

Kagiso Sizanani Capital Limited (RF)
(Registration number 2003/028948/07)

Financial Statements
for the year ended 30 June 2013



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The reports and statements set out below comprise the financial statements presented to the shareholder:

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* Does not form part of the financial statements

These financial statements for the year ended 30 June 2013 were internally prepared under the supervision of the Chief Financial Officer.

These financial statements have been audited in compliance with the applicable requirements of the Companies Act No. 71 of 2008.



CORPORATE INFORMATION

Country of incorporation and domicile

South Africa

Company registration number

2003/028948/07

Non-executive directors

FF Gillion
V Nkonyeni
JB Hinson

Company secretary

S Mayet

Business address

Kagiso Tiso House
100 West Street
Wierda Valley
Sandton
2196

Level of assurance

These applicable statements have been audited in compliance with the applicable requirements of the Companies Act No. 71 of 2008.

Nature of business and principal activities

Investment company

Auditors

PricewaterhouseCoopers Incorporated
Chartered Accountants (S.A.)
Registered Auditors

Holding Company

Kagiso Tiso Holdings Proprietary Limited
incorporated in South Africa

Postal address

P.O. Box 55276
Northlands
Johannesburg
2116

Preparer

The financial statements were internally compiled by:
Joelene Pillay CA (S.A.)
Financial Manager

Published

11 | 12 | 2013



STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the maintenance of adequate accounting records and the preparation of the financial statements.

The financial statements are prepared, in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act No. 71 of 2008, on the going concern basis and incorporate full and responsible disclosure. The financial statements are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates. The financial statements have been prepared under the supervision of the Chief Financial Officer.

The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the period then ended and the financial position of the company at the reporting date.

The directors are also responsible for the company's system of internal financial controls. The system was developed to provide reasonable, but not absolute assurance regarding the reliability of the financial statements, the safeguarding of assets, and to prevent and detect misrepresentation and losses.

To the best of their knowledge, the board of directors confirm that they have every reason to believe that the company has adequate resources in place to continue as a going concern in the future. The financial statements have accordingly been prepared on this basis.

The financial statements were audited by the company's independent auditor, PricewaterhouseCoopers Incorporated, to whom unrestricted access were given to all financial records and related information. The auditor's report is presented on page 5.

The financial statements set out on pages 6 - 25 were approved by the board of directors and were signed on its behalf by:

Director

11 / 12 / 2013

Date

CERTIFICATE BY THE COMPANY SECRETARY

In terms of section 88(e) of the Companies Act No.71 of 2008, as amended (Companies Act), I, Safeera Mayet, in my capacity as company secretary, confirm that, to the best of my knowledge and belief, for the year ended 30 June 2013, has filed with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

S Mayet

Company secretary

11 / 12 / 2013

Date

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF KAGISO SIZANANI CAPITAL LIMITED (RF)

We have audited the financial statements of Kagiso Sizanani Capital Limited (RF) set out on pages 7 to 25, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kagiso Sizanani Capital Limited (RF) as at 30 June 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2013, we have read the Directors' Report and the Certificate by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Other matter

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on page 26 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.



PricewaterhouseCoopers Inc.
Director: Raj Dhanlall
Registered Auditor
Johannesburg
12 December 2013



DIRECTORS' REPORT

The directors have pleasure in presenting their report of the company for the year ended 30 June 2013.

1. Nature of the business

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

2. Share Capital Ordinary shares

Authorised share capital

Kagiso Sizanani Limited (RF) is authorised to issue 1 000 ordinary shares of R 1.00 par value.

Issued share capital

400 ordinary shares were issued at a total issue consideration of R 8,250.75 per share.

3. Dividends

Dividend declaration

No dividends were declared and paid to the shareholder by the board of directors of the company (2012: Nil).

4. Shareholders

The issued share capital is held by Kagiso Tiso Holdings Proprietary Limited incorporated in South Africa.

5. Directors

The names of the directors in office at the date of this report appear on the corporate information page.

Directors' interests

No director has any interest in any of the contracts entered into with the company or its group companies.

Directors' remuneration

Full details of all amounts paid to the directors are disclosed in note 20 to the financial statements.

6. Special resolutions

All special resolutions taken during the financial period are available for inspection at the company's registered office.

