

The discount rate is the yield at the reporting date of listed corporate bonds, adjusted for Company-specific circumstances that have maturity dates approximating the terms of the Company's obligation. The present value of the amount payable to employees in respect of the LTI, which will be settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any change in the carrying value of the liability is recognised as a personnel expense in profit or loss.

Interest paid on LTI is recognised in profit and loss.

3.6 Revenue

All revenue is reflected excluding Value Added Taxation. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable economic benefits of the transaction will flow to the entity and the revenue can be measured reliably.

Revenue is recognised as follows

1.1 Settlement and related charges – when settlement takes place
1.2 Ad valorem fees (controlled and non-controlled)– upon issuing of contract note

3.7 Lease Payments

Leases where the Company is the lessee and where the lessor retains substantially all the risks and rewards of ownership of the underlying asset are classified as operating leases in the Company's financial statements. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.8 Finance Income and Costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on the LTI. All interest costs are recognised in profit or loss using the effective interest method. Refer to note 3.5.3 where interest paid on the LTI has been noted.

3. Accounting Policies *(continued)*

3.9 Taxation

Taxation on the statement of comprehensive income for the year comprises current and deferred tax. Taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or in equity, in which case it is recognised in other comprehensive income or equity.

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

Deferred taxation is raised in respect of temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that the Company controls the reversal thereof and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income tax levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.10 Special Purpose Reserve Fund

This reserve arises as a result of fines imposed by the Company’s Supervision Division as part of its supervisory obligation to monitor compliance by participants.

This reserve is used for special projects or market training initiatives. Use of this reserve requires the approval of the Company’s Audit, Risk and Compliance Committee.

An amount equal to the remaining funds between penalties levied and the Fund expenses for the year is transferred from retained earnings to the special purpose reserve. Where Fund expenses exceed the penalty levied during the year, the available reserve is utilised.

3. Accounting Policies *(continued)*

3.11 Capital Redemption Reserve Fund

An amount that arose out of the redemption of preference shares is recognised as capital.

3.12 Investment in subsidiary

Central Depository Nominees Proprietary Limited (CD Nominees) is a wholly owned subsidiary of Strate. The subsidiary is dormant and has not been presented on the basis that the consolidation will have no material effect on the financial position, performance and cash flows of the group. The non-consolidation of a subsidiary will be reconsidered at each reporting date.

The investment is measured at cost.

3.13 Standards issued but not yet effective

At the date of approval of the financial statements of the Company for the year ended 31 December 2016, the following applicable Standards and Interpretations, as listed in the table below, were in issue but not yet effective.

Early adoption of the standards issued is permitted. The Company has not early adopted these standards in preparing these financial statements.

Standard	Description	Effective date	Possible impact on financial statements
IAS 7	Disclosure amendments The amendment provides for disclosure that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash and cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.	1 January 2017	The possible impact on the financial statements has been assessed by management as minimal.

3. Accounting Policies *(continued)*

3.13 Standards issued but not yet effective *(continued)*

Standard	Description	Effective date	Possible impact on financial statements
IAS 12	Recognition of deferred tax assets for unrealised Losses The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.	1 January 2017	The possible impact on the financial statements has been assessed by management as minimal.
IFRS 15	Revenue from contracts with customers The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized.	1 January 2018	Management is assessing the impact resulting from the application of the standard.
IFRS 9	Financial Instruments On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB’s project to replace IAS 39 *Financial Instruments; Recognition and Measurement*.	1 January 2018	Management is assessing the impact resulting from the application of the standard.
IFRS 16	Leases IFRS 16 sets out the principals for the recognition, measurement, presentation and disclosures of leases for both parties to a contract, i.e. the customer (‘lessee”) and the supplier (‘lessor’). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial Position.	1 January 2019	Management is assessing the impact of applying IFRS 16 in the financial statements.

