

The South Deep Community Trust
(Registration no. IT 2710/2010)

Financial Statements
for the year ended 31 December 2018

Trustees' Responsibility and Approval

The trustees are required to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of the affairs of The South Deep Community Trust ("trust") as at end of the financial year and the result of its operation and cash flows for the year then ended, in conformity with the International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied, except for the adoption of new accounting standards as set out in the accounting policies, and supported by reasonable and prudent judgements and estimates.

The trustees acknowledge that they are ultimately responsible for the system of internal financial control established for the trust and place considerable importance on maintaining a strong control environment. To enable the trustees to meet these responsibilities, the board of trustees sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation duties to ensure an acceptable level of risk. These controls are monitored throughout the trust and the trust administrator is required to maintain the highest ethical standards in ensuring the trust's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the trust is on identifying, assessing, managing and monitoring all known forms of risk across the trust. While operating risk cannot be fully eliminated, the trust endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The trustees are of the opinion, based on the information and explanations given by the trustees and the trust administrator that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The trustees have reviewed the trust cash flow forecast for the year to 31 December 2019 and, in the light of this review and the current financial position, they are satisfied that the trust has access to adequate resources to continue in operational existence for the foreseeable future.

Although the trustees are primarily responsible for the financial affairs of the trust, they are supported by the audit performed by the trust's external auditors. Refer to page 3-4 for a copy of their opinion.

Approval of the financial statements

The financial statements of The South Deep Community Trust, were approved by the trustees on 07 February 2020 and are signed on their behalf by



Alex Khumalo
Chairperson

THE SOUTH DEEP COMMUNITY TRUST

(Registration no. IT 2710/2010)

Financial Statements for the year ended 31 December 2018

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Type of the trust	Discretionary
Registered office	150 Helen Road Sandown Sandton 2146
Postal address	705 Salmon Grove Chambers 407 Anton Lembede Street Durban 4001
Bankers	The Standard Bank of South Africa Limited
Auditor	KPMG Inc. Registered Auditor
Trust registration number	IT 2710/2010
Tax reference number	3834903159
Level of assurance	These financial statements have been audited
Preparer	Licksman Accounting Services 88 Homestead Avenue Homelake Randfontein
Trust administrator	NLA Legal Inc Fancourt Office Park, Block 2 Corner Northumberland & Felstead avenue Northriding ext 17 2169

INDEX TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Page</u>
Trustees' Report	1-2
Independent Auditor's Report	3-4
Statement of Financial Position	5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Accounting Policies	9-13
Notes to the Financial Statements	14-18
Detailed Statement of Profit or Loss and Other Comprehensive Income	19

Trustees' Report

The trustees have pleasure in presenting their report for the year ended 31 December 2018.

1. The trust

The objective of the trust shall be to produce and utilise donations and other accruals to the trust for payment to or on behalf of any one or more of the beneficiaries of the trust for:

- Projects which are geared towards community development;
- The promotion of community-based projects related to self-help, poverty alleviation, empowerment and capacity building;
- Provision of training or to support or assist emerging micro enterprises;
- Provision of training, support or assistance to community-based projects; and
- Provisions of funding to charitable organisations which have similar objectives to those of the trust.

The trust deed was executed on 6 October 2010 for this purpose. The trust deed has been amended by a supplementary notarial deed in 2014 and 2016 and a change in financial year end resolution in 2017.

Founding contribution

GFI Mining South Africa (Pty) Ltd made an irrevocable donation of R100 to the trust.

In addition, Gold Fields Operations Ltd and GFI Joint Venture Holdings (Pty) Ltd have made a donation to the trust of the Community Trust 'B' Shares Subscription Price and GFI Mining South Africa (Pty) Ltd have made a donation to the trust of the Community Trust Transformation Shares Subscription Price respectively.

-The provision of benefits by the trust to Non-Public benefit organisations who carry on one or more of the activities set out above, in respect of which only distributions income may be applied.

The beneficiaries of the trust need to be charitable organisations which comply to:

- The objectives and activities of the charitable organisations must be similar to those as set out in clause 6 of the trust deed;
- The objectives of the charitable organisation must be for the benefit of historically disadvantaged person's in the community; and
- Any decision made by the trustees in the election of a charitable organisation must be made by a unanimous decision of the trustees.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies have been applied consistently compared to the prior year, except for the new standards adopted in the current year.