7. Company secretary

The company secretary is S Mayet and the details of the registered office and postal address appear on the corporate information page.

8. Auditors

PricewaterhouseCoopers Incorporated will continue in office in accordance with section 90(6) of the Companies Act No. 71 of 2008.

9. Going concern

The financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates. The directors assess the company's future financial performance and financial position on an on-going basis and have no reason to believe that the company will not be a going concern in the year ahead.

10. Material events after reporting date

The directors are not aware of any material events subsequent to reporting date.

11. Audit committee

Kagiso Sizanani Capital Limited (RF) does not have its own audit committee. The functions duly performed by an audit committee are performed by the audit committee of Kagiso Tiso Holdings Proprietary Limited (holding company).

12. Conversion to a public company

As a result of the notes being freely transferable, the company was required to convert to a public company.



STATEMENT OF FINANCIAL POSITION

	Notes	2013 R	2012 R
ASSETS			
Non-current assets			
Amounts due from group companies	7	849 900 000	-
Total non-current assets		849 900 000	-
Current assets			
Held-to-maturity financial assets	5	-	250 000 000
Loans and receivables	6	6 557 447	-
Amounts due from group companies	7	13 376 339	101 700 051
Cash and cash equivalents	8	1 390 244	1 369 281
Total current assets		21 324 029	353 069 332
Total Assets		871 224 029	353 069 332
EQUITY AND LIABILITIES			
Equity			
Share capital	9	3 300 300	3 300 300
Retained earnings/(loss)		(3 300 300)	(3 593 852)
Total equity		-	(293 552)
Liabilities			
Non-current liabilities			
Borrowings	10	850 000 000	-
Current liabilities			
Borrowings	10	-	340 000 000
Other payables	11	377 214	205 363
Amounts due to group companies	7	6 143 070	439 050
Current income tax liabilities		-	11 870
Accrued interest		14 703 745	4 142 003
Accrued preference dividends		-	8 564 598
Total current liabilities		21 224 029	353 362 884
TOTAL EQUITY AND LIABILITIES		871 224 029	353 069 332

The accounting policies and notes on pages 11 to 25 are an integral part of these financial statements.



STATEMENT OF COMPREHENSIVE INCOME

	Notes	2013 R	2012 R
Other operating expenses - net		350 644	(790 223)
Operating profit/(loss)	12	350 644	(790 223)
Net recoupment of loans	13	131 510	-
Finance income	14	59 703 682	31 375 993
Finance costs	15	(59 904 154)	(31 307 665)
Profit/(loss) before taxation		281 682	(721 895)
Income tax expense	16	11 870	-
Profit/(loss) for the year		293 552	(721 895)
Total comprehensive income/(loss)		293 552	(721 895)

The accounting policies and notes on pages 11 to 25 are an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Share premium	Total share capital	Retained earnings/(loss)	Total equity
	R	R	R	R	R
Balance at 1 July 2011	400	3 299 900	3 300 300	(2 871 957)	428 343
Total comprehensive loss	-	-	-	(721 895)	(721 895)
Loss for the year	-	-	-	(721 895)	(721 895)
Other comprehensive loss	-	-	-	-	-
Balance at 1 July 2012	400	3 299 900	3 300 300	(3 593 852)	(293 552)
Total comprehensive income	-	-	-	293 552	293 552
Profit for the year	-	-	-	293 552	293 552
Other comprehensive income	-	-	-	-	-
Balance at 30 June 2013	400	3 299 900	3 300 300	(3 300 300)	-

The accounting policies and notes on pages 11 to 25 are an integral part of these financial statements.



STATEMENT OF CASH FLOWS

	Notes	2013 R	2012 R
Cash flows (used in) operating activities			
Cash (used in) operations	17	(6 034 950)	(728 263)
Finance income received		58 127 393	11 517 093
Dividends received		-	21 511 066
Finance costs paid		(57 907 010)	(31 307 665)
Income tax paid	17.1	-	-
Net cash (used in) operating activities		(5 814 567)	992 231
Cash flows (used in)/generated from investing activities			
Movement in group company loans		(504 164 470)	274 177
Net cash (used in)/generated from investing activities		(504 164 470)	274 177
Cash flows generated from financing activities			
Proceeds from borrowings		850 000 000	-
Repayment of borrowings		(340 000 000)	(8 104 063)
Repayment of shareholder loans		-	6 616 770
Net cash generated from financing activities		510 000 000	(1 487 293)
Net movement in cash and cash equivalents		20 963	(220 885)
Net cash and cash equivalents at the beginning of year		1 369 281	1 590 166
Cash and cash equivalents at the end of the year	8	1 390 244	1 369 281

The accounting policies and notes on pages 11 to 25 are an integral part of these financial statements.



