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

Financial Statements
for the year ended 30 June 2014

CONTENTS

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

* Does not form part of the financial statements

These financial statements for the year ended 30 June 2014 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

Nature of business and principal activities

Financing activities

Company registration number

2003/028948/07

Auditors

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

Non-executive directors

FF Gillion
V Nkonyeni
JB Hinson

Holding Company

Kagiso Tiso Holdings Proprietary Limited
incorporated in South Africa

Company secretary

S Mayet (Resigned 31 July 2014)
M Manjingolo (Appointed 1 August 2014)

Postal address

P.O. Box 55276
Northlands
Johannesburg
2116

Business address

Kagiso Tiso House
100 West Street
Wierda Valley
Sandton
2196

Preparer

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

Level of assurance

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

Published

26 November 2014

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 7.

The financial statements set out on pages 8 - 26 were approved by the board of directors and were signed on its behalf by:

Director - FF Gillion

Director – V Nkonyeni

26 November 2014
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 2014, 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

26 November 2014
Date

DIRECTORS' REPORT

The directors have pleasure in presenting their report of the company for the year ended 30 June 2014.

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

2. **Share Capital**
Ordinary shares
Authorised share capital
Kagiso Sizanani Capital Limited (RF) is authorised to issue 1 000 ordinary shares of R 1.00 par value.

Issued share capital
During the year, the company issued 1 ordinary share for a total consideration of R 5,000,000. The company has 401 ordinary shares in issue at a total issue consideration of R 20,699 per share (2013: 400 ordinary shares issued at R 8,250.75 per share).

3. **Dividends**
No dividends were declared and paid to the shareholder by the board of directors of the company (2013: Nil).

4. **Shareholders**
The entire issued ordinary 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
No remuneration was paid to the directors in the current year (2013: Nil).

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 as at 30 June 2014 was S Mayet. She was replaced after year-end by M Manjingolo, effective 1 August 2014, 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.

DIRECTORS' REPORT

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. Compliance with the King III Report on corporate governance for South Africa 2009

The company does not comply with King III except for section 2.9 of the King III Report on Corporate Governance for South Africa 2009 ("King III code") (laws, rules, codes and standards in terms of governance principle 2.9 of the King III code). The company is a wholly-owned subsidiary of Kagiso Tiso Holdings Limited ("KTH"), which is responsible for compliance with the remaining principles of the King III code, to the extent that the board of KTH has deemed such principles as appropriate.

The financial statements of the company are available for inspection at the offices of the company and on KTH's website www.kth.co.za.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAGISO SIZANANI CAPITAL PROPRIETARY LIMITED (RF)

We have audited the financial statements of Kagiso Sizanani Capital Proprietary Limited (RF) set out on pages 8 to 26, which comprise the statement of financial position as 30 June 2014, 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 Proprietary Limited (RF) as at 30 June 2014, 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 2014, 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 respective 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.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Raj Dhanlall
Registered Auditor
Sunninghill
26 November 2014

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STATEMENT OF FINANCIAL POSITION

	Notes	2014 R	2013 R
ASSETS			
Non-current assets			
Amounts due from group companies	8	849 900 000	849 900 000
Total non-current assets		**849 900 000**	849 900 000
Current assets			
Loans and receivables	7	279 991	6 557 447
Amounts due from group companies	8	16 075 856	13 376 339
Cash and cash equivalents	9	11 166 816	1 390 244
Total current assets		**27 522 663**	21 324 029
Total Assets		**877 422 663**	871 224 029
EQUITY AND LIABILITIES			
Equity			
Share capital	10	8 300 300	3 300 300
Accumulated loss		(3 688 428)	(3 300 300)
Total equity		**4 611 872**	-
Liabilities			
Non-current liabilities			
Borrowings	11	850 000 000	850 000 000
Current liabilities			
Other payables	12	100 434	377 214
Amounts due to group companies	8	6 634 501	6 143 070
Accrued interest		16 075 856	14 703 745
Total current liabilities		**22 810 791**	21 224 029
TOTAL EQUITY AND LIABILITIES		**877 422 663**	871 224 029