Strate Proprietary Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

		2016 R'000	2015 R'000
4.1	**Revenue**		
	Revenue consists of the following:		
	Settlement and related charges	**155 172**	146 619
	Ad valorem fees	**160 337**	133 816
	Issuer fees	**49 741**	49 124
	Depository fees	**28 672**	26 394
	Connectivity fees	**540**	601
	Corporate action charges	**21 205**	20 790
	Wide area network and SWIFT charges	**16 988**	15 327
	Front end license and membership fees	**4 503**	4 499
	Data sales	**8 354**	7 359
		445 512	404 529
4.2	**Other income**		
	Other income consists of the following		
	Transfer to the SPRF reserve	**–**	2 204
	Supervision penalty income	**4 004**	3 025
	Utilisation of penalty income	**(4 004)**	(821)
	Training	**198**	574
	Other	**1 677**	114
		1 875	2892
5.	**Operating Expenditure**		
	Net profit before taxation is arrived at after taking the following items into account:		
	Personnel expenses	**123 046**	100 398
	– salaries	**85 784**	68 132
	– contributions to defined contribution plans	**3 760**	3 426
	– increase in liability for leave pay accrual	**2 009**	535
	– expense related to LTI	**6 990**	4 709
	– short-term incentive scheme	**24 503**	23 596
	Directors' emoluments (refer to note 21)	**19 377**	21 794
	– fees for services as directors	**4 344**	4 245
	– fees for consulting services	**2**	–
	– salaries of executive directors	**8 195**	8 505
	– expense related to LTI	**2 688**	4 606
	– short-term incentive scheme	**4 148**	4 438
		142 423	122 192

Notes to the financial statements *(continued)*

for the year ended 31 December 2016

		2016 R'000	2015 R'000
5.	**Operating expenditure** *(continued)*		
	IT and maintenance expenditure	**82 533**	69 520
	Depreciation and amortisation expense (refer to notes 8 and 9)	**41 019**	55 520
	– equipment	**12 450**	14 200
	– intangibles	**28 569**	41 320
	The decrease in amortisation is primarily as a result of accelerated amortisation of intangible assets in the prior year, the useful lives of which were aligned to the new IT Roadmap in the last quarter of 2015.		
	Allowance for impairment on receivables consists of:		
	Trade and other receivables	**502**	501
	– Bad debts written off	**460**	147
	– Provision for doubtful debts	**42**	354
	Impairment on intangibles (refer to note 9)	**572**	–
	Operating lease expenses - property rentals	**5 912**	5 605
	Auditors' remuneration (audit fees)	**2 016**	1 479
	Foreign exchange losses	**3 514**	2 311
	Realised foreign exchange losses	**1 294**	–
	Unrealised foreign exchange losses	**2 220**	2 311
	Legal fees	**1 034**	200
	Loss on sale of equipment	**6**	20
	Research and development expenditure	**4 487**	–

Strate Proprietary Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

		2016 R'000	2015 R'000
6.	**Net finance income**		
	Interest income on	**19 415**	14 284
	– Bank balance	**19 265**	14 284
	– Interest receivable from SARS	**150**	–
	Finance costs	**(1 502)**	(407)
	Interest on LTI scheme	**(1 502)**	(1 026)
	NPV adjusted on LTI scheme	**–**	619
	Net finance costs	**17 913**	13 877
7.	**Taxation**		
	Current taxation	**47 332**	37 483
	Deferred taxation	**(3 375)**	2 840
		43 957	40 323
	Tax reconciliation (Rands):		
	Profit before taxation	**156 075**	143 338
	Standard South African normal taxation	**43 701**	40 135
	Non-deductible expenses	**256**	188
		43 957	40 323

8. Equipment

Cost	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Balance at 1 January 2015	73 823	4 900	123	78 846
Acquisitions	11 798	17	–	11 815
Disposals	(64)	–	–	(64)
Balance at 31 December 2015	85 557	4 917	123	90 597
Balance at 1 January 2016	**85 557**	**4 917**	**123**	**90 597**
Acquisitions	**3 132**	**1 034**	**–**	**4 166**
Disposals	**(82)**	**–**	**–**	**(82)**
Balance at 31 December 2016	**88 607**	**5 951**	**123**	**94 681**

Accumulated depreciation	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Balance at 1 January 2015	(47 792)	(2 888)	(49)	(50 729)
Depreciation	(13 711)	(483)	(6)	(14 200)
Disposals	29	–	–	29
Balance at 31 December 2015	(61 474)	(3 371)	(55)	(64 900)
Balance at 1 January 2016	**(61 474)**	**(3 371)**	**(55)**	**(64 900)**
Depreciation	**(11 937)**	**(495)**	**(18)**	**(12 450)**
Disposals	**70**	**–**	**–**	**70**
Balance at 31 December 2016	**(73 341)**	**(3 866)**	**(73)**	**(77 280)**
Carrying amount				
At 1 January 2015	26 031	2 012	74	28 117
At 31 December 2015	24 083	1 546	68	25 697
Carrying amount				
At 1 January 2016	**24 083**	**1 546**	**68**	**25 697**
At 31 December 2016	**15 266**	**2 085**	**50**	**17 401**