ACCOUNTING POLICIES

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act No. 71 of 2008.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities held at fair value through profit or loss.

The preparation of these financial statements in conformity with IFRS necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and statement of comprehensive income. Although estimates are based on management's best knowledge and judgements of current facts as at reporting date, the actual outcome may differ from those estimates. Where appropriate, details of estimates are presented in the accompanying notes to the financial statements.

The financial statements are presented in South African Rands.

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

1.2 Financial instruments

Financial instruments disclosed in the financial statements include cash and cash equivalents, receivables, other payables, amounts due to and from group companies and borrowings. Financial instruments are initially recognised at fair value, including transaction costs, when the company becomes party to the contractual terms of the instruments. All purchases and sales of financial instruments are recognised at the trade date. The transaction costs relating to the acquisition of financial instruments held at fair value through profit or loss are expensed. Subsequent to initial recognition, these instruments are measured as follows:

1.2.1 Financial assets – classification

The company classifies its financial assets in the following category: loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. These instruments are carried at amortised cost using the effective interest rate method.

1.2.2 Financial liabilities

Other payables and borrowings

Other payables and borrowings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Debt securities

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

1.2.3 Derecognition of financial instruments

Financial assets (or portions thereof) are derecognised when the company realises the rights to the benefits specified in the contract, the rights expire or the company surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable, as well as any prior adjustments to reflect fair value that had been recognised in other comprehensive income, is included in the statement of comprehensive income.

Financial liabilities (or portions thereof) are derecognised when the company's obligation specified in the contract is discharged or cancelled or has expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it, is included in the statement of comprehensive income.



ACCOUNTING POLICIES

1.2.4 Loans to and from group companies

These include loans to and from holding company and fellow subsidiaries and are recognised initially at fair value plus direct transaction costs. Loans to group companies are classified as loans and receivables and carried at amortised cost.

1.2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.3 Current income tax

The tax expense on the profit or loss for the year comprises current tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Tax expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

1.4 Share capital

Ordinary shares of the company are classified as equity. Costs directly attributable to the issue of new shares are accounted for in equity as a deduction from the proceeds.

1.5 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 allocated to preference share capital and any excess is allocated to preference share premium, 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 profit or loss as interest expense.

1.6 Revenue recognition

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the company. Interest income on loans is recognised using the original effective interest rate. Dividends are recognised when the right to receive payment is established.

1.7 Finance costs

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

1.8 Current/Non-current distinction

Items are classified as current when it is expected to be realised, traded, consumed or settled within twelve months after the reporting date, or the company does not have an unconditional right to defer settlement for at least twelve months after the reporting date.



ACCOUNTING POLICIES

2. New and amended accounting standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

International Financial Reporting Standards and amendments effective for the first time for 30 June 2013 year-end:

Amendment to IAS 12, 'Income taxes' on deferred tax

(effective date – financial periods commencing on/after 1 January 2012)

Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

Amendments to IAS 1, 'Presentation of Financial Statements', on presentation of items of OCI

(effective date – financial periods commencing on/after 1 July 2012)

The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

International Financial Reporting Standards and amendments issued but not effective for 30 June 2013 year-end:

IFRS 9 – 'Financial Instruments' (2009)

(effective date – financial periods commencing on/after 1 January 2013)

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

IFRS 9 – 'Financial Instruments' (2010)

(effective date – financial periods commencing on/after 1 January 2013)

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

Amendments to IFRS 9 – 'Financial Instruments' (2011)

(effective date – financial periods commencing on/after 1 January 2015)

The IASB has published an amendment to IFRS 9, 'Financial instruments', that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

IFRS 11 – 'Joint arrangements'

(effective date – financial periods commencing on/after 1 January 2013)

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12 – 'Disclosures of interests in other entities'

(effective date – financial periods commencing on/after 1 January 2013)

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.



