

**KAGISO SIZANANI CAPITAL (PROPRIETARY) LIMITED**  
**(Registration number 2003/0289448/07)**  
**Annual financial statements**  
**for the year ended 30 June 2009**

**KAGISO SIZANANI CAPITAL (PROPRIETARY) LIMITED**  
**(REGISTRATION NUMBER 2003/0289448/07)**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**GENERAL INFORMATION**

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<b>COMPANY REGISTRATION NUMBER</b>	2003/0289448/07
<b>NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES</b>	Providing funding to the Kagiso Group companies.
<b>DIRECTORS</b>	MJN Njeke MR Shangase Z J Matlala
<b>REGISTERED OFFICE</b>	Kagiso House 16 Fricker Road Illovo Boulevard Illovo 2196
<b>BUSINESS ADDRESS</b>	P O Box 55276 Northlands Illovo Boulevard Illovo 2116
<b>POSTAL ADDRESS</b>	P O Box 55276 Northlands 2116
<b>COUNTRY OF INCORPORATION AND DOMICILE</b>	South Africa
<b>HOLDING COMPANY</b>	Kagiso Trust Investments (Proprietary) Limited incorporated in South Africa
<b>AUDITORS</b>	PricewaterhouseCoopers Inc.
<b>COMPANY SECRETARY</b>	Dumisani Mtshali

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**DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL**

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In accordance with the Companies Act of South Africa, 1973, the directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and the related information. The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice ("SA GAAP") and in the manner required by the Companies Act of South Africa, 1973.

The auditors are responsible to report on the fair presentation of the financial statements.

The directors are also ultimately responsible for the company's internal financial controls. The controls are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The directors consider that in applying SA GAAP in the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments, estimates and assumptions, and that all accounting standards that they consider to be applicable have been followed. Based on the information and explanations given by management, the directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the company at year end.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company have adequate resources in place to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern assumption in preparing these financial statements.

The financial statements have been audited by the independent audit firm, PricewaterhouseCoopers Inc., which was given unrestricted access to all financial records and related data, including minutes of all the board of directors' meetings. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The unqualified audit report of PricewaterhouseCoopers Inc. is presented on page 5 of these financial statements.

The financial statements set out on pages 6 to 32 were approved by the board of directors on 28 August 2009 and are signed on its behalf by:

  
\_\_\_\_\_  
**MJN Njeki**  
**DIRECTOR**

  
\_\_\_\_\_  
**MR Shangase**  
**DIRECTOR**

**KAGISO SIZANANI CAPITAL (PROPRIETARY) LIMITED**  
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**CERTIFICATE BY THE COMPANY SECRETARY**

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In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 30 June 2009 the company has lodged with the Registrar of Companies all such returns as are required of a private company in terms of this Act and that all such returns are true, correct and up-to-date.



**Dumisani Mtshali**  
Company Secretary

**28 August 2009**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER  
OF KAGISO SIZANANI CAPITAL (PROPRIETARY) LIMITED**

We have audited the annual financial statements of Kagiso Sizanani Capital (Proprietary) Limited, which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 6 to 32.

**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 South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**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 whether the annual 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 auditors' 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kagiso Sizanani Capital (Proprietary) Limited as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa.

  
PricewaterhouseCoopers Inc.  
Director: R P Hariparsad  
Registered Auditor  
Johannesburg

22 October 2009

**KAGISO SIZANANI CAPITAL (PROPRIETARY) LIMITED**  
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**DIRECTORS' REPORT**

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The directors present their annual report, which forms part of the audited financial statements of the company for the year ended 30 June 2009.

**1. Principal activities**

The principal activities of the company is that of providing funding to the Kagiso Group companies.

**2. Shareholder information**

The company is a wholly owned subsidiary of Kagiso Trust Investments (Proprietary) Limited, a company incorporated in South Africa. The ultimate holding entity of the company is Kagiso Charitable Trust which owns 50,3% of the holding company.

**3. Financial results and dividends**

The financial statements on pages 8 to 32 set out fully the financial position, results of operations and cash flow of the company for the year ended 30 June 2009. During the year, the company did not declare a dividend to ordinary shareholder (2008 : - R nil).

**4. Directors**

The directors of the company during the year and to the date of this report are as follows:

		<b>Changes</b>
MJN Njeke	Non-executive Director	
MR Shangase	Non-executive Director	
Z J Matlala	Non-executive Director	Appointed 13 July 2009

There were no changes in directorate during the financial year.

**5. Company secretary**

The secretary of the company is Dumisani Mtshali whose business and postal addresses are as follows:

**Business address**

Kagiso House  
16 Fricker Road  
Illovo Boulevard  
Illovo  
2196

**Postal address**

P O Box 55276  
Northlands  
2116

**6. Share capital**

**6.1 Ordinary share capital**

There were no other movements in the ordinary shares in the current year (2008: 100 ordinary shares to Kagiso Trust Investments (Proprietary ) Limited at a premium of R 3 299 900).