3. Distributions to beneficiaries

The beneficiaries of the trust during the financial year were as follows:

Philani Community Development	R 643 000
Eric Chasakal	R 53 576
Reaikoka	R 105 700
Areageng	R 126 352
Lima Lephallale	R 790 015
Phakamani Jwaga	R1 033 374
Klein Karoo Akademie	R 606 000
SAFA	R 8 910
Qhubekani Charity NPC	R 215 625
Eyadini	R 138 523
SOVH radio station	R 85 075
Calvin Tshepe	R 8 900
Divine Phynic Media	R 10 500
Total	R3 825 550

Trustees' Report (continued)

4. Trustees

The trustees in office at the date of this report are as follows:

Neville Melville
Thulani Mashibini
Abraham Mokome
Tebogo Makolwane

Appointments

Alex Khumalo (23 April 2018) (Chairperson)
Thandile Ntshwanti (23 April 2018)

Resignation

Lucy Mokoka (30 June 2019)

5. Right of indemnity

The trustees shall be indemnified by the trust fund against all claims and demands of whatever nature which may be made against them arising out of the exercise, or purported exercise, in good faith, of any of the powers hereby conferred upon them, subjected however to the provisions of section 9 of the Trust Property Control Act 57 of 1988.

6. Chairman

Alex Khumalo was appointed as Chairman of the Trust on 03 May 2018 replacing Neville Melville.

7. Events after the reporting year

The trustees are not aware of any material event which occurred after the reporting date and up to the date of this report.

8. Going Concern

The trustees believe that the trust has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The trustees have satisfied themselves that the trust is in a sound financial position and that it has access to sufficient cash resources to meet its foreseeable cash requirements. The trustees are not aware of any new material changes that may adversely impact the trust. The trustees are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the trust.

9. Public Benefit Organisation status

The trust is in the process of submitting the required documentation to SARS as required by section 30 of the Income Tax Act to be registered as a Public Benefit Organisation.



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Independent Auditor's Report

To the trustees of The South Deep Community Trust

Opinion

We have audited the financial statements of The South Deep Community Trust (the trust) set out on pages 5 to 18, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, accounting policies and notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The South Deep Community Trust as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 trust in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the document titled The South Deep Community Trust Financial Statements for the year ended 31 December 2018. 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 trustees for the financial statements

The trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the trustees 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 trustees are responsible for assessing the trust'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 trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

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

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

Registration number 1999/021543/21

Chairman Wiseman Nkuhlu

Chief Executive Officer Ignatius Sehoole

Directors Full list on website

The company's principal place of business is at KPMG Crescent,
85 Empire Road, Parktown.



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 trust'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 trustees 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 trust'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 trust 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 trustees 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.

Per ML Watson
Chartered Accountant (SA)
Registered Auditor
Director
7 February 2020

THE SOUTH DEEP COMMUNITY TRUST
STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

ASSETS	Note	2018 ZAR	2017 ZAR
Non-current assets			
Financial assets	1	35 107 927	76 701 860
		<u>35 107 927</u>	<u>76 701 860</u>
Current assets			
Financial assets	1	1 162 833	1 066 818
Prepaid expenses	3	935 679	2 235 043
Cash and cash equivalents	2	3 432 756	5 563 497
		<u>5 531 268</u>	<u>8 865 358</u>
Total assets		<u><u>40 639 195</u></u>	<u><u>85 567 218</u></u>
EQUITY AND LIABILITIES			
Equity			
Contributor's interest		30 818	30 818
Accumulated surplus		30 903 173	63 432 478
		<u>30 933 991</u>	<u>63 463 296</u>
Non-current liabilities			
Deferred taxation liability	4	9 705 204	22 103 922
		<u>9 705 204</u>	<u>22 103 922</u>
Total equity and liabilities		<u><u>40 639 195</u></u>	<u><u>85 567 218</u></u>

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THE SOUTH DEEP COMMUNITY TRUST
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Note	2018 ZAR	2017 ZAR
Other income		7 247	-
Other expenses		(5 378 833)	(4 263 208)
Operating loss		(5 371 586)	(4 263 208)
Finance income	5	1 274 663	1 500 887
Net change in fair value of financial asset at FVTPL		(1 797 100)	-
Loss before taxation		(5 894 023)	(2 762 321)
Taxation	6	(673 236)	(5 078 808)
Loss for the year		(6 567 259)	(7 841 129)
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		(6 567 259)	(7 841 129)