Strate Proprietary Limited

Notes to the financial statements *(continued)*

for the year ended 31 December 2016

9. Intangible assets

Cost	Purchased Software R'000	Developed Software - in use R'000	Developed Software - not yet in use R'000	Total R'000
Balance at 1 January 2015	36 501	205 148	108 183	349 832
Acquisitions	5 588	–	–	5 588
Internal development	–	13 261	17 641	30 902
Collateral management now in use	–	52 214	(52 214)	-
Category correction	(90)	90	–	-
Balance at 31 December 2015	41 999	270 713	73 610	386 322
Balance at 1 January 2016	**41 999**	**270 713**	**73 610**	**386 322**
Acquisitions	**4 718**	**–**	**–**	**4 718**
Internal development	**–**	**6 078**	**19 963**	**26 041**
Banks MI Money market now in use	**–**	**33 294**	**(33 294)**	**-**
Balance at 31 December 2016	**46 717**	**310 085**	**60 279**	**417 081**

Accumulated amortisation and impairment losses	Purchased Software R'000	Developed Software-in use R'000	Developed Software not in use R'000	Total R'000
Balance at 1 January 2015	(24 859)	(147 018)	–	(171 877)
Amortisation for the period	(3 105)	(38 215)	–	(41 320)
Category correction	28	(28)	–	–
Balance at 31 December 2015	(27 936)	(185 261)	–	(213 197)
Balance at 1 January 2016	**(27 936)**	**(185 261)**	**–**	**(213 197)**
Amortisation for the period	**(4 803)**	**(23 766)**	**–**	**(28 569)**
Impairment charge	**–**	**(572)**	**–**	**(572)**
Balance at 31 December 2016	**(32 739)**	**(209 599)**	**-**	**(242 338)**
Carrying amount				
At 1 January 2015	11 642	58 130	108 183	177 955
At 31 December 2015	14 063	85 452	73 610	173 125
Carrying amount				
At 1 January 2016	**14 063**	**85 452**	**73 610**	**173 125**
At 31 December 2016	**13 978**	**100 486**	**60 279**	**174 743**

9. Intangible assets *(continued)*

Intangible assets comprise of core customised software applications critical to the business. Judgment is required during the annual review of useful lives. Estimates of useful lives are dependent upon the expected life span from the date the software application is implemented and the actual usage period of the product in the market. Useful lives were assessed and reviewed during the year. Management amended certain useful lives based on new available information as at the reporting date.

During the year, the Company impaired the Link up messaging application due to regulatory approval still pending, the timing of which is uncertain as at the reporting date. The approval delay has resulted in full impairment in the current year.

10. Trade and Other Receivables

	2016 R'000	2015 R'000
Trade receivables - related parties	**55 662**	30 796
Trade receivables - other	**15 155**	17 849
Other receivables	**95**	62
Impairment - trade receivables	**(437)**	(395)
Net trade receivables	**70 475**	48 312
Prepayments	**35 741**	35 853
	106 216	84 165

The carrying amount of net trade and other receivables is a reasonable approximation of fair value as they are short-term in nature.

11. Cash and Cash Equivalents

Cash on deposit and bank balances comprise:		
Current account	**17 319**	12 437
Call deposits	**252 456**	212 472
	269 775	224 909

Finance income of R19,4m (2015 – R14,3m) was earned on bank deposits. The Company's exposures to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 16.3.

Included in call deposits is a guarantee amounting to R1,5m which has been placed with First National Bank Limited as security, relating to the lease agreement for premises. Access to these funds is restricted. Refer to note 19.3.

The carrying amount of cash and cash equivalents is a reasonable approximation of fair value as they are short- term in nature.