Refer to note 10 to the financial statements for further details on the authorised and issued ordinary shares.

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**Directors' report**

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**6.2 Preference shares**

No redeemable preference shares were issued as part of the Domestic Note and Redeemable Preference Share Programme in the current year (2008:150 redeemable preference shares were issued at 150 and a premium of 149,999,985), refer to note 11.1 for further details on the authorised and issued preference shares.

**7. Material events subsequent to the balance sheet date**

100 Million Preference Shares were issued under the Domestic Note and Redeemable Preference Share Programme on 17 July 2009.

**8. Auditors**

PricewaterhouseCoopers Inc. will continue in office in accordance with section 270(2) of the Companies Act.



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**BALANCE SHEET**

Figures in Rands	Notes	2009	2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Preference shares	4	169 886 000	169 886 000
Loans to shareholders	5	109 836 000	150 751 000
Deferred income tax assets	6	-	15 186
		<b>279 722 000</b>	<b>320 652 186</b>
<b>Current assets</b>			
Loans to shareholders	5	7 037 940	7 620 902
Trade and other receivables	7	-	1 122 158
Amounts due from related parties	8	2 724 261	2 658 724
Current income tax assets		15 186	-
Cash and cash equivalents	9	2 034 605	16 958 969
		<b>11 811 992</b>	<b>28 360 753</b>
<b>Total assets</b>		<b>291 533 992</b>	<b>349 012 939</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Ordinary shares	10	3 300 300	3 300 300
Accumulated loss		(1 639 492)	(1 583 114)
<b>Total equity</b>		<b>1 660 808</b>	<b>1 717 186</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities held at amortised costs	11	280 000 000	280 000 000
<b>Current liabilities</b>			
Financial liabilities held at amortised costs	11	4 127 901	60 374 477
Trade and other payables	12	104 539	103 820
Preference dividend accrued		5 640 744	6 731 956
Current income tax liabilities		-	85 500
		<b>9 873 184</b>	<b>67 295 753</b>
<b>Total liabilities</b>		<b>289 873 184</b>	<b>347 295 753</b>
<b>Total equity and liabilities</b>		<b>291 533 992</b>	<b>349 012 939</b>

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**INCOME STATEMENT**

<b>Figures in Rands</b>	<b>Notes</b>	<b>2009</b>	<b>2008</b>
Other income	13	-	1 265 531
Dividend income	14	20 196 151	9 596 589
Operating expenses	15	(257 071)	(1 298 834)
<b>Operating profit</b>		<b>19 939 080</b>	<b>9 563 286</b>
<b>Profit before interest and tax</b>		<b>19 939 080</b>	<b>9 563 286</b>
Interest income	14	18 305 363	24 499 024
Finance costs	17	(38 300 821)	(33 815 079)
<b>(Loss)/ profit before income tax</b>		<b>(56 378)</b>	<b>247 231</b>
Income tax expense	18	-	(59 058)
<b>(Loss)/ profit for the year</b>		<b>(56 378)</b>	<b>188 173</b>

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**STATEMENT OF CHANGES IN EQUITY**

<b>Figures in Rands</b>	<b>Ordinary share capital</b>	<b>Share premium</b>	<b>Total share capital</b>	<b>Accumulated loss</b>	<b>Total equity</b>
<b>Balance at 01 July 2007</b>	300	-	300	(1 771 287)	(1 770 987)
Changes in equity	-	-	-	188 173	188 173
Profit for the year	100	3 299 900	3 300 000	-	3 300 000
Issue of shares					
<b>Balance at 01 July 2008</b>	400	3 299 900	3 300 300	(1 583 114)	1 717 186
Loss for the year	-	-	-	(56 378)	(56 378)
Total changes	-	-	-	(56 378)	(56 378)
<b>Balance at 30 June 2009</b>	400	3 299 900	3 300 300	(1 639 492)	1 660 808

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**CASH FLOW STATEMENT**

Figures in Rands	Notes	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	21	865 806	(411 806)
Interest received		18 305 363	24 499 024
Dividends received	14	20 196 151	9 596 589
Finance costs		(18 077 350)	(24 191 308)
Income tax paid	20	(85 500)	-
<b>Net cash flows from operating activities</b>		<b>21 204 470</b>	<b>9 492 499</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Loans to group companies repaid		2 658 724	56 100 000
Loans advanced to group companies		(2 724 261)	(1 869 351)
Repayment of loans from group companies		41 000 000	-
Redemption of held to maturity financial assets		(41 000 000)	14 894 999
Acquisition of held to maturity financial assets		-	(150 000 000)
<b>Net cash flows from investing activities</b>		<b>(65 537)</b>	<b>(80 874 352)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on ordinary share issue	10	-	3 300 000
Proceeds from financial liabilities held at amortised costs		-	240 000 000
Repayment of financial liabilities held at amortised costs		(56 246 576)	(135 182 777)
(Repayments)/advances of shareholders loan		41 497 962	(16 550 359)
Dividends paid	19	(21 314 683)	(9 623 771)
<b>Net cash flows from financing activities</b>		<b>(36 063 297)</b>	<b>81 943 093</b>
<b>Total cash movement for the year</b>		<b>(14 924 364)</b>	<b>10 561 240</b>
Cash at the beginning of the year		16 958 969	6 397 729
<b>Total cash at end of the year</b>	9	<b>2 034 605</b>	<b>16 958 969</b>