ACCOUNTING POLICIES

2. **New and amended accounting standards and interpretations (continued)** 2.1 **Standards and interpretations effective and adopted in the current year (continued)**

IFRS 13 – ‘Fair value measurement’

(effective date – financial periods commencing on/after 1 January 2013)

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IAS 27 (revised 2011) – ‘Separate financial statements’

(effective date – financial periods commencing on/after 1 January 2013)

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 28 (revised 2011) – ‘Associates and joint ventures’

(effective date – financial periods commencing on/after 1 January 2013)

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

Amendments to IAS 32 – ‘Financial Instruments: Presentation’

(effective date – financial periods commencing on/after 1 January 2014)

The IASB has issued amendments to the application guidance in IAS 32, ‘Financial instruments: Presentation’, that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

Amendment to the transition requirements in IFRS 10, ‘Consolidated financial statements’, IFRS 11, ‘Joint Arrangements’, and IFRS 12, ‘Disclosure of interests in other entities’

(effective date – financial periods commencing on/after 1 January 2013)

The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition.

Improvements to IFRSs (Issued May 2012) was issued by the IASB as part the ‘annual improvements process’ resulting in the following amendments to standards issued, but not yet effective for 30 June 2013 year-ends:

Amendment to IAS 1, ‘Presentation of financial statements’

(effective date – financial periods commencing on/after 1 January 2013)

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, ‘Accounting policies, changes in accounting estimates and errors’; or voluntarily.

Amendment to IAS 32, ‘Financial instruments: Presentation’

(effective date – financial periods commencing on/after 1 January 2013)

The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.



ACCOUNTING POLICIES

3 Financial risk management

Various financial risks have an impact on the company's results: market risk (including interest rate risk), credit risk and liquidity risk. The company's risk management programmes, of which key aspects are explained below, acknowledge the unpredictability of financial markets and are aimed to minimise any negative effect thereof.

3.1 Market risk

Interest rate risk

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

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

The company's sensitivity to market risk

The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The following table illustrates the sensitivity of the company's profit and other comprehensive income to market risk if markets change with the following percentages:

	Change	Profit or loss R
Interest rates	1.00%	17 175 469
		17 175 469

3.2 Credit risk

The company's exposure to credit risk is the fair value of loans, other receivables and cash and cash equivalents as indicated above.

Loans to holding company

Loans provided to the holding company are in terms of financing obtained under the Domestic Note and Redeemable Preference Share Programme listed on the Johannesburg Stock Exchange. Kagiso Tiso Holdings Proprietary Limited, the holding company, has a Baa2 rating for domestic long term credit rating and P-2 for domestic short term credit rating as assigned on the 17th of January 2012 by Moody's Investors Service.

Cash and cash equivalents

Cash and cash equivalents are only held by approved institutions with an acceptable credit-worthiness. The treasury policy sets the limit for each financial institution.



ACCOUNTING POLICIES

3.3 Liquidity risk

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

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

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

	Carrying value	Less than 1 year	Between 2 and 5 years	More than 5 years
	R	R	R	R
30 June 2013				
Financial liabilities				
Borrowings	850 000 000	-	850 000 000	-
Amounts due to group companies	6 143 070	6 143 070	-	-
Accrued interest	14 703 745	14 703 745	-	-
Other payables	377 214	377 214	-	-
	871 224 029	21 224 029	850 000 000	-
	Carrying value	Less than 1 year	Between 2 and 5 years	More than 5 years
	R	R	R	R
30 June 2012				
Financial liabilities				
Borrowings	340 000 000	340 000 000	-	-
Accrued interest	4 142 003	4 142 003	-	-
Amounts due to group companies	439 050	439 050	-	-
Other payables	205 363	205 363	-	-
Accrued preference dividends	8 564 598	8 564 598	-	-
	353 351 014	353 351 014	-	-
	Carrying value	Less than 1 year	Between 2 and 5 years	More than 5 years
	R	R	R	R
30 June 2013				
Financial Assets				
Amounts due from group companies	863 276 339	13 376 339	849 900 000	-
Loans and receivables	6 557 447	6 557 447	-	-
Cash and cash equivalents	1 390 244	1 390 244	-	-
	871 224 030	21 324 030	849 900 000	-
	Carrying value	Less than 1 year	Between 2 and 5 years	More than 5 years
	R	R	R	R
30 June 2012				
Financial Assets				
Held to maturity financial assets	250 000 000	250 000 000	-	-
Amounts due from group companies	101 700 051	101 700 051	-	-
Cash and cash equivalents	1 369 281	1 369 281	-	-
	353 069 332	353 069 332	-	-



ACCOUNTING POLICIES

4. Critical accounting estimations and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and statement of comprehensive income. Although estimates are based on management's best knowledge and judgements of current facts as at reporting date, the actual outcome may differ from those estimates.