12. Deferred Taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	**2016**	2015	**2016**	2015
Operating lease expense	**366**	335	**–**	–	**366**	335
Employee benefits	**4 915**	3 850	**–**	–	**4 915**	3 850
Equipment and Intangibles	**–**	–	**(15 099)**	(15 998)	**(15 099)**	(15 998)
Deferred income	**–**	42	**–**	–	**–**	42
Prepayments	**–**	–	**(733)**	(1 926)	**(733)**	(1 926)
Impairment - trade receivables	**91**	82	**–**	–	**91**	82
Audit fee provision	**341**	285	**–**	–	**341**	285
Leave pay provision	**1 555**	1 391	**–**	–	**1 555**	1 391
	7 268	5 985	**(15 832)**	(17 924)	**(8 564)**	(11 939)

Movements in temporary differences during the year are attributable to the following:

	Balance at 1 Jan 2015 R'000	Recognised in profit or loss in 2015 R'000	Balance at 31 Dec 2015 R'000	**Recognised in profit or loss in 2016 R'000**	**Balance at 31 December 2016 R'000**
Operating lease expense	193	142	335	**31**	**366**
Employee benefits	4 104	(254)	3 850	**1 065**	**4 915**
Equipment and Intangibles	(14 054)	(1 944)	(15 998)	**899**	**(15 099)**
Deferred income	–	42	42	**(42)**	**–**
Prepayments	(1 085)	(841)	(1 926)	**1 193**	**(733)**
Impairment - trade receivables	8	74	82	**9**	**91**
Audit fee provision	256	29	285	**56**	**341**
Leave pay provision	1 479	(88)	1 391	**164**	**1 555**
	(9 099)	(2 840)	(11 939)	**3 375**	**(8 564)**

13. Stated Capital

	2016 R'000	2015 R'000
Authorised		
10 000 Ordinary shares of no par value [1]		
50 000 cumulative redeemable preference shares of R1 each		
50 000 cumulative redeemable preference shares of R1 each		
Issued		
Ordinary shares (9 756 ordinary shares of no par value in issue)	**20 000**	20 000

[1] The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

		2016 R'000	2015 R'000
14.	**Trade and other payables**		
	Trade payables and other payables	**24 180**	5 623
	Accrued expenses	**7 842**	38 449
		32 022	44 072
	VAT payable	**2 251**	3 465
	Lease straight-lining accrual	**1 299**	1 197
	Deferred income	**–**	150
		35 572	48 884

The carrying amount of trade and other payables is a reasonable approximation of fair value as they are short- term in nature.

		2016 R'000	2015 R'000
15.	**Provisions**		
	Leave pay provision	**5 557**	4 972
	Audit fee provision	**1 217**	1 022
		6 774	5 994

Provisions were included in trade and other payables in the previous year however for comparison purposes, provisions have been separately disclosed in the current year.

16. Financial Instruments

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Interest rate risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit, Risk and Compliance Committee has, as part of its terms of reference, the responsibility to monitor risk management in the Company.

The Audit, Risk and Compliance Committee is assisted in its oversight role by internal audit. Internal audit undertakes regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit, Risk and Compliance Committee.

The Company, through training and managing of standards and procedures, has developed a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

16. Financial Instruments *(continued)*

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

16.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables.

Trade and Other Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each client. More than 75% of the Company's revenue is attributable to transactions with its CSD Participants and the JSE Limited. The majority of the debtors are first tier banks (refer to note 18 for details) and management is comfortable with prospects of recovering the debtor balances. The outstanding balances are disclosed below.

No material changes have taken place in respect of the client base as the Company has been servicing the same clients since its inception. Irrecoverable amounts have been limited and were mainly attributable to services provided to issuers.

Cash and Cash Equivalents

The Company has an investment policy which provides guidelines in respect of the day-to-day administration of cash within the Company. The primary objective of the policy is to preserve cash funds. The policy also deals with permitted investment types and service providers as well as limits of funds to be placed with service providers.

The Company's maximum exposure to credit risk at the reporting date was:

	2016	2015
	R'000	R'000
Trade and other receivables, excluding prepayments	**70 475**	48 312
Cash and cash equivalents	**269 775**	224 909
	340 250	273 221

There is no collateral held relating to credit risk.