## ACCOUNTING POLICIES

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### 1. Basis of preparation

The financial statements of the company have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice ("SA GAAP") and in the manner required by the South African Companies Act 61 of 1973, as amended. The financial statements have been prepared on a going concern basis using the historic cost basis, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) held at fair value through profit or loss. The preparation of the financial statements in conforming with SA GAAP necessitates the use of estimates, assumptions and judgement that affect the reported amounts in the balance sheet and income statement. Although estimates are based on management's best knowledge and judgement of current facts as at balance sheet date, the actual outcome may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

In preparing these financial statements, the company adopted the following standards and interpretations effective in 2009:

*Amendment to AC 133, 'Financial statements: Recognition and Measurement' and AC 144, 'Financial Instruments: Disclosures - Reclassification of Financial Assets'*. The amendment introduces the possibility of reclassification for certain financial assets previously classified as 'held for trading or 'available-for-sale' to another category under limited circumstances. Various disclosures are required where a reclassification has been made. Derivatives and assets designated as 'at fair value through profit or loss' under the fair value option are not eligible for this reclassification. This standard does not have an impact on the company's financial statements.

*AC 445, 'Service Concession Arrangements'*, addresses how service concession operators should apply existing GAAP's to account for the obligations they undertake and rights they receive in service concession arrangements. This interpretation does not have an impact on the company's financial statements.

*AC 446, 'Customer Loyalty Programmes'*, addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. Specifically, it explains how much entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits. This interpretation does not have an impact on the company's financial statements.

*AC 447, 'AC 116 - The limit on a defined benefit asset, minimum funding requirements and their interaction'*, provides guidance on assessing the limit on AC 116 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by statutory or contractual minimum funding requirement. This interpretation does not have an impact on the company's financial statements.

*AC 448, 'Agreements for the Construction of 'Real Estate'*, addresses diversity in accounting for real estate sales. AC 448 clarifies how to determine whether an agreement is within the scope of AC 109 - Construction Contracts or AC 111 - Revenue and when revenue from construction should be recognised. The guidance replaces example 9 in the appendix to AC 111. This interpretation does not have an impact on the company's financial statements.

*AC 449, 'Hedges of a Net Investment in a Foreign Operation'*, provides guidance on identifying the foreign currency risks that qualify as a hedge risk (in the hedge of a net investment in a foreign operation). It secondly provides guidance on where, within the group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting. Thirdly, it provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedge instrument and the hedged item. This interpretation does not have an impact on the company's financial statements.

The company has chosen not to early adopt the following standards and interpretations that were issued but not yet effective for accounting periods beginning on 1 July 2008:

*AC 145, 'Operating segments'* (effective from 1 January 2009)

**Accounting policies**

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*AC 114 (Revised), 'Borrowing costs' (effective from 1 January 2009)*

*AC 101 (Revised), 'Presentation of financial statements' (effective from 1 January 2009)*

*AC 132 (Revised), 'Consolidated and Separate financial statements' (effective from 1 July 2009)*

*AC 140 (Revised), 'Business combinations' (effective from 1 July 2009)*

*AC 139 (Amendment), 'Share based payments' (effective from 1 January 2009)*

*AC 125 (Amendment), 'Financial Instruments: Presentation' and AC 101 (Amendment), 'Presentation of financial statements' - Puttable financial instruments and obligations arising on liquidation (effective from 1 January 2009)*

*AC 138 (Amendment), 'First time adoption of IFRS' and AC 132, 'Consolidated and separate financial statements' (effective from 1 January 2009)*

*Improvements to GAAP (unless otherwise specified the amendments are effective for annual periods beginning on or after 1 January 2009).*

**1.1 Financial instruments**

**1.1.1 Financial assets**

**a) Classification of financial assets**

The company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation at every reporting date. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. All purchases and sales of investments are recognised at the trade date, which is the date that the company commits to purchase or sell the assets.

**Financial assets at fair value through profit or loss**

This category, consisting of financial assets held-for-trading and those designated at fair value through profit and loss at inception, are carried at fair value. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

The company designates financial instruments at fair value through profit or loss where:

- the financial instruments are managed, evaluated and reported internally on a fair value basis.
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- the instrument contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

**Accounting policies**

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**1.1 Financial instruments (continued)**

**Financial assets held-to-maturity**

Investments with fixed maturity that the company has the intent and ability to hold to maturity are classified as investments held-to-maturity and are included within non-current assets. These investments are, subsequent to initial recognition, carried at amortised cost using the effective interest rate method.

