Nedgroup Beta Solutions Proprietary Limited

2007/009755/07

Annual Financial Statements
for the year ended 31 December 2015
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Nedgroup Beta Solutions Proprietary Limited

Directors’ responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Nedgroup Beta Solutions Proprietary Limited, comprising the statement of financial position at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors’ report.

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

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern 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 annual financial statements

The annual financial statements of Nedgroup Beta Solutions Proprietary Limited as identified in the first paragraph, were approved by the board of directors on 18 March 2016 and signed by:

Craig du Preez  
Authorised Director

Guy B Strahlendorf  
Authorised Director
Nedgroup Beta Solutions Proprietary Limited

Directors’ report
for the year ended 31 December 2015

Business and operations

Nedgroup Beta Solutions Proprietary Limited ("the company") was formed to act as the manager of the BettaBeta Collective Investment Scheme in terms of the Collective Investment Schemes Control Act, 2002. The company is registered in South Africa and domiciled at 135 Rivonia Road, Sandown, Sandton, South Africa.

Share capital

Details of the share capital of the Company are reflected in the financial statements. The Company was incorporated with an authorised share capital of 1 000 ordinary shares. The issued share capital comprises 100 shares of R1 par value each.

Dividend

No dividends were declared during the financial period (2014: RNil).

Auditor

KPMG Inc. has been appointed as the auditor in accordance with Section 270(2) of the Companies Act.

Holding company

All the issued shares are held by Nedbank Group Limited.

Registered address

Business address - Postal address -
135 Rivonia Road P O Box 72112
Sandown Parkview
2196 2122

The company is incorporated in South-Africa.
Nedgroup Beta Solutions Proprietary Limited

Directors’ report (continued)
for the year ended 31 December 2015

Directors

The directors in office during the reporting period and up to the date of this report are:

JP Nobrega
P Meyer
C du Preez
GB Strahlendorf

Secretary

The secretary of the Company is Nedgroup Secretariat Services Proprietary Limited (registration number 1992/006437/07).
Audit of financial statements

IFRS and Companies Act (Financial Statements)

Independent Auditor’s Report

To the Shareholder of Nedgroup Beta Solutions (Pty) Ltd

Report on the Financial Statements

We have audited the financial statements of Nedgroup Beta Solutions (Pty) Ltd, which comprise the statement of financial position at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 2015 then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 1 to 27.

Directors' Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Nedgroup Beta Solutions (Pty) Ltd as at 31 December 2015, and its financial performance and cash flows for the 2015 then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

KPMG Inc.

Piet Pretorius Fourie
Chartered Accountant (SA)
Registered Auditor
Director
22 March 2016
### Statement of financial position

**at 31 December 2015**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
</tbody>
</table>

#### Assets

**Non-current asset**

- Bank deposit | 2 000 000 | 2 000 000 |

**Current assets**

- Trade and other receivables | 340 831 | 507 998 |
- Current tax receivable      | 136 753 | 136 753 |
- Cash and cash equivalents   | 4 019 152 | 4 172 136 |

**Total assets** | 6 496 736 | 6 816 887 |

#### Equity and Liabilities

**Equity**

- Share capital | (238 909) | 604 468 |
- Retained earnings | 100 | 100 |

**Non-current liabilities**

- Subordinated loan – Nedbank Limited | 2 000 000 | 2 000 000 |

**Current liabilities**

- Trade and other payables | 1 079 890 | 684 579 |
- Intercompany liability   | 1 814 128 | 1 744 928 |
- Group intercompany liability | 1 841 627 | 1 782 912 |

**Total equity and liabilities** | 6 496 736 | 6 816 887 |
Nedgroup Beta Solutions Proprietary Limited

Statement of comprehensive income
for the year ended 31 December 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Income</td>
<td>654 808</td>
<td>885 556</td>
</tr>
<tr>
<td>Management fees received</td>
<td>556 267</td>
<td>395 533</td>
</tr>
<tr>
<td>Other income</td>
<td>98 541</td>
<td>490 023</td>
</tr>
<tr>
<td>Expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange loss</td>
<td>(1 498 185)</td>
<td>(1 021 060)</td>
</tr>
<tr>
<td>Finance cost</td>
<td>6 (80 691)</td>
<td>(278)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>7 (128 660)</td>
<td>(128 660)</td>
</tr>
<tr>
<td>(1 288 834)</td>
<td>(892 122)</td>
<td></td>
</tr>
<tr>
<td>Loss before taxation</td>
<td>(843 377)</td>
<td>(135 504)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>9 -</td>
<td>(1 742)</td>
</tr>
<tr>
<td>Loss and total comprehensive income</td>
<td>(843 377)</td>
<td>(137 246)</td>
</tr>
</tbody>
</table>
**Nedgroup Beta Solutions Proprietary Limited**