16. Financial Instruments *(continued)*

16.1 Credit Risk *(continued)*

The ageing of trade and other receivables (excluding prepayments) at the reporting date was:

	2016			2015		
	Gross R'000	**Impairment R'000**	**Net R'000**	Gross R'000	Impairment R'000	Net R'000
Not past due	**57 783**	**(11)**	**57 772**	42 847	(40)	42 807
Past due 31 - 60 days	**11 733**	**(6)**	**11 727**	3 612	–	3 612
Past due 61 - 90 days	**770**	**(6)**	**764**	682	(1)	681
Past due > 90 days	**626**	**(414)**	**212**	1 566	(354)	1 212
	70 912	**(437)**	**70 475**	48 707	(395)	48 312

An analysis of the credit quality of trade and other receivables that are neither past due nor impaired is as follows:

	2016 R'000	2015 R'000
Customers with an external credit rating of BBB- per Fitch Rating Agency	**5 781**	14 403
Other customers with more than 5 years trading history with the Company	**35 852**	16 933
Other customers	**16 139**	11 471
	57 772	42 807

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance as at 1 January	**395**	41
Provision for doubtful debts	**42**	354
Balance as at 31 December	**437**	395

The Company believes that the impairment allowance is adequate. The allowance for impairment is based on specific client circumstances and is not a general allowance. Specific allowances were made in respect of balances where recoverability is doubtful. This includes but not limited to customers delisted and liquidated or suspended by the JSE. The Company is confident that all client balances, besides those specifically included in the allowance, are recoverable. The trade receivables are monitored and reviewed monthly. Problematic balances are identified and followed up.

16. Financial Instruments *(continued)*

16.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has determined a minimum level of liquid assets in order to ensure its on-going operations which represents approximately six months of cash operating expenditure. The level is assessed on an on-going basis to ensure that an adequate level is maintained given the nature of the Company.

The Company does not have any debt that needs to be serviced.

The following table analyses the terms of the contractual undiscounted maturities of non-derivative financial instruments existing at the reporting date:

2016	Up to 3 months R'000	3 to 12 months R'000	1 to 5 months R'000	Carrying amount R'000
Non-derivative financial liabilities				
Trade and other payables	**32 022**	**–**	**–**	**32 022**
	32 022	**–**	**–**	**32 022**
Off balance sheet item – FEC commitments	**5 374**	**2 430**	**–**	**7 804**

2015	Up to 3 months R'000	3 to 12 months R'000	1 to 5 months R'000	Carrying amount R'000
Non-derivative financial liabilities				
Trade and other payables	44 072	–	–	44 072
	44 072	–	–	44 072

16. Financial Instruments *(continued)*

16.3 Interest Rate Risk

Interest rate risk is the effect of a Company's exposure to the effect of future changes in the prevailing level of interest rates.

The Company currently has no material exposure to interest rate risk on its liabilities.

Interest receivable is received on a floating rate basis. Funds are invested in permitted investments and with service providers in accordance with the investment policy guidelines. The majority of the Company's funds are invested on a term basis in accordance with the Company's cash flow requirements.

The interest rate risk profile for non-derivative financial assets at the reporting date is as follows:

	Floating rate R'000	Total R'000
2016		
Non-derivative financial assets		
Cash and cash equivalents	**269 775**	**269 775**
2015		
Non-derivative financial assets		
Cash and cash equivalents	224 909	224 909

Cash Flow Sensitivity Analysis for Variable Rate Instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) the profit and equity by the amounts shown below. The analysis assumes that all other variables remain constant.

2016	100.bp increase R'000	100.bp decrease R'000
Variable rate instruments		
Cash flow sensitivity (net of tax)	**1 987**	**(1 987)**
2015		
Variable rate instruments		
Cash flow sensitivity	1 619	(1 619)

Cash and cash equivalents include cash deposits in fixed term investments with a period range of six to twelve months. On maturity date, interest rates are re-negotiated for re-investments.

16. Financial Instruments *(continued)*

16.4 Fair Value Disclosure

The fair value of financial instruments carried at fair value are categorised as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable data).

2016	Loans and receivables R'000	Fair value through profit and loss R'000	Other financial liabilities R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial asset							
Loan receivable	**2 197**	-	-	-	**2 197**	-	**2 197**
Trade and other receivables	**70 475**	-	-	-	-	**70 475**	**70 475**
Cash and cash equivalents	**269 775**	-	-	-	**269 775**	-	**269 775**
	342 447	–	–	-	**271 972**	**70 475**	**342 447**
Financial liabilities							
Trade and other payables	-	-	**(32 022)**	-	-	**(32 022)**	**(32 022)**
Foreign exchange contacts	-	**(1 294)**		-	**(1 294)**	-	**(1 294)**
	–	**(1 294)**	**(32 022)**	–	**(1 294)**	**(32 022)**	**(33 316)**

The financial instruments such as trade and other receivables, cash and cash equivalents, trade and other payables and audit fee provisions are not measured at fair value however the carrying amount is a reasonable approximation of fair value.