**Available-for-sale financial assets.**

Financial assets classified by the company as available-for-sale financial assets are generally strategic investments held for an indefinite period of time, or financial assets that are not classified in the other three categories. These investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognised in available-for-sale reserves in the period in which they arise. When available-for-sale investments are either derecognised or impaired, the accumulated fair value adjustments are realised and included in income statement. Interest, calculated the effective interest rate, and dividends received on available-for-sale investments are recognised directly in the income statement.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value. These instruments are carried at amortised cost using the effective interest rate method. They are included in current assets, except for those maturing more than twelve months from the balance sheet date, in which case they are included in non-current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value. These instruments are carried at amortised cost using the effective interest rate method. They are included in current assets, except for those maturing more than twelve months from the balance sheet date, in which case they are included in non-current assets.

A provision for impairment of loans and receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

**b) Fair value considerations**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (as for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

**c) Impairment of financial assets**

The company assesses, at each balance sheet date, whether there is objective evidence that a financial asset or a company of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

**Accounting policies**

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**1.1 Financial instruments (continued)**

**d) Derecognition of financial assets**

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

**e) Other receivables**

Other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Other receivables are classified as loans and receivables.

**f) Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

**g) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

**1.1.2 Financial liabilities**

**a) Financial liabilities.**

Financial liabilities are initially recognised at fair value, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Financial liabilities are classified as current liabilities in the balance sheet unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Preference shares, which carry a mandatory coupon, or are redeemable at the option of the shareholder or if dividend payments are not discretionary, are classified as financial liabilities or compound financial instruments. All other preference shares are classified as equity. Dividends on preference shares classified as financial liabilities are recognised in the income statement as interest expense on an amortised cost basis using the effective interest rate method.



**Accounting policies**

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**1.1 Financial instruments (continued)**

**b) Debt securities**

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

Debt securities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**1.1.3 Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realise assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains or losses arising from a company of similar transactions.

**1.2 Impairments**

Other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds their recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

**1.3 Taxation**

**Current tax assets and liabilities**

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

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities respectively, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Income tax and capital gains tax on the profit or loss for the year comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

**Deferred tax assets and liabilities**

Deferred income tax and deferred capital gains tax are provided for on a comprehensive basis, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is also not recognised on the initial recognition of goodwill, nor is it recognised on investments in subsidiaries and joint ventures where the company controls the timing of the reversal of temporary differences and it is possible

**Accounting policies**

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**1.3 Taxation (continued)**

that these differences will not reverse in the foreseeable future.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred capital gains tax are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of each asset or liability, and is not discounted.

Current and deferred tax relating to items charged or credited directly to equity, is also charged or credited directly to equity and is subsequently recognised in the income statement when the related deferred gain or loss is recognised.

**Secondary Tax on Companies (STC)**

To the extent that it is probable that dividends will be declared against which unused STC credits can be utilised, a deferred tax asset is recognised for STC credits. The STC effect of dividends paid on equity instruments is recognised in the period in which the dividends are declared. For financial instruments classified as financial liabilities, the STC relating to any contractual payments is accrued in the same period as the interest accrued.

**1.4 Share capital**

Ordinary shares issued by the company are recorded at the net proceeds received, which is the fair value less costs that are incurred in connection with the share issue. The nominal par value of the shares issued is taken to the share capital account and any excess is recorded in the share premium account, including the costs that were incurred with the share issue.

**1.5 Preference shares**

Preference shares issued by the company are recorded at the net proceeds received, which is the fair value less costs that are incurred in connection with the share issue. The nominal par value of the shares issued is taken to the preference share capital account and any excess is recorded in the preference share premium account, including the costs that were incurred with the share issue.

Preference shares, which are mandatorily redeemable on a specific date or which are redeemable at the option of the holder, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

**1.6 Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

When the effect of discounting is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**Accounting policies**

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**1.7 Dividends income and expense**

The company recognises dividends when the company's rights to receive payment is established. Dividends are recorded in the company's financial statements in the period in which they are approved by the company's shareholders.

**1.8 Interest income and expenses**

Interest income is recognised on a time proportion basis, taking account of the principle outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the company. Interest income on impaired loans is recognised using the original effective interest rate.

**1.9 Comparatives**

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

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2. FINANCIAL RISK MANAGEMENT

MARKET RISK

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

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

Management of risk

Interest rate risk is regularly assessed to determine:

1. The period for which interest rate swaps are required to hedge interest rate against adverse movements in interest rates.
2. The portion of interest rate risk that needs to be hedged. In principle the company applies the following policy guidelines for evaluating interest rate risk should a hedge strategy be implemented:
  - a) 50% hedged, 50% unhedged
  - b) 40% hedged, 60% unhedged
  - c) 60% hedged, 40% unhedged

Interest rate risk is hedged with hedge counter parties that have a long-term rating of AA and short-term rating of A1 on a National Scale of Rating Agencies recognised pursuant to the Collective Investments Schemes Control Act.

Hedging arrangements are not used for speculative purposes and as such hedging arrangements on funding are mirrored on a back-to-back basis on loans disbursed into the rest of the Group.