**Statement of changes in equity**  
*for the year ended 31 December 2015*

<table>
<thead>
<tr>
<th></th>
<th>Share capital</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 January 2014</strong></td>
<td>100</td>
<td>741 614</td>
<td>741 714</td>
</tr>
<tr>
<td>Loss and total comprehensive income for the period</td>
<td></td>
<td>(137 246)</td>
<td>(137 246)</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2014</strong></td>
<td>100</td>
<td>604 368</td>
<td>604 468</td>
</tr>
<tr>
<td>Loss and total comprehensive income for the period</td>
<td></td>
<td>(843 377)</td>
<td>(843 377)</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2015</strong></td>
<td>100</td>
<td>(239 009)</td>
<td>(238 909)</td>
</tr>
</tbody>
</table>
# Statement of cash flows

*for the year ended 31 December 2015*

<table>
<thead>
<tr>
<th>Cash flow from operating activities</th>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash (utilised) / generated by operations</td>
<td>13</td>
<td>(152 984)</td>
<td>1 219 632</td>
</tr>
<tr>
<td>Tax paid</td>
<td></td>
<td>-</td>
<td>(150 235)</td>
</tr>
<tr>
<td>Net cash (outflow) / inflow from operating activities</td>
<td></td>
<td>(152 984)</td>
<td>1 069 397</td>
</tr>
<tr>
<td>Net (decrease) / increase in cash and cash equivalents</td>
<td></td>
<td>(152 984)</td>
<td>1 069 397</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td></td>
<td>4 172 136</td>
<td>3 102 739</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td></td>
<td>4 019 152</td>
<td>4 172 136</td>
</tr>
</tbody>
</table>
Nedgroup Beta Solutions Proprietary Limited

Notes to the annual financial statements
for the year ended 31 December 2015

1. Accounting policies

The financial statements of Nedgroup Beta Solutions Proprietary Limited ("the company") have been prepared in accordance with the International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and in accordance with the requirements of the Companies Act 71 of 2008, as amended.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2015, and are consistent with those adopted in the prior year.

The financial statements were authorised for issue on 30 March 2016.

1.1 Basis of preparation and reporting currency

The financial statements are prepared on a going concern basis, the accrual and historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained below.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or liability, the scheme takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted priced (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in South African Rand, which is the company’s functional and presentation currency.
Nedgroup Beta Solutions Proprietary Limited

Notes to the annual financial statements
for the year ended 31 December 2015

1. Accounting policies (continued)

1.2 Financial instruments

Classification of financial instruments

Financial assets are classified into one of the following four categories:
- financial assets at fair value through profit or loss
- held-to-maturity investments
- loans and receivables
- available-for-sale financial assets.

Financial liabilities are classified into one of the following two categories
- at fair value through profit or loss
- at amortised cost

The classification is dependent on the purpose for which the financial instrument is acquired. Management determines the classification of its financial instrument at the time of the initial recognition.

On initial recognition, financial instruments are measured at fair value plus, in the case of financial instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequently they are measured as detailed below.

Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated.

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

The Company classifies its non-derivative financial assets as loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss. Loans and receivables comprise: trade and other receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost using the effective interest method. Cash and cash equivalents comprise cash balances. Cash and cash equivalents are measured at amortised cost which approximates their fair value.
1. Accounting policies (continued)

1.2 Financial instruments (continued)

*Non-derivative financial liabilities*

The Company initially recognises financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled or expire.

The Company has the following non-derivative financial liabilities: intercompany liabilities and trade and other payables.

*Impairment of financial assets*

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that a loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts written off are credited against the allowance account.

Objective evidence of impairment of financial assets could include:

- Significant financial difficulty of the issuer or counterparty;
- Breach of contract, such as a default or delinquency in interest or principal repayments;
- It becoming probable that the borrower will enter bankruptcy or re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed does not exceed what the carrying amount would have been had the impairment not been recognised.
Nedgroup Beta Solutions Proprietary Limited

Notes to the annual financial statements
for the year ended 31 December 2015

1.2 Financial instruments (continued)

Impairment of financial assets (continued)

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale. Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Offsetting of financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off and there is an intention of settling on a net basis or realising the asset and settling the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

1.3 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity.