Loan receivable fair value – all contractual future cash flows discounted at an observable prime interest rate as at the reporting date.

Forward exchange contracts fair value - similar contracts are traded in an active market and the FEC rates reflects the actual transactions in similar instruments.

Strate Proprietary Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

16. Financial Instruments *(continued)*

16.4 Fair Value Disclosure *(continued)*

2015	Loans and receivables R'000	Fair value through profit and loss R'000	Other financial liabilities R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial asset							
Loan receivable	1 970	-	-	-	1 970	-	1 970
Trade and other receivables	48 312	-	-	-	-	48 312	48 312
Foreign exchange contracts	-	3 367	-	-	3 367	-	3 367
Cash and cash equivalents	224 909	-	-	-	224 909	-	224 909
	275 191	3 367	–	-	230 246	48 312	278 558
Financial liabilities							
Trade and other payables	-	-	(44 072)	-	-	(44 072)	(44 072)
Foreign exchange contracts	-	-	-	-	-	-	-
	-	-	(44 072)	-	-	(44 072)	(44 072)

16.5 Capital Management

The Board's aim is to maintain a strong capital base so as to enhance investor, creditor and market confidence and to sustain future development of the business. To be financially self-sufficient and to provide the shareholders with a fair return is one of the Company's key objectives.

The current capital structure consists only of equity. The Company is satisfied with the current structure and therefore does not plan on raising any debt.

While the Company is not, currently, subject to externally imposed capital requirements, it has assessed its capital adequacy against the draft regulations being issued in terms of the Financial Markets Act and is satisfied that it will meet the regulatory requirements when these are formally introduced.

Notes to the financial statements *(continued)*

for the year ended 31 December 2016

16. Financial Instruments *(continued)*

16.5 Capital Management *(continued)*

Capital is made up of:

	2016 R'000	2015 R'000
Stated Capital	**20 000**	20 000
Capital redemption reserve fund	**50**	50
Special purpose fund	**11 960**	13 078
Retained earnings	**466 595**	405 985
	498 605	439 113

An ordinary dividend of R5,279 per share was paid on 12 May 2016 (2015: R4,331 per share).

16.6 Foreign Currency Risk

The Company is exposed to foreign currency risk as a result of software license contracts with foreign suppliers. The Company hedged 75% of future commitments in a foreign currency using forward exchange contracts. The maturity of the forward exchange contracts are within one year from reporting date.

The nominal values of foreign exchange contracts are detailed below:

	2016		2015	
	Foreign currency FX'000	Rands **R'000**	Foreign currency FX'000	Rands R'000
Euro	**168**	**2 476**	1 135	20 857
US Dollar	**137**	**1 888**	440	7 201
Swiss Franc	**140**	**1 962**	-	-
		6 326		28 058

The foreign exchange contracts were valued at fair value using foreign exchange market rates.

Strate Proprietary Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

16. Financial Instruments *(continued)*

16.6 Foreign Currency Risk *(continued)*

Foreign currency sensitivity analysis
A change of 10% weakening in Rand at the reporting date would have increased/(decreased) the profit and equity by the amounts shown below. The analysis assumes that all other variables remain constant.

Effect on profit or loss/equity

	10% increase R'000	10% decrease R'000
2016		
Exchange rate sensitivity (net of tax)	**455**	**(455)**
Exchange rate sensitivity (net of tax)	**455**	**(455)**
2015		
Exchange rate sensitivity	408	(408)
Exchange rate sensitivity	408	(408)

	2016 R'000	2015 R'000
17. Notes to the Cash Flow Statement		
17.1 Cash generated by operations		
Profit before taxation	**156 075**	143 338
Adjustments:		
Depreciation and amortisation expense	**41 019**	55 520
Impairment of intangibles	**572**	-
Loss on sale of equipment	**6**	20
Finance income	**(19 415)**	(14 284)
Finance costs	**1 502**	1 026
Unrealised foreign exchange losses	**1 294**	-
Reversal of accruals	**-**	404
Effects of discounting the collateral liability	**-**	(3 891)
Operating profit before working capital changes	**181 053**	182 133
Increase in trade and other receivables	**(18 523)**	(15 081)
Decrease in payables	**(9 984)**	(30 245)
	152 546	136 807