*Cash flow interest rate risk*

Sensitivity analysis

The company borrows from the market and lends the Kagiso Group companies at the same rates, as a result any movements in the interest rates will not have an effect on the pre-tax income statement results. At 30 June 2009 had the interest rate moved by 50 basis points upwards or downwards the before-tax income statement effect would have been R 1 099 (2008: R706) upwards or downwards respectively as a result of funds invested on call accounts. Other receivables and payables are not affected by interest rate movements.

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**2. FINANCIAL RISK MANAGEMENT (continued)**

**CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk arises from cash deposits, cash equivalents, advances to Kagiso Group companies and other receivables. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The company is exposed to credit-related losses in the event of non-performance by counterparties. The counterparties to these contracts are other financial institutions and intergroup companies. The company continually monitors its positions and the credit ratings of its counterparties and limits the extent to which it enters into contracts with any one party.

The credit exposure as at 30 June 2009 was limited predominantly to financial institutions with short-term ratings not less than AA and inter-group companies.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Financial assets exposed to credit risk at year end were as follows:

<b>Financial instrument</b>	<b>2009</b>	<b>2008</b>
Loans to shareholders - held-to-maturity	116 873 940	158 371 902
Preference shares -held to maturity financial assets (refer to note 4)	169 886 000	169 886 000
Cash and cash equivalents	2 034 605	16 958 969

**LIQUIDITY RISK**

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

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

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**2. FINANCIAL RISK MANAGEMENT (continued)**

The table below analyses the company's financial liabilities and net-settled financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. All balances repriced within 12 months and as a result their carrying balances are not significantly affected by discounting.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 30 June 2009</b>				
Preference share liability	20 000 000	-	150 000 000	-
Debt securities instruments	20 000 000	-	90 000 000	-
Holding company loan	6 444	-	-	-
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 30 June 2008</b>				
Preference share liability	15 000 000	20 000 000	150 000 000	-
Debt securities instruments	52 156 017	20 000 000	90 000 000	-
Other payables	16 933	-	-	-

**2.1 CAPITAL RISK 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 (excluding derivative financial liabilities) and advances to Kagiso group companies as disclosed in notes 5, 8 and 11, cash and cash equivalents disclosed in note 9, and equity as disclosed in the balance sheet.

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

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During 2009 the company's strategy, which was unchanged from 2008, was to maintain a BBB credit rating for long-term and A2 for short-term commitments. The gearing ratios at 30 June 2009 and 2008 were as follows:

	2009	2008
Total borrowings	289 786 645	347 156 017
Less: cash and cash equivalents	(2 034 605)	(16 958 696)
Less: advances to Group companies	(289 484 201)	(330 916 626)
Net debt	(1 732 161)	(719 305)
Total equity	1 660 808	1 717 186
<b>Total capital</b>	<b>(71 353)</b>	<b>997 881</b>
<b>Gearing ratio</b>	<b>2 428 %</b>	<b>(72)%</b>

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirement from the previous year. Since the company borrows to fund companies in the Group, the net debt is calculated after adjusting for advances to Group companies. The increase in gearing ratio in the current year is mainly attributable to the timing between advances to Group companies and borrowings as well as the fact that borrowing costs increased during this current period.

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**2. FINANCIAL RISK MANAGEMENT (continued)**

**2.2 FAIR VALUE ESTIMATION**

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables. The fair value of financial liabilities for disclosure purposes is at the current market interest rate that is available to the company for similar financial instruments.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates, judgements and assumptions are made that could affect the reported amounts of assets and liabilities within the next financial year. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Income taxes**

The company is subject to complex tax legislation. Significant judgement is required in determining the provision for income taxes. The company recognises liabilities for anticipated tax based on estimates of 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 period in which such determination is made.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of each asset or liability, and is not discounted.

Refer to Note 18 for detail regarding the taxation charge and the deferred tax charge for the year ended 30 June 2009.

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<b>4. PREFERENCE SHARES</b>		
<b>Held-to-maturity</b>		
Redeemable preference shares	169 886 000	169 886 000
The preference shares in Kagiso Trust Investments (Proprietary) Limited and Kagiso Financial Services Ltd have the same terms and conditions as the listed redeemable preference share liability on the Kagiso Domestic Medium Term Note Programme listed on the Bond Exchange of South Africa. Refer to note 11 for terms and conditions.		
<b>Reconciliation of held to maturity</b>		
Balance at the beginning of the year	169 886 000	34 780 999
Arising during the year	-	150 000 000
Repayment	-	(14 894 999)
<b>Balance at the end of the year</b>	<b>169 886 000</b>	<b>169 886 000</b>
<b>Total other financial assets</b>		
Held-to-maturity financial assets	169 886 000	169 886 000
<b>Held-to-maturity financial assets are invested as follows:</b>		
	113	113
KTI share capital	113 885 887	113 885 887
KTI preference shares	56	56
KFS share capital	55 999 944	55 999 944
KFS preference shares	<b>169 886 000</b>	<b>169 886 000</b>
<b>Non-current assets</b>		
Held- to- maturity financial assets	169 886 000	169 886 000

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2009 and 2008, as all the financial assets were disposed of at their redemption date.