1.4 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Management fees

Management fees are recognised periodically with reference to the average value of assets under management during every calendar month in the reporting period.

Brokerage claims and service income

Other income is service revenue which is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.5 Foreign currencies

Transactions in currencies other than the company’s functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise
1. Accounting policies (continued)

1.6 Taxation

Tax expense

Income tax expense comprises current tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive, in which case it is recognised in equity or other comprehensive income.

Current tax asset and liabilities

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities

Deferred taxation is provided using the liability method based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation bases. Deferred taxation is calculated using taxation rates enacted or substantively enacted at the reporting date that are expected to apply when the asset is realised or liability settled.

Deferred taxation is not provided on temporary differences relating to the initial recognition (other than in a business combination) of an asset or liability to the extent that neither accounting nor taxable profit is affected on initial recognition.

In the event that the applicable taxation rate(s) are changed from those applied in the comparative financial reporting year, the opening balance of the deferred taxation liability shall be adjusted for the change in the taxation rates.

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

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred taxation asset can be realised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.
Notes to the annual financial statements
for the year ended 31 December 2015

1. Accounting policies (continued)

1.7 Standards and Interpretations

New standards and interpretations that became effective during the reporting period

No New Standards and Interpretations becoming effective in the current year were relevant to the Company and accordingly no such New Standards and Interpretations were applied during the year.

New standards and interpretations not yet effective nor adopted

New standards, amendments to standards and interpretations which have been issued but which only become effective in future periods and have not yet been adopted by the company in preparing these financial statements include the following which may be relevant to the scheme:

IFRS 5 Non-current assets Held for Sale and Discontinued Operations (amendments)

Amendments clarifying that a change in the manner of disposal of a non-current asset or disposal group held for sale is considered to be a continuation of the original plan of disposal, and accordingly, the date of classification as held for sale does not change. The effective date of the amendments is 01 January 2016, with early adoption encouraged. The amendment is not expected to have any impact on company’s reported results and shall be adopted from the effective date.

IFRS 7 Financial Instruments: Disclosures

Amendment clarifying under what circumstances an entity will have continuing involvement in a transferred financial asset as a result of servicing contracts. The effective date of the amendments is 01 January 2016, with early adoption permitted. The amendment is not expected to have any impact on company’s reported results and shall be adopted from the effective date.

IFRS 9 Financial Instruments

IFRS 9 deals with classification and measurement of financial assets and financial liabilities has been amended to introduce a new expected loss impairment model as well as limited changes to the classification and measurement requirements for financial assets. The effective date of IFRS 9 is 1 January 2018 and the impact of this standard will be assessed once the standard becomes effective. The company will apply the standard only once the standard becomes effective.
1. Accounting policies (continued)

1.7 Standards and Interpretations (continued)

IFRS 15 Revenue from Contracts from Customers

IFRS 15 is a new standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The effective date of IFRS 15 is 1 January 2018 with early adoption permitted. The impact of this standard will be assessed in due course and the company anticipates application of the standard only once the standard becomes effective.
Nedgroup Beta Solutions Proprietary Limited

Notes to the annual financial statements
for the year ended 31 December 2015

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>2. Trade and other receivables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued management fees – Exchange Traded Funds</td>
<td>244 361</td>
<td>56 707</td>
</tr>
<tr>
<td>Outstanding amounts arising out of Other Income</td>
<td>473 630</td>
<td>451 291</td>
</tr>
<tr>
<td></td>
<td>717 991</td>
<td>507 998</td>
</tr>
<tr>
<td>Allowance for doubtful debts</td>
<td>(377 160)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>340 831</td>
<td>507 998</td>
</tr>
</tbody>
</table>

**Quality of Trade and other receivables**

The company’s customer base comprises of regulated investment and retirement funds, fund managers, brokers, stock exchanges and other financial services institutions that form part of the broader financial services sector. Generally these entities are either formally rated, or are linked to a formally rated entity, that provides assurance as to the creditworthiness of the debtor. The company performs specialist services for these entities and accordingly credit exposure is relatively concentrated. However, given the close relationship with customers and their contractual and reputational reliance placed on continued service from the company, risk of non-payment is significantly reduced and is closely monitored. Trade receivables are assessed at reporting dates on an individual basis and are measured for impairment.