NOTES TO THE FINANCIAL STATEMENTS

5 Held-to-maturity financial assets

	2013	2012
	R	R
Reconciliation of carrying amount		
Carrying value at the beginning of the period	250 000 000	250 000 000
Redemptions during the year	(250 000 000)	-
Carrying value at the end of the period	-	250 000 000
Held-to-maturity financial assets include:		
Kagiso Financial Services Proprietary Limited	-	56 000 000
Kagiso Tiso Holdings Proprietary Limited	-	194 000 000
Total held-to-maturity financial assets	-	250 000 000

Kagiso Financial Services Proprietary Limited

The preference shares issued to Kagiso Financial Services Proprietary Limited [KFS] had the same terms and conditions as the listed redeemable preference share liability on the Kagiso Tiso Holdings Proprietary Limited Domestic Medium Term Note Programme [DMTNP] listed on the Johannesburg Stock Exchange. The shares were issued at a par value of R 56 and total premium of R 55,999,994.

In the current financial year, the preference shares were early redeemed on 18 June 2013 by KFS on loan account with Kagiso Tiso Holdings Proprietary Limited. The original redemption date of the preference shares was 1 February 2013. This was due to the refinancing and redemption of the preference shares in issue under the DMTNP. Refer to note 10 for further information.

The company did not reclassify 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.

Kagiso Tiso Holdings Proprietary Limited

The preference shares issued to Kagiso Tiso Holdings Proprietary Limited [KTH] had the same terms and conditions as the listed redeemable preference share liability on the Kagiso Tiso Holdings Proprietary Limited DMTNP listed on the Johannesburg Stock Exchange. The shares were issued at a par value of R 194 and total premium of R 193,999,806.

In the current financial year, the preference shares were early redeemed on 31 August 2012. This was due to the refinancing and redemption of the preference shares in issue under the DMTNP. The original redemption dates of the preference shares were as follows: KSP 003 on 1 February 2013, KSP 004 on 1 April 2013 and KSP 005 on 31 July 2012. Refer to note 10 for further information.

The company did not reclassify 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.

6 Loans and receivables

	2013	2012
	R	R
Donation receivable - Tiso Power Services Proprietary Limited	5 477 456	-
Other receivable - Kagiso Financial Services Proprietary Limited	1 079 991	-
	6 557 447	-

Donations receivable

Other receivables comprises of a donation made by Tiso Power Services Proprietary Limited to assist the company to meet its liquidity and solvency requirements. The amount will be received subsequent to year end.



NOTES TO THE FINANCIAL STATEMENTS

7 Amounts due from/(to) group companies

	2013 R	2012 R
Holding company	857 133 269	99 489 086
Other group companies	-	1 771 915
	857 133 269	101 261 001
	2013 R	2012 R
Fellow subsidiary		
Kagiso Financial Services Proprietary Limited	-	1 792 470
Other group companies		
Kagiso Strategic Investments Finance Proprietary Limited	-	(20 555)
Holding company		
Kagiso Tiso Holdings Proprietary Limited	857 133 269	99 489 086
Net indebtedness due from group companies	857 133 269	101 261 001

The total of the above amounts due from/(to) group companies are classified as follows:

	2013 R	2012 R
Non-current assets	849 900 000	-
Current assets	13 376 339	101 700 051
Current liabilities	(6 143 070)	(439 050)
	857 133 269	101 261 001

Amounts owing to group companies are unsecured, interest free and have no fixed terms of repayment, except as stated below.

Amounts are due from KTH in respect of funding that has been provided on the same terms and conditions associated with the issuing of debt securities. Such advances are governed by proper approval and loan agreements that incorporate the same terms and conditions attached to the DMTNP.