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**5. LOANS TO SHAREHOLDERS**

Kagiso Trust Investments (Proprietary) Limited	116 873 940	158 371 902
Advances to the Kagiso Trust Investments (Proprietary) Limited are made on the same terms and conditions associated with the issuing of debt securities. Such advances are governed by proper approval and loan agreements that incorporate the terms and conditions attached to the Registered Domestic Note and Redeemable Preference Share Programme dated 16 September 2005. Refer to Note 11 for terms and conditions attached to debt securities.		
Non-current assets	109 836 000	150 751 000
Current assets	7 037 940	7 620 902
	<b>116 873 940</b>	<b>158 371 902</b>

**Credit quality of loans to shareholders**

The credit quality of loans to shareholders that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

<b>Credit rating</b>	116 873 940	158 371 902
BBB		

**Fair value of loans to and from shareholders**

Loans from shareholders	6 444	-
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The loans reprice within 12 months and as a result approximate fair values (None of the loans are past due or impaired).

**6. DEFERRED INCOME TAX ASSETS**

Other deferred tax	-	15 186
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**Reconciliation of opening and closing balances**

At beginning of the year	15 186	-
Movement for the year	-	(727)
Reduction due to rate change	-	(568)
Adjustments due to prior years	(15 186)	16 481
<b>At end of year</b>	<b>-</b>	<b>15 186</b>

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**7. TRADE AND OTHER RECEIVABLES**

Financial assets - Loans and receivables:

Other receivables	-	1 122 158
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**Credit quality of other receivables**

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

**Other receivables**

<b>Counterparties without external credit rating</b>		
Existing customers (more than 6 months) with no defaults in the past	-	1 122 158

**Fair value of other receivables**

Due to the short-term nature of other receivables, the carrying values approximate fair value. None of the other receivables are past due or impaired.

**8. AMOUNTS DUE FROM RELATED PARTIES**

**Fellow subsidiaries**

Kagiso Financial Services Limited ("KFS")	2 724 261	2 658 724
Advances to KFS are made on the same terms and conditions associated with the issuing of debt securities. Such advances are governed by proper approval and loan agreements that incorporate the terms and conditions attached to the Registered DMTN Programme dated 16 September 2005. Refer to note 11 for terms and conditions attached to debt securities.		

**Credit quality of loans to related parties**

The credit quality of loans to group companies that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

<b>Counterparties without external credit rating</b>		
Existing customers (more than 6 months) with no defaults in the past	2 724 261	2 658 724

**Fair value of loans to and from related parties**

None of the loans to and from related parties have been impaired or past due. These amounts are guaranteed by KTI to the extent of R56,000,000.

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**9. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of:

Bank balances	2 034 605	16 958 969
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**Credit quality of cash at bank and short term deposits, excluding cash on hand**

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

<b>Credit rating</b>	2 034 605	16 958 969
AA		

**10. ORDINARY SHARES**

<b>Authorised</b>	1 000	1 000
1 000 Ordinary shares of R1 each		

<b>Reconciliation of number of shares issued:</b>		
Reported at beginning of the year	400	300
Issue of shares – ordinary shares	-	100
	<b>400</b>	<b>400</b>

<b>Issued</b>	400	400
Ordinary	3 299 900	3 299 900
Share premium		
<b>Total share capital</b>	<b>3 300 300</b>	<b>3 300 300</b>

**11. FINANCIAL LIABILITIES HELD AT AMORTISED COSTS**

<b>Held at amortised cost</b>	170 000 000	185 000 000
Redeemable preference shares	114 127 901	155 374 477
Debt securities - bonds		
	<b>284 127 901</b>	<b>340 374 477</b>

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**11. FINANCIAL LIABILITIES HELD AT AMORTISED COSTS (continued)**

**11.1 PREFERENCE SHARE LIABILITIES**

<b>Authorised preference shares</b>		
1 000 000 redeemable preference shares of R1 each	1 000 000	1 000 000

<b>Issued preference share liabilities</b>		
170 redeemable preference shares of R1 each	170 000 000	185 000 000

The holders of fixed and variable rate cumulative redeemable preference shares have no voting rights at any meeting of the company or subsidiary company.