THE SOUTH DEEP COMMUNITY TRUST
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Contributor's interest ZAR	Accumulated surplus ZAR	Total ZAR
Balance at 31 December 2016	30 818	71 273 607	71 304 425
Comprehensive income for the year	-	(7 841 129)	(7 841 129)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017, as previously reported	30 818	63 432 478	63 463 296
Net change in fair value of financial asset at FVTPL, net of taxation	-	(25 962 046)	(25 962 046)
	<hr/>	<hr/>	<hr/>
Adjusted balance at 01 January 2018	30 818	37 470 432	37 501 250
Comprehensive income for the year	-	(6 567 259)	(6 567 259)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	30 818	30 903 173	30 933 991
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE SOUTH DEEP COMMUNITY TRUST
STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Note	2018 ZAR	2017 ZAR
CASH FLOW FROM OPERATING ACTIVITIES			
Cash used in operations	7	(5 371 586)	(4 263 208)
Finance income		341 481	479 620
Dividends received		1 600 000	1 600 000
		<hr/>	<hr/>
Cash outflow before changes in working capital		(3 430 105)	(2 183 588)
Changes in working capital		1 299 364	(2 235 043)
		<hr/>	<hr/>
NET CASH UTILISED IN OPERATING ACTIVITIES		(2 130 741)	(4 418 631)
		<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2 130 741)	(4 418 631)
Cash and cash equivalents at beginning of the year	2	5 563 497	9 982 128
		<hr/>	<hr/>
Cash and cash equivalents at end of the year	2	3 432 756	5 563 497
		<hr/> <hr/>	<hr/> <hr/>

THE SOUTH DEEP COMMUNITY TRUST
ACCOUNTING POLICIES

for the year ended 31 December 2018

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rand.

The accounting policies are consistent with the previous year, except for the adoption of the new standards as set in 1.7 below.

The trustees approved the financial statements on 07 February 2020.

1.1 SIGNIFICANT JUDGEMENTS

Use of estimates: The preparation of the financial estimates requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting year. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results differ from those estimates. The more significant areas requiring the use of management estimates and assumptions relate to the fair value and accounting treatment of financial assets and the recognition of deferred taxation.

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing the material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

Income taxes

Significant judgement is required in determining the liability for income taxes due to complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of the business. The trust recognises the liabilities for anticipated tax audits issues based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

The trust recognises the net future benefit related to deferred income tax assets to the extent that is it probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of the deferred income tax assets requires the trust to make significant estimates related to expectations of the future taxable income. Estimates of the future taxable income are based on cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the trust to realise the net deferred tax assets recorded at the end of the reporting year could be impacted.

Carrying values at 31 December 2018

- Deferred taxation liability: R9 705 204

1.2 FINANCIAL INSTRUMENTS

Financial instruments held by the Trust are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Trust, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through profit or loss (FVTPL).

Financial assets which are debt instruments:

- Amortised cost; or
- Fair value through other comprehensive income; or
- Mandatorily at fair value through profit or loss; or
- Designated at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss; or
- Designated at fair value through profit or loss.

Note 9 Financial instruments and risk management presents the financial instruments held by the Trust based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Trust are presented below:

Investments

The investments consist of ordinary shares in Newshelf 899 (Pty) Ltd.

Investment in the unlisted company is accounted for at fair value through profit or loss (FVTPL).

Purchases and sales of investment are recognised on the trade date, which is the date that the trust commits to purchase or sell the assets. The cost of the purchased investment excludes transaction cost. Realised gains and losses are included in determining net profit or loss.

Trade and other receivables

Loans and other receivables are measured at initial recognition at fair value and subsequently measured at amortised cost less allowance for impairment. Estimates made for impairment are based on a review of outstanding amounts at year end and irrecoverable amounts are written off during the year which they were identified.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits and are measured at amortised cost which is deemed to be fair value as they have a short-term maturity.

1.3 TAXATION

Current tax assets and liabilities

Current tax for current and prior years is to the extent unpaid recognised as a liability. If the amount already paid in respect of current and prior years exceeds the amount due for those years, the excess is recognised as an asset.

Current tax liabilities for the current and prior years are measured at the amount expected to be paid to tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting year date.

Income tax comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent it relates to items recognised directly to equity or in other comprehensive income.