The accounting policies and notes on pages 12 to 26 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2014 R	2013 R
Other operating expenses - net		(405 792)	350 644
Operating (loss)/profit	13	**(405 792)**	350 644
Net recoupment of loans	14	-	131 510
Finance income	15	72 675 736	59 703 682
Finance costs	16	(72 658 072)	(59 904 154)
(Loss)/profit before taxation		**(388 128)**	281 682
Income tax expense	17	-	11 870
(Loss)/profit for the year		**(388 128)**	293 552
Other comprehensive income/(losses)		-	-
Total comprehensive (loss)/income for the year		**(388 128)**	293 552

The accounting policies and notes on pages 12 to 26 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Share premium	Total share capital	Accumulated loss	Total equity
	R	R	R	R	R
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 1 July 2013	400	3 299 900	3 300 300	(3 300 300)	-
Issue of shares	1	4 999 999	5 000 000	-	**5 000 000**
Total comprehensive loss	-	-	-	(388 128)	**(388 128)**
(Loss) for the year	-	-	-	(388 128)	**(388 128)**
Other comprehensive income	-	-	-	-	-
Balance at 30 June 2014	**401**	**8 299 899**	**8 300 300**	**(3 688 428)**	**4 611 872**
Notes			10		

The accounting policies and notes on pages 12 to 26 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2014 R	2013 R
Cash flows generated from(used in) operating activities			
Cash generated from /(used in) operations	18	5 594 884	(6 034 950)
Finance income		71 303 626	58 127 393
Finance costs paid		(72 613 368)	(57 907 010)
Income tax paid	18.1	-	-
Net cash generated from/(used in) operating activities		**4 285 142**	(5 814 567)
Cash flows generated from/(used in) investing activities			
Movement in group company loans		491 430	(504 164 470)
Net cash generated from/(used in) investing activities		**491 430**	(504 164 470)
Cash flows generated from financing activities			
Proceeds on issue of ordinary shares		5 000 000	-
Proceeds from borrowings		-	850 000 000
Repayment of borrowings		-	(340 000 000)
Net cash generated from financing activities		**5 000 000**	510 000 000
Net movement in cash and cash equivalents		9 776 572	20 963
Net cash and cash equivalents at the beginning of year		1 390 244	1 369 281
Cash and cash equivalents at the end of the year	9	**11 166 816**	1 390 244

The accounting policies and notes on pages 12 to 26 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. The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following:

Adoption of new and amended standards effective for the current financial period:

IFRS 10 Consolidated Financial Statements (IFRS 10)
IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)
IFRS 13 Fair Value Measurement (IFRS 13)
IAS 27 Separate Financial Statements (2011 revised) (IAS 27R)
IAS 28 Investments in Associates and Joint Ventures (2011 revised) (IAS 28R)

The adoption of IFRS 10, IFRS 12, IAS 27R and IAS 28R did not have any effect on the company's previously reported financial results as the company does not prepare consolidated financial statements or hold any investments in other entities.

IFRS 13 was adopted prospectively.

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 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 5.

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.

ACCOUNTING POLICIES

1.2.2 Financial liabilities (continued)

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.

1.2.4 Loans to and from group companies

These include loans to and from the 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.

1.2.6 Offsetting of financial instruments

Where a current legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

1.3 Current income tax

The tax expense on the profit or loss for the prior financial 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 Investment income

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.

1.6 Finance costs

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

1.7 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

1.8 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.

1.9 Impairment of assets

Financial instruments carried at amortised cost

A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in the statement of comprehensive income.

ACCOUNTING POLICIES

2. New and amended accounting standards and interpretations

International Financial Reporting Standards and amendments effective for the first time for the 30 June 2014 year-end:

Amendment to IFRS 7 Financial Instruments: Disclosures – Asset and Liability offsetting

The IASB has published an amendment to IFRS 7, 'Financial instruments: Disclosures', reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 10 – 'Consolidated financial statements'

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

IFRS 11 – 'Joint arrangements'

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'

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.

IFRS 13 – 'Fair value measurement'

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'

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'

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

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

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.

2. New and amended accounting standards and interpretations (continued)

International Financial Reporting Standards and amendments issued but not effective for the 30 June 2014 year-end. The impacts of these amendments have not yet been assessed:

IFRS 9 – Financial Instruments (2009)
(effective date – financial periods commencing on/after 1 January 2018)
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.

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.