**Reconciliation of issued preference share liabilities**

At beginning of year	185	35
Arising during the year	-	150
Repaid during the year	(15)	-
<b>Total share capital</b>	<b>170</b>	<b>185</b>

At beginning of year	184 999 815	34 999 965
Arising during the year	-	149 999 850
Repaid during the year	(14 999 985)	-
<b>Total share premium</b>	<b>169 999 830</b>	<b>184 999 815</b>
	<b>170 000 000</b>	<b>185 000 000</b>

Redeemable preference shares issued under the Domestic Note and Redeemable Preference Share Programme dated 16 September 2005 comprise the following:

**KSP001 with redemption date 3 July 2008**

Shares at cost	-	15
Share Premium	-	14 999 985
	<b>-</b>	<b>15 000 000</b>

**KSP002 with redemption date 30 June 2010**

- Shares at cost	20	20
- Share premium	19 999 980	19 999 980
	<b>20 000 000</b>	<b>20 000 000</b>

**KSP003 with redemption date 1 February 2013**

- Shares at cost	78	78
- Share premium	77 999 922	77 999 922
	<b>78 000 000</b>	<b>78 000 000</b>

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**11. FINANCIAL LIABILITIES HELD AT AMORTISED COSTS (continued)**

<b>KSP004 with redemption date 25 March 2013</b>	72	72
- Shares at cost	71 999 928	71 999 928
- Share premium	72 000 000	72 000 000

On 16 September 2005, Kagiso established a Domestic Note and Redeemable Preference Share Programme for a total programme value of R1 billion.

**KSP001**, for a nominal value of R15 million is a floating yield Redeemable Preference Share. The shares bear dividend which is payable and repriced six monthly at 75% of prime on a NACS basis. The shares have been redeemed.

**KSP002**, for a nominal value of R20 million is a floating yield Redeemable Preference Share. The shares bear dividend which is payable and repriced six monthly at 75% of prime on a NACS basis. The shares redeem on 30 June 2010 and are listed on the Bond Exchange of South Africa (BESA).

**KSP003**, for a nominal value of R78 million is a floating yield Redeemable Preference Share. The shares bear dividend which is payable and repriced six monthly at 77% of prime on a NACS basis. The shares redeem on 1 February 2013 and are listed on the Bond Exchange of South Africa (BESA).

**KSP004**, for a nominal value of R72 million is a floating yield Redeemable Preference Share. The shares bear dividend which is payable and repriced six monthly at 77% of prime on a NACS basis. The shares redeem on 1 April 2013 and are listed on the Bond Exchange of South Africa (BESA).

The nominal proceeds of Redeemable Preference Shares in issue at financial year-end have been invested in Redeemable Preference Shares of Kagiso group companies as follows:

Kagiso Trust Investments (Proprietary) Limited	113 886 000	128 780 999
Kagiso Financial Services Limited	56 000 000	56 000 000
	<b>169 886 000</b>	<b>184 780 999</b>

**11.2 DEBT SECURITIES - BONDS**

<b>KSB002</b>	-	41 000 000
KSB002, for a nominal value of R41 million is a floating rate note. The instrument bears interest which is payable and repriced quarterly at a fixed margin of 2.20% above 3-month JIBAR. The instrument matured on 31 March 2009. It is listed on BESA. The instrument was repaid in full in the current year.	20 000 000	20 000 000
<b>KSB003</b>		
KSB003, for a nominal value of R20 million is a floating rate note. The instrument bears interest which is payable and repriced quarterly at a fixed margin of 2.35% above 3-month JIBAR. The instrument matures on 30 June 2010. It is listed on BESA.	52 449 315	52 695 890
<b>KSB004</b>		
KSB004, for a nominal value of R50 million is a floating rate note. The instrument bears interest which is payable and repriced quarterly at a fixed yield of 12%. The instrument matures on 1 February 2013. It is listed on BESA.		

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<b>11. FINANCIAL LIABILITIES HELD AT AMORTISED COSTS (continued)</b>		
KSB005	41 678 586	41 678 587
KSB005, for a nominal value of R40 million is a floating rate note. The instrument bears a coupon half-yearly on a determination date at a fixed margin of 2.70 above a fixed coupon of Government Stock R201. The instrument matures on 28 February 2013. It is listed on BESA.		
<b>Total debt securities</b>	<b>114 127 901</b>	<b>155 374 477</b>
Non-current	110 000 000	110 000 000
Current	4 127 901	45 374 477
Availability of future and immediate capabilities for the issuance of debt securities are as follows:		
Registered Programme Value	1 000 000 000	1 000 000 000
Nominal value of instruments in issue at year-end	280 000 000	336 000 000
In conformance to internal company and group authority an amount of R220 million is available for issuing of new and additional instruments in the short-to-medium term.		
The nominal proceeds of debt instruments in issue at financial year-end have been on-lent to Kagiso group companies as follows:		
Kagiso Trust Investments (Pty) Ltd	223 722 000	264 637 000
Kagiso Financial Services Ltd	56 000 000	56 000 000
	<b>279 722 000</b>	<b>320 637 000</b>
<b>Total financial liabilities held at amortised cost- non-current</b>		
At amortised cost	280 000 000	280 000 000
<b>Total financial liabilities held at amortised cost -current</b>		
At amortised cost	4 127 901	60 374 477
	<b>284 127 901</b>	<b>340 374 477</b>