**Ageing of trade and other receivables**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Not past due</td>
<td>278 197</td>
<td>-</td>
<td>125 478</td>
<td>-</td>
</tr>
<tr>
<td>Past due 0-30 days</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Past due 31-120 days</td>
<td>-</td>
<td>-</td>
<td>75 360</td>
<td>-</td>
</tr>
<tr>
<td>Past due 121 days &lt; 1 year</td>
<td>27 500</td>
<td>-</td>
<td>307 160</td>
<td>-</td>
</tr>
<tr>
<td>Past due more than 1 year</td>
<td>412 294</td>
<td>(377 160)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>717 991</td>
<td>(377 160)</td>
<td>507 998</td>
<td>-</td>
</tr>
</tbody>
</table>

**Movement in allowance for doubtful debts**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment losses recognised on receivables</td>
<td>377 160</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>377 160</td>
<td>-</td>
</tr>
</tbody>
</table>
Nedgroup Beta Solutions Proprietary Limited

Notes to the annual financial statements
for the year ended 31 December 2015

3. Cash and cash equivalents

Current account

2015  2014
R      R

4 019 152  4 172 136

4. Share capital

Authorised
1 000 ordinary shares of R1 each

2015  2014
1 000  1 000

Issued
100 ordinary shares of R1 each

100  100

The unissued shares are under the control of the directors until the next annual general meeting, subject to the provisions of the Companies Act, 2008. All the issued shares rank pari passu with respect to voting rights, dividends and return of capital.

5. Other income

Other income consists of brokerage claims and service income unrelated to the management of Collective Investment Schemes.

2015  2014
98 541  490 023

6. Foreign exchange loss

The foreign exchange loss arises from transactions entered into in Botswana and with other foreign service providers. The BetaBeta Equally Weighted Top40 Exchange Traded Fund Collective Investment Scheme was dual listed in Botswana on 11 May 2012. Nedgroup Beta Solutions Proprietary Limited bears foreign exchange gains and losses arising from these transactions.

2015  2014
80 691  278

7. Operating expenses

Central Securities Depository - Botswana  
Market making fee
Levies
Other
Provision for doubtful debts

2015  2014
83 646  86 428
-  532
34 698  31 166
793 330  773 996
377 160  -

1 288 834  892 122
Nedgroup Beta Solutions Proprietary Limited

Notes to the annual financial statements
for the year ended 31 December 2015

8. Loan – Nedbank Limited

Outstanding balance 2 000 000 2 000 000

The loan bears interest at a 3 month Jibar plus 0.3%, nominal annual compounded quarterly rate or such other rate as agreed to by the parties. Interest for the period was agreed at 5.87%. The loan is unsecured and repayable in full on 1 March 2017.

Nedbank Limited has subordinated its claim against the company under and in terms of the loan agreement in favour and for the benefit of other creditors of the company.

9. Income tax expense

Current tax

Tax reconciliation
Loss before taxation (843 377) (135 504)
Assessed loss – prior year (135 504) -
(Assessed loss) / taxable income (978 881) (135 504)

Expected Normal tax at 28%
Penalties - 1 742
Total tax expense - 1 742

As at 31 December 2015 the company has an estimated tax loss of R978 881. No deferred tax asset has been raised in respect of this estimated tax loss as it is not probable that future taxable income will be available for set-off against the loss in order to recover such an asset.

10. Intercompany liability

Balance at beginning of the year 1 744 928 1 491 704
Central Securities Depository fees paid 69 200 87 414
Distributions - 165 810

1 814 128 1 744 928

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Nedgroup Beta Solutions Proprietary Limited

Notes to the annual financial statements
for the year ended 31 December 2015

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>11. Group intercompany liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>1 782 912</td>
<td>1 034 602</td>
</tr>
<tr>
<td>Financial Services Board</td>
<td>10 405</td>
<td>21 167</td>
</tr>
<tr>
<td>Computershare</td>
<td>5 898</td>
<td>62 933</td>
</tr>
<tr>
<td>Consulting fees paid by the company</td>
<td>(385 000)</td>
<td>-</td>
</tr>
<tr>
<td>Corporate finance</td>
<td>-</td>
<td>117 648</td>
</tr>
<tr>
<td>Profile data</td>
<td>-</td>
<td>26 143</td>
</tr>
<tr>
<td>Carbon disclosure project</td>
<td>-</td>
<td>146 851</td>
</tr>
<tr>
<td>Standard and Poors</td>
<td>427 412</td>
<td>280 280</td>
</tr>
<tr>
<td>Marketing costs</td>
<td>-</td>
<td>16 849</td>
</tr>
<tr>
<td>South African Revenue Services</td>
<td>-</td>
<td>76 439</td>
</tr>
<tr>
<td>Summation</td>
<td>1 841 627</td>
<td>1 782 912</td>
</tr>
</tbody>
</table>