Strate Proprietary Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

		2016 R'000	2015 R'000
17.	**Notes to the Cash Flow Statement** (continued)		
17.2	**Interest received/(paid)**		
	Finance income		
	Interest received cash investments	**19 265**	14 284
	Finance costs		
	Interest paid on LTI scheme	**(1 366)**	(1 026)
17.3	**Taxation paid**		
	Opening balance at the beginning of the year	**(4 806)**	2 469
	Charged to the statement of comprehensive income	**47 331**	37 483
	(Payable) / Receivable at end of year	**(3 375)**	4 806
		39 150	44 758

18. Related Parties

Key Management Personnel

Key management personnel include the Board of directors and members of the Executive Committee. Key management personnel include close family members of key personnel who may be expected to influence or be influenced by that individual in dealing with the Company. Refer to note 21 where key management personnel compensation has been disclosed.

Shareholders

	2016 %	2015 %
JSE Limited	**44.547**	44.547
Nedbank Limited	**14.996**	14.996
The Standard Bank of South Africa Limited	**14.996**	14.996
Absa Bank Limited	**12.679**	12.679
FirstRand Bank Limited	**12.679**	12.679
Citibank N.A (South African Branch)	**0.103**	0.103

18. Related Parties *(continued)*

Shareholders *(continued)*

	Revenue		Trade receivables	
	2016	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000
JSE Limited	**151 472**	143 014	**34 538**	14 925
The Standard Bank of South Africa Limited	**77 676**	69 419	**14 025**	7 916
FirstRand Bank Limited	**42 093**	40 030	**3 848**	4 275
Nedbank Limited	**19 127**	18 461	**1 619**	1 906
Absa Bank Limited	**2 399**	2 083	**314**	306
Citibank N.A (South African Branch)	**14 610**	14 001	**1 314**	1 468
Total	**307 377**	287 008	**55 658**	30 796

The Company's revenue, as reflected in note 4, is earned principally from the settlement of securities. In terms of the Company's business model, fees are collected from the CSD Participants and the JSE, which collect these fees from the investors. The revenue earned from providing these services, as detailed above, is market related.

Trade receivables are to be received within 30 days of invoice date and interest is charged on a discretionary basis. There are no securities or guarantees.

19. Commitments and Contingencies

19.1 Operating Expenditure

	2016	2015
	R'000	R'000
Maintenance contract for technology	**106 560**	172 589
within one year	**38 064**	88 805
greater than a year but less than five years	**68 496**	83 784
Lease payments under a non-cancellable operating lease	**14 364**	19 368
within one year	**6 372**	5 625
greater than a year but less than five years	**7 992**	13 743
	120 924	191 957

The Company leases the office premises under an operating lease. The lease typically runs for a period of up to 5 years, with an option to renew the lease after that period. The current lease expires in February 2019.

Strate Proprietary Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

19. Commitments and Contingencies *(continued)*

19.2 Capital Expenditure

	2016 R'000	2015 R'000
Authorised (Budgeted)	**85 082**	69 800
Equipment – within one year	**27 904**	7 900
Intangibles – within one year	**57 178**	61 900

The commitments are to be funded out of the Company's working capital.

19.3 Contingent Liabilities

First National Bank Limited has issued a guarantee of R1,5m (2015: R1,5m) in favor of the lessor, Public Investment Corporation. This relates to the lease agreement requirements for the Company's premises. The guarantee will be released under the terms of the lease agreement on expiry of the lease in February 2019.

20. Employee Benefits

The Company's salary structure is based on the total cost-to-company approach.

All contributions to the pension and medical aid schemes are included in the salary structure.

The Company provides retirement benefits for all its permanent employees through a defined contribution pension scheme and therefore does not have a liability in terms of retirement benefits. Members' interest in the scheme is based on the market value of the funds and is adjusted monthly for changes in market value. The scheme is fully funded and is governed by the Pension Funds Act, 1956 as amended.

	2016 R'000	2015 R'000
Current liability		
Short-term portion of incentive schemes		
Balance of discretionary bonus	**5 182**	3 025
Current portion of LTI	**12 373**	9 690
LTI	**10 871**	8 987
Interest payable on LTI	**1 502**	703
Total current liability	**17 555**	12 715
Non-current liability		
Non-current portion of interest payable on LTI	**–**	1 038
Total non-current liability	**–**	1 038

Interest will be earned by participants until each tranche is paid. Interest paid has been calculated using the average investment interest rate calculated at 7.96% (2015: 4.5%). The interest on future tranches payable has been discounted at a weighted discount rate of 0% (2015: 4.5%) to net present value. Interest paid is recognised through profit or loss.