Current tax is measured on taxable income at the applicable statutory rate enacted at the reporting date.

Deferred tax is provided on temporary differences existing at each reporting date between the tax values of assets and liabilities and their carrying amounts. Substantially enacted tax rates are used to determine the future anticipated effective tax rates which in turn are used in the determination of deferred taxation.

These temporary differences are expected to result in taxable or deductible amounts in determining taxable profits for future years when the carrying amount of the asset is recovered or the liability is settled.

Deferred tax assets and liabilities are set off if there is a legally enforceable right to offset current liabilities and assets.

Deferred tax assets relating to carry forward of unutilised tax losses and or unutilised capital allowances are recognised to the extent it is probable that the future profit will be available against which the unutilised tax losses and or capital allowances can be recovered. Deferred tax assets are reviewed at each reporting date and are adjusted if recovery is no longer probable.

1.4 INCOME RECOGNITION

Other income is recognised when the right to receive payment has been established. Finance income is recognised on a time proportion basis taking account of the principal outstanding and the effective rate over the year to maturity.

Investment income comprises of finance income on funds invested.

Cash flow finance income and other income are classified under operating activities in the statement of cash flows.

THE SOUTH DEEP COMMUNITY TRUST
ACCOUNTING POLICIES (continued)
for the year ended 31 December 2018

1.5 FINANCE COSTS

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

1.6 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

Certain new standards, amendments and interpretations to existing standards have been published that apply to the Trust's accounting periods beginning on or after 1 January but have not been early adopted by the Trust. Other than disclosure, the impact of these standards is not expected to be significant. The standards, amendments and interpretations that are applicable to the Trust are:

Effective for the financial year commencing 01 January 2019

- Annual improvements to IFRS Standards 2015/17 cycle various standards

Effective for the financial year commencing 01 January 2020

- Amendments to references to Conceptual Framework in IFRS Standards
- Definition of material (Amendments to IAS 1 and IAS 8)

Effective standards adopted in the current year

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers

1.7 CHANGES IN ACCOUNTING POLICY

The financial statements have been prepared in accordance with International Financial Reporting Standards on the basis consistent with prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 financial instruments

In the current year, the Trust has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for:

- (a) The classification and measurement of financial assets and financial liabilities,
- (b) Impairment for financial assets and
- (c) General hedge accounting.

Details of these new requirements and their impact on the Trust's financial statements are described below. The Trust has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Trust has assessed its existing financial assets in terms of the requirements of IFRS 9) is 01 January 2018. Accordingly, the Trustees reviewed and assessed the Trust's existing financial assets as at 01 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has an impact on the Trust's financial assets as regards to their classification and measurement.

THE SOUTH DEEP COMMUNITY TRUST
ACCOUNTING POLICIES (continued)
for the year ended 31 December 2018

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Trust to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in the credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

As at 01 January 2018, the trustees reviewed and assessed the Trust's existing financial assets for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective financial assets at the date they were initially recognised, and compared that to the credit risk as at 01 January 2018. Based on the review performed, the Trust did identify material credit risk that would result in expected credit losses. (refer below)

Financial impact of initial application of IFRS 9

There was financial impact on profit or loss, or on assets and liabilities, as a result of the adoption of IFRS 9 in the current year.

The table below details the change in naming convention applied to financial assets of the Trust as at 01 January 2018. The comparative carrying amount and the fair value of each instrument at year end under both accounting standards is shown below:

01 January 2018:

Financial Asset	Original classification under IAS 39	New classification under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9
Investment – Newshelf 899	Fair value	Fair value through profit or loss	R 67 400 000.00	R 28 766 002.00
Loan and receivables	Amortised cost	Amortised cost	R 10 368 678.00	R 10 368 678.00
Cash and cash equivalents	Amortised cost	Amortised cost	R 5 563 497.00	R 5 563 497.00

Application of IFRS 15 Revenue from contracts with customers

The adoption had no impact on the Trust's financial statements.

THE SOUTH DEEP COMMUNITY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

	2018 ZAR	2017 ZAR
1. Financial assets		
Financial assets at fair value through profit or loss		
Newshef 899 (Pty) Ltd	26 968 900	67 400 000
Financial assets at amortised cost		
Newshef 899 (Pty) Ltd	9 301 860	10 368 678
	<u>36 270 760</u>	<u>77 768 678</u>

Financial assets

Financial assets- investment

The investment consists of 1,000,000 "B" ordinary shares with a par value of R 0,01 per share in Newshef 899 (Pty) Ltd ("Newco").