12. Trade and other payables

Expense accruals                                       | 1 079 890 | 684 579

13. Cash (utilised) / generated by operations

Loss before taxation                                   | (843 377) | (135 504)

Working capital movement:

Increase in provision for doubtful debts               | 377 160   | -

Increase in trade and other payables                   | 395 311   | 261 004

(Increase) / decrease in trade and other receivables   | (209 993) | 92 598

Increase in intercompany liabilities                   | 127 914   | 1 001 534

Net cash (outflow) / inflow from operating activities  | (152 984) | 1 219 632

14. Related parties

Nedbank Group Limited holds a 100% share in Nedgroup Beta Solutions Proprietary Limited.

Material related party transactions

Loan and interest expense -- refer note 10.

The bank deposit is held with Nedbank Limited.

Management fees are received from the BettaBeta Collective Investment Scheme. Nedgroup Beta Solutions Proprietary Limited is the manager of the BettaBeta Collective Investment Scheme, a Collective Investment Scheme in securities.

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Nedgroup Beta Solutions Proprietary Limited

Notes to the annual financial statements
for the year ended 31 December 2015

15. Financial Instruments

15.1 Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of debt, which includes the borrowings disclosed in notes 8, 10, 11, and 12, cash and cash equivalents disclosed in note 3, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company manages its capital with reference to the Capital Adequacy Ratio ("CAR") as prescribed by the Financial Services Board and imposed on the company.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Share Capital</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>(239 009)</td>
<td>604 368</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>2 000 000</td>
<td>2 000 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eligible capital</td>
<td>1 761 091</td>
<td>2 604 468</td>
</tr>
<tr>
<td>Less Required Capital (average expenditure for 13 weeks)</td>
<td>(280 256)</td>
<td>(255 265)</td>
</tr>
<tr>
<td>Surplus capital adequacy</td>
<td>1 480 835</td>
<td>2 349 203</td>
</tr>
</tbody>
</table>

15.2 Categories of financial instruments

Financial assets

- Cash and cash equivalents: 4 019 152
- Loans and receivables: 2 340 831

Financial Liabilities

- Other financial liabilities: 3 079 890

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Nedgroup Beta Solutions Proprietary Limited

Notes to the annual financial statements
for the year ended 31 December 2015

15. Financial instruments (continued)

15.3 Financial risk management objectives

Sound risk management is integral to the success of the company and plays a crucial role in enabling management to operate more effectively in a changing environment.

The Board of Directors (the Board) is ultimately responsible for any loss suffered by the company. Risk taking, in an appropriate manner, is an integral part of business, and success relies on optimising the trade-off between risk and reward. Further the company operates in a regulated environment in which oversight is provided by the Financial Services Board.

The company’s risk management approach is that:

• All risks must be identified and managed, and that the returns must be commensurate with the risks taken, relative to the company’s risk appetite;
• The effectiveness of risk management processes is ensured through formal governance and comprehensive regular reporting processes in a well-defined control environment; and
• It is the responsibility of each individual, relative to their position, to identify themselves with the stated risk management priorities, to recognise real or anticipated risks and to take appropriate action.

The Board provides written principles for overall risk management, as well as written policies covering specific areas.

The company’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company’s financial performance.

The main risks to which the company is exposed in the course of conducting its business are as follows:

• Credit risk
• Liquidity risk
• Market risk

15.4 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company mitigates its credit risk by only dealing with reputable counterparties in the financial services sector with proven track records that are similarly regulated and that place mutual reliance on the relationship with the company. Exposure to credit risk is monitored on an individual exposure basis as the company has very few yet specialised clients. Trade and other receivables therefore comprise several large institutional clients with reputable credit records. Cash and cash equivalents are deposited with rated banks. Further information on the ageing of receivables is provided in note 2 to the financial statements.