Included in amounts due from related parties, in terms of the DMTNP are the following:

Interest receivable – Kagiso Tiso Holdings Proprietary Limited [KTH]

Interest receivable from KTH of R 13,376,339 (2012:R 4,142,003) on funds provided through the DMTNP to the holding company by Kagiso Sizanani Capital Limited (RF). Interest receivable is calculated at the same terms and conditions as the finance costs due on the instruments in issue under the DMTNP. Refer to note 10 for the terms and conditions.

Dividends receivable – Kagiso Financial Services Proprietary Limited and Kagiso Tiso Holdings Proprietary Limited

In the 2012 financial year, the company had both preference shares and listed bonds under its DMTNP. Dividends were receivable on preference shares issued to KTH and KFS. Dividends receivable is calculated at the same terms and conditions as the finance costs due on the instruments in issue under the DMTNP. Dividends to the amount of R 1,792,470 was receivable from KFS and R 5,865,578 was receivable from KTH as at June 2012. No amounts were receivable as at 2013. Refer to note 10 for the terms and conditions.

8 Cash and cash equivalents

	2013 R	2012 R
Cash and cash equivalents consist of:		
Current bank balances	1 390 244	1 369 281
	1 390 244	1 369 281



NOTES TO THE FINANCIAL STATEMENTS

9 Share capital

	2013	2012
	R	R
Authorised		
1 000 ordinary shares with R 1.00 par value	1 000	1 000
Issued		
400 Ordinary shares of R 1.00 each	400	400
Share premium	3 299 900	3 299 900
Movement of ordinary shares for the period		
Total number of shares issued at the beginning of the period	400	400
Shares issued	-	-
	400	400

Unissued shares remain under the control of the directors.

10 Borrowings

	2013	2012
	R	R
Debt securities	850 000 000	340 000 000
	850 000 000	340 000 000
The total of the above borrowings are classified as follows:		
Non-current liabilities	850 000 000	-
Current liabilities	-	340 000 000
	850 000 000	340 000 000

Debt securities

On 16 September 2005, Kagiso Sizanani Capital Limited (RF) ["KSC"] established a Domestic Note and Redeemable Preference share programme for a total programme value of R 1 billion. On 17 August 2012, the programme memorandum was restated and the programme value was increased to R 2 billion.

As part of the refinancing arrangements, all instruments that were in issue at 30 June 2012 were early redeemed and refinanced. The company currently holds two listed bonds: KSB 007 for R 250 million and KSB 008 for R 600 million.

10.1 Listed redeemable securities

	2013	2012
	R	R
Preference shares		
KSP003	-	78 000 000
KSP004	-	72 000 000
KSP005	-	100 000 000
Bonds		
KSB004	-	50 000 000
KSB005	-	40 000 000
KSB007	250 000 000	-
KSB008	600 000 000	-
Total issued preference shares	850 000 000	340 000 000



NOTES TO THE FINANCIAL STATEMENTS

10.1 Listed redeemable securities (continued)

KSP003, for a nominal value of R78 million is a floating yield Redeemable Preference Share. The shares bear dividends which are payable and repriced six monthly at 84.7% of prime on a Nominal Annual Interest Compounded Semi-annually (NACS) basis. The shares were redeemable on 1 February 2013 and were listed on the Johannesburg Securities Exchange ("JSE"). The shares were early redeemed on 31 August 2012 as part of the refinancing arrangements.

	2013 R	2012 R
Reconciliation of carrying amount		
Balance at the beginning of the period	78 000 000	78 000 000
Redeemed during the period	(78 000 000)	-
Balance at the end of the period	-	78 000 000

KSP004, for a nominal value of R72 million is a floating yield Redeemable Preference Share. The shares bear dividends which are payable and repriced six monthly at 84.7% of prime on a NACS basis. The shares were redeemable on 1 April 2013 and were listed on the JSE. The shares were early redeemed 31 August 2012 as part of the refinancing arrangements.

	2013 R	2012 R
Reconciliation of carrying amount		
Balance at the beginning of the period	72 000 000	72 000 000
Redeemed during the period	(72 000 000)	-
Balance at the end of the period	-	72 000 000

KSP005, for a nominal value of R 100 million is a floating yield Redeemable Preference Share. The shares bear dividends which are payable and repriced six monthly at 99.70% of prime on a NACS basis. The shares were redeemable on 31 July 2012 and were listed on the JSE. The redemption was extended to 31 August 2012 as part of the refinancing arrangements.