Strate Proprietary Limited

Notes to the financial statements *(continued)*

for the year ended 31 December 2016

21. Directors Emoluments

		Directors 'fees R'000	Consulting fees R'000	Salaries R'000	Bonuses and LTI R'000	Total R'000
2016						
		4 344	**2**	**8 195**	**6 836**	**19 377**
Executive directors						
MJ Singer[1]	CEO	-	–	**4 009**	**4 165**	**8 174**
AF van Eden[2]		-	–	**2 896**	**1 673**	**4 569**
A Maharaj[3]	CFO	-	–	**1 290**	**998**	**2 288**
Other directors						
MR Johnston		**900**	**2**	–	–	**902**
NG Payne		**500**	–	–	–	**500**
PL Campher		**183**	–	–	–	**183**
RJG Barrow		**955**	–	–	–	**955**
RSM Ndlovu		**259**	–	–	–	**259**
M Ramplin		**255**	–	–	–	**255**
K Getz		**423**	–	–	–	**423**
D Naidoo		**500**	–	–	–	**500**
RM Loubser		**369**	–	–	–	**369**

[1] Includes R376 157 that relates to contributions made to the JSE Pension Fund.

[2] Includes R140 250 that relates to contributions made to the JSE Pension Fund.

[3] Includes R175 252 that relates to contributions made to the JSE Pension Fund.

The Company has no prescribed officers other than the executive directors listed above.

Strate Proprietary Limited

Notes to the financial statements *(continued)*

for the year ended 31 December 2016

21. Directors Emoluments *(continued)*

	Directors 'fees R'000	Consulting fees R'000	Salaries R'000	Bonuses and LTI R'000	Total R'000
2015					
	4 245	-	8 505	9 044	21 794
Executive directors					
MJ Singer[1]	-	-	3 717	4 354	8 172
AF van Eden[2,4]	-	–	2 365	2 399	4 764
H van Eeden[3]	-	–	2 322	2 291	4 613
Other directors					
MR Johnston	1 234	–	–	–	1 234
NG Payne	655	–	–	–	655
PL Campher	121	–	–	–	121
RJG Barrow	823	–	–	–	823
RSM Ndlovu	220	–	–	–	220
M Ramplin	152	–	–	–	152
K Getz	388	–	–	–	388
D Naidoo	354	–	–	–	354
RM Loubser	298	–	–	–	298

1 Includes R353 482 that relates to contributions made to the JSE Pension Fund.

2 Includes R200 357 that relates to contributions made to the JSE Pension Fund.

3 Includes R259 660 that relates to contributions made to the JSE Pension Fund.

4 The Head of collateral management is the alternate to CEO.

The Company has no prescribed officers other than the executive directors listed above.

22. Investment in Subsidiary

Investment in CD Nominees

CD Nominees, acts as a vehicle in whose name debt securities deposited with Strate are registered. The subsidiary's only purpose is to act as a nominee Company for Strate.

The issued share capital of CD nominees of R1 is represented by cash of R1. CD Nominees is a wholly owned subsidiary of Strate.

23. Going Concern

The directors believe that the Company has adequate resources to continue as a going concern for the foreseeable future.

24. Events after the Reporting Date

No material events occurred after the reporting date that would require adjustment or disclosure in the Financial Statements.

25. Special Purpose Reserve Fund (SPRF)

Penalties amounting to R4m (2015 R3m) were levied during the year, however R5,1m (2015 R0,8) was spent in respect of the fund of which the excess of R1,1m was utilised out of the SPRF fund balance in equity. In 2015, R2,2m was transferred to the SPRF.

	2016 R'000	2015 R'000
26. Loan receivable		
Non-current loan receivable	**2 197**	1 970
Non-current portion prepayment	**1 407**	1 644
Current portion prepayment	**296**	286
Loan to ASISA Enterprise Development Fund	**3 900**	3 900

In October 2015, Strate Proprietary Limited provided a loan to ASISA Enterprise Development Fund. ASISA distributes funds to different investment portfolios of black start-up enterprises and assist these entrepreneurs with business development and support. This initiative is a vehicle through which Strate executes its Broad Based Black Economic Empowerment (BBBEE) transformation strategy.

The loan is unsecured, interest free and repayable from October 2022.