The investment was originally purchased for an initial amount of R10,000 and fair valued on purchase date to R67,400,000. The financial asset was fair valued at 10% of the equity component (R674,000,000) of the South Deep transaction share-based payment by Gold Fields Ltd.

Subsequently there was a fair value assessment was carried out as per the IFRS 9 requirements of Newco investment on adoption as at 01 January 2018 and 31 December 2018.

The trust does not intend to dispose of these shares.

The financial asset in Newshef 899 (Pty) Ltd is carried at fair value in terms of level 3 of the fair value hierarchy. In the prior years, the Trust applied the exception in IAS 39 given that the fair value of the investment could not be reliably measured given that limited information was available to the Trust to determine the fair value. With the adoption of IFRS 9, the exception can no longer be applied and so the Trust obtained a valuation with the assistance of Gold Fields Limited based on information disclosed in both the Gold Fields Limited and Newshef 899 (Pty) Ltd's financial statements.

The assumptions applied in determining the fair value of the financial asset are set out below:

	31 December 2018	1 January 2018
<i>Assumptions in valuing South Deep</i>		
Rand gold price per kilogram – year 1	R525 000	R525 000
Rand gold price per kilogram – year 2 onwards	R550 000	R525 000
Resource value per ounce	US\$17	US\$17
Discount rates – nominal	13.5%	13.5%
Inflation rate	5.5%	5.5%
Life of mine	75 years	78 years
Long term exchanges rates – year 1 (ZAR/US\$)	13.61	13.61
Long term exchanges rates – year 1 (ZAR/US\$)	13.16	13.16
<i>Assumption in valuing the financial asset in Newco</i>		
Minority discount	17.90%	17.90%
Marketability discount	17.40%	17.40%
Class B share restriction discount	26.24%	26.24%

THE SOUTH DEEP COMMUNITY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

Financial assets-loans and receivables

Each B share on the Newco investment guarantees the following dividend payments from Newco
-R 2 per B share for the 10 years between 2010 and 2020
-R 1,33 per B share for the 5 years between 2021 and 2025 and
-R 0,67 per B share 5 years between 2026 and 2030

The initial application of IFRS 9, had no impact on the value of the loans and receivable.

Non-current assets

Financial assets	26 968 900	67 400 000
Loans and receivables	8 139 027	9 301 860
	<u>35 107 927</u>	<u>76 701 860</u>

Current assets

Loans and receivables (short term portion)	1 162 833	1 066 818
	<u>36 270 760</u>	<u>77 768 678</u>

2. Cash and cash equivalents

Current account	9 232	3 056
Call account	3 423 524	5 560 441
	<u>3 432 756</u>	<u>5 563 497</u>

THE SOUTH DEEP COMMUNITY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018 (continued)

	2018 ZAR	2017 ZAR
3. Prepaid expenses		
South Deep Community NLA trust account	340 716	2 235 043
Phakamani account	594 963	-
	<u>935 679</u>	<u>2 235 043</u>

The administrator of the trust opened a trust bank account in terms of section 78(2A) of the Attorneys Act to cater for the future expenses. Phakamani account was opened to provide financial support to emerging micro enterprises in West Rand, in line with the intentions of the trust.

4. Deferred tax liability		
Deferred tax liability	<u>(9 705 204)</u>	<u>(22 103 922)</u>

The deferred tax liability relates to the valuation of the investment in Newshelf 899 (Pty) Ltd in 2010. The carrying amount has been adjusted for the subsequent changes in tax rate.

Reconciliation of deferred tax liability

At the beginning of the year	(22 103 922)	(18 401 515)
Adjustment in respect of IFRS 9 adoption	12 671 954	-
Assessed loss	542 048	280 190
Deferred tax asset not recognised	(542 048)	(280 190)
Tax rate adjustment	(920 192)	(3 702 407)
Current year	646 956	-
	<u>(9 705 204)</u>	<u>(22 103 922)</u>

5. Finance income		
Accretion interest: Financial asset	933 182	1 021 267
Bank interest	341 481	479 620
	<u>1 274 663</u>	<u>1 500 887</u>