	2013 R	2012 R
Reconciliation of carrying amount		
Balance at the beginning of the period	100 000 000	100 000 000
Redeemed during the period	-	-
Balance at the end of the period	-	100 000 000

KSB004, for a nominal value of R 50 million is a floating rate note. The note bears interest which is payable and repriced six monthly at a fixed yield of 12%. The notes were redeemable on 1 February 2013 and were listed on the JSE. The notes were redeemed 1 February 2013.

KSB005, for a nominal value of R 40 million is a floating rate note. The note bears interest which is payable and repriced six monthly at a fixed yield of 12.56%. The notes were redeemable on 28 February 2013 and were listed on the JSE. The notes were redeemed on 28 February 2013.

KSB007, for a nominal value of R 250 million is a floating rate note. The note bears interest which is payable six monthly but repriced quarterly at a fixed margin of 2.75% above a 3 month (Johannesburg Interbank Agreed Rate) JIBAR rate. The instrument was issued on 31 August 2012 and matures on 31 August 2017 and is listed on the JSE.

KSB008, for a nominal value of R 600 million is a floating rate note. The note bears a coupon which is payable and repriced quarterly at a fixed margin of 3.30% above a 3 month JIBAR rate. The instrument was issued on 1 November 2012 and matures on 1 November 2017 and is listed on the JSE.

KTH has provided a guarantee on issued notes KSB 007 and KSB 008.



NOTES TO THE FINANCIAL STATEMENTS

11 Other payables

	2013	2012
	R	R
Other payables	265 214	-
Other accrued expenses	112 000	205 361
	377 214	205 361

12 Operating profit/(loss)

	2013	2012
	R	R
Operating profit/(loss) is stated after taking the following into account:		
Expenses		
Auditors' remuneration - current year	(117 700)	(108 000)
Auditors' remuneration - prior year	82 731	(175 262)
Securities transfer tax	(625 000)	-
Consulting and professional fees	(4 278 355)	(352 487)
Other income		
Donations - Tiso Power Services Proprietary Limited	5 477 456	-

13 Net recoupment of loans

	2013	2012
	R	R
Holding company		
Kagiso Tiso Holdings Proprietary Limited - Loan waiver	131 510	-
	131 510	-

The holding company, KTH, waived a part of the loan owing by the company. This was done in order to assist the company with its liquidity requirements.

14 Finance income

	2013	2012
	R	R
Interest income from banks	46 944	68 329
Finance income from group companies	59 656 738	31 307 665
	59 703 682	31 375 994

Finance income from group companies comprises of interest income of R 52,946,573 (2012: R 11,448,764) and dividends received of R 6,710,165 (2012: R 19,858,901).

15 Finance costs

	2013	2012
	R	R
Interest on loans	(56 475 166)	(11 448 764)
Dividends on preference shares	(3 428 988)	(19 858 901)
	(59 904 154)	(31 307 665)



NOTES TO THE FINANCIAL STATEMENTS

16 Income tax expense

	2013	2012
	R	R
Major components of the tax expense		
Current income tax		
Adjustments in respect of prior years	11 870	-
Total tax expense	11 870	-
Reconciliation between accounting profit and tax expense		
Profit/loss before income tax	281 680	(721 894)
Tax at the applicable tax rate of 28%	78 870	(202 130)
Tax effect of adjustments on taxable income		
Prior year over provision	(11 870)	-
Income not subject to tax	(3 449 357)	(5 560 492)
Non-deductible expenditure	3 370 487	5 762 622
	(11 870)	-

17 Cash generated from/(used in) operations

	2013	2012
	R	R
Profit/(loss) before income tax	281 682	(721 894)
Adjustments for:		
Finance income	(59 703 682)	(31 375 994)
Finance costs	59 904 154	31 307 665
Net recoupment of loans	(131 510)	-
Changes in working capital:		
Increase in other payables	171 853	61 960
(Increase) in loans and receivables	(6 557 447)	-
	(6 034 950)	(728 263)

17.1 Taxation paid

	2013	2012
	R	R
Amount unpaid at the beginning of the period	(18 870)	(18 870)
Over-provision in prior year	18 870	-
Amount unpaid at the end of the period	-	18 870
	-	-

18 Related party information

Key management personnel

The directors are listed on page 3 on the financial statements.