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<b>12. TRADE AND OTHER PAYABLES</b>		
Accrued audit fees	67 350	54 235
Other payables	37 189	49 585
	<b>104 539</b>	<b>103 820</b>
<b>13. OTHER INCOME</b>		
Management fees received	-	1 265 531
<b>14. INVESTMENT REVENUE</b>		
<b>Dividend income</b>		
Listed financial assets - Local	20 196 151	9 596 589
<b>Interest income</b>		
Unlisted financial assets	18 049 045	24 039 741
Bank	256 318	459 283
	<b>18 305 363</b>	<b>24 499 024</b>
	<b>38 501 514</b>	<b>34 095 613</b>
<b>15. OPERATING EXPENSES</b>		
Auditors' remuneration	93 160	37 303
Other expenses	163 911	1 128 650
Consulting and professional services	-	132 881
	<b>257 071</b>	<b>1 298 834</b>
<b>16. AUDITORS' REMUNERATION</b>		
Fees	67 350	54 235
Adjustment for previous year	25 810	(16 932)
	<b>93 160</b>	<b>37 303</b>
<b>17. FINANCE COSTS</b>		
Non-current borrowings	18 077 350	24 191 308
Preference dividends	20 223 471	9 623 771
	<b>38 300 821</b>	<b>33 815 079</b>
Finance costs consists of the following:		
<b>Finance costs:</b>		
Dividend on preference shares	20 223 471	9 623 771
Interest expense on debt securities	18 077 350	24 191 308
	<b>38 300 821</b>	<b>33 815 079</b>

**KAGISO SIZANANI CAPITAL (PROPRIETARY) LIMITED**  
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Notes to the annual financial statements

Figures in Rands	2009	2008
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**18. TAXATION**

**Major components of the tax expense**

<b>Current</b>		
Local income tax - current period	-	74 244
<b>Deferred</b>		
Originating and reversing temporary differences	-	727
Changes in tax rates	-	568
Arising from prior period adjustments	-	(16 481)
	-	<b>(15 186)</b>
	-	<b>59 058</b>

**Reconciliation of the tax expense**

Reconciliation between applicable tax rate and average effective tax rate.

Standard tax rate	28.00 %	28.00 %
Effect on non taxable income	(28.00)%	- %
Effect of STC	- %	1.05 %
Effect of prior year adjustments	- %	(5.98)%
Effect of rate change	- %	0.82 %
<b>Effective tax rate</b>	<b>- %</b>	<b>23.89 %</b>

**19. DIVIDENDS PAID**

Balance at beginning of the year	(6 731 956)	(6 731 956)
Dividends paid to Investors	(20 223 471)	(9 623 771)
Balance at end of the year	5 640 744	6 731 956
	<b>(21 314 683)</b>	<b>(9 623 771)</b>

**20. INCOME TAX PAID**

Balance at beginning of the year	(85 500)	(11 256)
Current tax for the year recognised in income statement	-	(74 244)
Adjustment in deferred tax for the current year	15 186	-
Balance at end of the year	(15 186)	85 500
	<b>(85 500)</b>	<b>-</b>



**KAGISO SIZANANI CAPITAL (PROPRIETARY) LIMITED**  
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Figures in Rands	2009	2008
<b>21. CASH GENERATED FROM / (USED IN) OPERATIONS</b>		
(Loss) / profit before taxation	(56 378)	247 231
<b>Adjustments for:</b>		
Dividends received	(20 196 151)	(9 596 589)
Interest received	(18 305 363)	(24 499 024)
Finance costs	38 300 821	33 815 079
Other non-cash items	(4 127 901)	-
Other non-cash items	4 127 901	-
<b>Changes in working capital:</b>		
Trade and other receivables	1 122 158	(425 490)
Trade and other payables	719	46 987
	<b>865 806</b>	<b>(411 806)</b>

**22. RELATED PARTIES**

**Relationships**

Ultimate holding company	Kagiso Charitable Trust
Holding company	Kagiso Trust Investments (Proprietary) Limited
Fellow subsidiary	Kagiso Securities Limited
Fellow subsidiary	Kagiso Financial Services Limited

**Related party balances**

**Loan accounts - Owing by related parties**

Kagiso Trust Investments (Proprietary) Limited	116 880 384	158 371 902
Kagiso Financial Services Limited	2 724 261	2 658 724

There is no provision for doubtful debts, nor any bad debt written off during the year, that relates to related parties.

**Amounts included in other receivables regarding related parties**

Kagiso Trust Investments (Proprietary) Limited	-	1 044 753
Kagiso Financial Services Proprietary Limited	-	220 778

There is no provision for doubtful debts, nor any bad debt written off during the year, that relates to related parties.

**Investment in preference shares (refer to note 11)**

Kagiso Trust Investments (Proprietary) Limited	113 886 000	113 886 000
Kagiso Financial Services Limited	56 000 000	56 000 000

**Related party transactions**

**Interest received from related parties**

Kagiso Trust Investments (Proprietary) Limited	(18 049 045)	(19 707 650)
Kagiso Financial Services Limited	-	(4 332 091)

**Management fees received from related parties**

Kagiso Trust Investments (Proprietary) Limited	-	(1 044 753)
Kagiso Financial Services Limited	-	(220 778)

**Dealer fees paid to related parties**

Kagiso Securities Limited	50 701	408 541
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