6. Taxation		
Tax recognised in the profit or loss		
Dividend tax		
Dividend tax withheld in current year	(400 000)	(400 000)
Dividend tax withheld in prior years	-	(976 401)
Deferred tax		
Current year	646 956	-
Tax rate adjustment	(920 192)	(3 702 407)
	<u>(673 236)</u>	<u>(5 078 808)</u>

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense

Accounting loss	(5 894 023)	(2 762 321)
Tax at the applicable tax rate of 45% (2017:41%)	(2 652 310)	(1 132 552)
Tax effect of adjustments on taxable income		
Tax exempt income:		
Dividends (accretion interest)	(419 931)	(418 719)
Non-deductible items:		
Distributions of capital in nature	1 721 498	1 298 201
Net change in fair value of financial asset at FVTPL recognised at CGT rate	161 739	-
Current year deferred tax asset not recognised	542 048	253 070
Adjustment to tax rate	920 192	3 702 407
Dividend tax withheld	400 000	1 376 401
	<u>673 236</u>	<u>5 078 808</u>

THE SOUTH DEEP COMMUNITY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

	2018 ZAR	2017 ZAR
6. Taxation (continued)		
The trust has an assessed loss amounting to R 3 615 239 (2017: R2 410 685) which is available for offset against future taxable income. No deferred tax asset has been recognised in respect of this assessable loss as its recoverability is not certain. The assessed loss may only be carried forward for offset against future taxable income.		
The capital gain inclusion rate increased from 32.8% to 36% as a result of increase in income tax rate for trust from 41% to 45%.		
7. Cash used in operations		
Loss before taxation	(5 894 023)	(2 762 321)
Adjustments for:		
Net change in fair value of financial asset at FVTPL	1 797 100	-
Finance income	(1 274 663)	(1 500 887)
	<u>(5 371 586)</u>	<u>(4 263 208)</u>
8. Tax paid		
Balance at the beginning of the year	-	(576 401)
Dividend tax withheld	(400 000)	
Dividend tax written off	400 000	576 401
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

9. Risk management

Liquidity risk

The trustees risk to liquidity is a result of the equity available to cover future commitments. The trust manages liquidity risk through an ongoing review of future commitments and interest income. Cash flow forecasts are prepared and matched to the interest income receivable by the trust.

Interest rate risk

The trust is exposed to interest rate risk on deposits held at financial institutions. These deposits are held in current and other short-term accounts on which interest is earned at variable interest rates.

As the trust has significant interest-bearing assets, the trust's income and operating cash flows are substantially dependent of changes in market interest rates.

The trust manages interest rate risk by identifying opportunities to prudently manage interest rate exposures.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade and other receivables. The trust only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The trust manages credit risk by only dealing with approved counterparts that are of a sound financial standing.

THE SOUTH DEEP COMMUNITY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

	2018	2017
	ZAR	ZAR
10. Related parties		
Relationships		
Substantial investment		Refer to note 1
Common trustees of The South Deep Education Trust and The South Deep Community Trust		
Related party balances and transactions with other related parties		
Related party balances		
Investments in related parties		
Newshelf 899 (Pty) Ltd	<u>26 968 900</u>	<u>67 400 000</u>
Loans and receivables owing by related parties		
Newshelf 899 (Pty) Ltd	<u>9 301 860</u>	<u>10 368 678</u>
Related party transactions		
Newshelf 899 (Pty) Ltd- accretion interest	<u>933 182</u>	<u>1 021 267</u>

THE SOUTH DEEP COMMUNITY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

	Note	2018 ZAR	2017 ZAR
Other income			
Finance income	5	1 274 663	1 500 887
Refunds		7 247	-
Other expenses			
Accounting fees		(207 727)	(120 004)
Bank charges		(1 076)	(1 187)
Consulting fees		(332 920)	(202 473)
Distributions		(3 825 550)	(3 161 444)
Trust administration fees		(492 619)	(617 171)
Trustees' fees		(234 038)	(81 676)
Monitoring cost		(132 952)	(61 996)
Donations		(101 673)	(5 000)
Workshop costs		(22 242)	(3 457)
Website design		-	(8 800)
Travel and accommodation		(12 188)	-
Printing & stationery		(848)	-
Labour cost		(15 000)	-
Net change in fair value of financial asset at FVTPL		(1 797 100)	-
Total other expenses		(7 175 933)	(4 263 208)
Loss before taxation		(5 894 023)	(2 762 321)
Taxation	6	(673 236)	(5 078 808)
Loss for the year		(6 567 259)	(7 841 129)