Shareholder

The company is held 100% by Kagiso Tiso Holdings Proprietary Limited.

Refer to notes 6,7,14 and 15 for amounts due to/(from) the company and transactions with related parties.



NOTES TO THE FINANCIAL STATEMENTS

19 Financial instruments by category

Financial instruments on the statement of financial position include investments, loans receivable, cash, other payables, amounts due to/(from) group companies and borrowings. Details of the nature, extent and terms of these instruments are explained in the notes to the relevant items.

The accounting policy for financial instruments was applied to the following statement of financial position line items.

	Loans and receivables	Held to maturity	Carrying value
	R	R	R
Financial assets			
30 June 2013			
Loans and receivables	6 557 447	-	6 557 447
Amounts due from group companies	863 276 339	-	863 276 339
Cash and cash equivalents	1 390 244	-	1 390 244
	871 224 029	-	871 224 029

	Loans and receivables	Held to maturity	Carrying value
	R	R	R
Financial assets			
30 June 2012			
Investments	-	250 000 000	250 000 000
Amounts due from group companies	101 700 051	-	101 700 051
Cash and cash equivalents	1 369 281	-	1 369 281
	103 069 332	250 000 000	353 069 332

	Liabilities at amortised cost	Carrying value
	R	R
30 June 2013		
Financial liabilities		
Borrowings	850 000 000	850 000 000
Accrued interest	14 703 745	14 703 745
Amounts due to group companies	6 143 070	6 143 070
Other payables	377 214	377 214
	871 224 029	871 224 029

	Liabilities at amortised cost	Carrying value
	R	R
30 June 2012		
Financial liabilities		
Borrowings	340 000 000	340 000 000
Amounts due to group companies	439 050	439 050
Other payables	205 363	205 363
Accrued preference dividends	8 564 598	8 564 598
Accrued interest	4 142 003	4 142 003
	353 351 014	353 351 014



NOTES TO THE FINANCIAL STATEMENTS

20 Directors emoluments

No emoluments were paid to the directors in the current year (2012: Nil).

21 Going concern

The financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates. The directors have assessed the company's future financial performance and financial position on an on-going basis and have no reason to believe that the company will not be a going concern for the year ahead.

The company is exposed to liquidity risk on its normal day to day operations. The company's holding company has committed to fund all liquidity requirements of the company until the company is in a net cash position.

22 Reclassification of financial statement line items

Certain financial statement line items relating to the 2012 financial statements were reclassified to enhance the reported amounts in the financial statements. These reclassification adjustments did not result in any changes to the opening balances of retained earnings in 2013.

The effect is as follows increase / (decrease):

	2013	2012
	R	R
Statement of financial position		
Borrowings	-	(4 142 003)
Accrued interest	-	4 142 003
Held-to-maturity financial assets: non-current assets	-	(56 000 000)
Held-to-maturity financial assets: current assets	-	56 000 000
Amounts due from group companies: non-current	-	(89 900 000)
Amounts due from group companies: current assets	-	89 900 000
Borrowings: non-current liabilities	-	(100 000 000)
Borrowings: current liabilities	-	100 000 000
Statement of comprehensive income		
Preference dividend income	-	(4 119 032)
Finance income	-	4 119 032



DETAILED STATEMENT OF FINANCIAL PERFORMANCE

	2013	2012
	R	R
Other income		
Donations received	5 477 456	-
	5 477 456	-
Expenses		
Net recoupment of loans	131 510	-
Other operating expenses - net	(5 126 814)	(790 223)
Auditors' remuneration	(117 700)	(108 000)
Auditors' remuneration - prior year	82 731	(175 262)
Bank charges	(6 138)	(6 758)
Consulting and professional fees	(4 278 355)	(352 487)
General expenses	-	(7 030)
Securities transfer tax	(625 000)	-
Bond programme related expenses	(182 353)	(140 685)
Operating profit/(loss)	482 152	(790 223)
Finance income	59 703 682	31 375 994
Finance costs	(59 904 154)	(31 307 665)
Profit/(loss) before taxation	281 680	(721 894)
Income tax expense	11 870	-
Profit/(loss) for the year	293 550	(721 894)

The detailed statement of financial performance does not form part of the financial statements and is unaudited.