The Company is exposed to credit risk through the following instruments:

• Trade and other receivables
• Cash and cash equivalents
Nedgroup Beta Solutions Proprietary Limited

Notes to the annual financial statements
for the year ended 31 December 2015

15. Financial instruments (continued)

15.4 Credit risk (continued)

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum
exposure to credit risk at the reporting date was:

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>340 831</td>
<td>507 998</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>4 019 152</td>
<td>4 172 136</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4 359 983</strong></td>
<td><strong>4 680 134</strong></td>
</tr>
</tbody>
</table>

15.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the
obligations associated with its financial liabilities that are settled by delivering cash or
another financial asset. The Company’s objective with respect managing liquidity is to
ensure, as far as possible, that it will always have sufficient liquidity to meet its
liabilities when due, under both normal and stressed conditions, without incurring
unacceptable losses or risking damage to the Company’s reputation.

The company manages liquidity risk by maintaining adequate reserves and banking
facilities, by continuously monitoring forecast and actual cash flows, and by matching
the maturity profiles of financial assets and liabilities.

The contractual maturities of financial liabilities are disclosed in table below:

<table>
<thead>
<tr>
<th>Carrying Amount</th>
<th>6 months or less</th>
<th>12 months or less</th>
<th>&gt;12 months</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>2015 Subordinated loan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2 000 000</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1 079 890</td>
<td>1 079 890</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Intercompany liability</td>
<td>1 814 128</td>
<td>1 814 128</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Group intercompany liability</td>
<td>1 841 627</td>
<td>1 841 627</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2014 Subordinated loan</td>
<td>2 000 000</td>
<td>-</td>
<td>-</td>
<td>2 000 000</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>684 579</td>
<td>684 579</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Intercompany liability</td>
<td>1 744 928</td>
<td>1 744 928</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Group intercompany liability</td>
<td>1 782 912</td>
<td>1 782 912</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Nedgroup Beta Solutions Proprietary Limited

Notes to the annual financial statements
for the year ended 31 December 2015

15. Financial instruments (continued)

15.6 Market risk

Interest rate risk

Interest rate risk is the risk that changes in the interest rate will affect the company’s income or the value of its holdings of financial instruments. The objective of interest rate risk management is to manage and control the relevant risk exposures within acceptable parameters, while optimising the return. The company is exposed to fluctuations in the interest rate. The company’s most prevalent exposure to interest rate risk is by virtue of its subordinated loan (described in note 8) which bears interest linked to the Johannesburg Inter Bank Acceptance Rate (JIBAR).

A 1% fluctuation on the interest rate would have had the following effect on the income statement:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid - Subordinated loan (1% increase)</td>
<td>20 000</td>
<td>20 000</td>
</tr>
<tr>
<td>Interest paid - Subordinated loan (1% decrease)</td>
<td>(20 000)</td>
<td>(20 000)</td>
</tr>
</tbody>
</table>

Foreign currency risk

The company undertakes transactions denominated in foreign currencies. Consequently, exposures to exchange rate fluctuations arise. The company does not make use of forward foreign exchange contracts.

The carrying amount of the company’s foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

Assets
United States Dollars (USD) | 15 574 | 11 133 |
Botswana Pula (BWP) | 13 575 | 10 937 |

Liabilities
United States Dollars (USD) | 365 475 | 115 465 |
Botswana Pula (BWP) | 1 842 814 | 1 757 876 |

A 10% fluctuation in the value of the South African Rand (ZAR) against the relevant foreign currencies in relation to the outstanding monetary items at the end of the reporting period would have had the following effect on the income statement:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States Dollars (10% increase in ZAR)</td>
<td>34 990</td>
<td>10 433</td>
</tr>
<tr>
<td>Botswana Pula (10% increase in ZAR)</td>
<td>182 924</td>
<td>174 694</td>
</tr>
<tr>
<td>United States Dollars (10% decrease in ZAR)</td>
<td>(34 990)</td>
<td>(10 433)</td>
</tr>
<tr>
<td>Botswana Pula (10% decrease in ZAR)</td>
<td>(182 924)</td>
<td>(174 694)</td>
</tr>
</tbody>
</table>
16. Subsequent events

On 29 January 2015 the company entered into an agreement with Grindrod Index Tracker Managers (RF) Proprietary Limited ("Gtrax") whereby the respective portfolios of the two exchange traded funds of the BettaBeta Collective Investments Scheme will, subject to certain suspensive conditions, migrate to Gtrax, be managed by Gtrax and be accordingly re-branded. All conditions precedent as set by the Financial Services Board and the JSE Securities Exchange have, as at the reporting date, not yet been met. The transaction is expected to close during the ensuing financial year.