IASB issues narrow-scope amendments to IAS 36, 'Impairment of assets'
(effective date – financial periods commencing on/after 1 January 2014)
These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

Amendments to IFRS 10, consolidated financial statements', IFRS 12 and IAS 27 for investment entities
(effective date – financial periods commencing on/after 1 January 2014)
The amendments provides an exemption from consolidating subsidiaries. Instead subsidiaries can be measured at fair value through profit or loss. The amendments give an excemption to entities that meet an 'investment entity' definition and which display particular characteristics.

Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.

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, and effective for the first time for the 30 June 2014 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.

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 2014 year-ends:

Amendment to IFRS 2, 'Share based payment'
(effective date – financial periods commencing on/after 1 July 2014)
The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

Amendment to IFRS 13, 'Fair value measurement'
(effective date – financial periods commencing on/after 1 July 2014)
When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

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 has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 30 June, for each class of financial instrument with all other variables remaining constant.

Changes in market interest rates affect the interest income or expense of floating rate financial instruments.

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

	Change	2014 R	2013 R
Jibar interest rate	1.00%	7 180 283	17 175 469
		7 180 283	17 175 469

3.2 Capital management

The company manages its shareholders' equity, i.e. its stated capital as capital. The company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns to shareholders in the form of dividends and capital appreciation.

Kagiso Sizanani Capital Limited (RF) is a funding vehicle which on lends funds through the bond programme to Kagiso Tiso Holdings Proprietary Limited. Capital management and the gearing ratio of the company is not managed at the individual special purposes vehicle level but by Kagiso Tiso Holdings Proprietary Limited.

3.3 Credit risk

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

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.

The company's cash and cash equivalents are invested with Standard Bank which has a BBB credit rating.

3.4 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 assets 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. In calculating the undiscounted cash flows, the company has applied no change to the JIBAR rate.

	Carrying value R	Total	Less than 1 year R	Between 1 and 5 years R
30 June 2014				
Financial liabilities				
Borrowings	1 070 498 685	1 070 498 685	-	1 070 498 685
Accrued interest	16 075 856	16 075 856	16 075 856	-
Amounts due to group companies	6 634 501	6 634 501	6 634 501	-
Other payables	100 434	100 434	100 434	-
	1 093 309 476	**1 093 309 476**	**22 810 791**	**1 070 498 685**

	Carrying value R	Total	Less than 1 year R	Between 1 and 5 years R
30 June 2013				
Financial liabilities				
Borrowings	850 000 000	1 127 080 901	-	1 127 080 901
Accrued interest	14 703 745	14 703 745	14 703 745	-
Amounts due to group companies	6 143 070	6 143 070	6 143 070	-
Other payables	377 214	377 214	377 214	-
	871 224 029	1 148 304 930	21 224 029	1 127 080 901

	Carrying value R	Total	Less than 1 year R	Between 1 and 5 years R
30 June 2014				
Financial Assets				
Amounts due from group companies	865 975 856	865 975 856	16 075 856	849 900 000
Loans and receivables	279 991	279 991	279 991	-
Cash and cash equivalents	11 166 816	11 166 816	11 166 816	-
	877 422 663	**877 422 663**	**27 522 663**	**849 900 000**

	Carrying value R	Total	Less than 1 year R	Between 1 and 5 years R
30 June 2013				
Financial Assets				
Amounts due from group companies	863 276 339	863 276 339	13 376 339	849 900 000
Loans and receivables	6 557 447	6 557 447	6 557 447	-
Cash and cash equivalents	1 390 244	1 390 244	1 390 244	-
	871 224 029	871 224 029	21 324 029	849 900 000

4 Financial instruments by category

Financial instruments on the statement of financial position include 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	Carrying value
	R	R
Financial assets		
30 June 2014		
Loans and receivables	279 991	279 991
Amounts due from group companies	865 975 856	865 975 856
Cash and cash equivalents	11 166 816	11 166 816
	877 422 663	**877 422 663**

	Loans and receivables	Carrying value
	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

	Liabilities at amortised cost	Carrying value
	R	R
30 June 2014		
Financial liabilities		
Borrowings	850 000 000	850 000 000
Accrued interest	16 075 856	16 075 856
Amounts due to group companies	6 634 501	6 634 501
Other payables	100 434	100 434
	872 810 791	**872 810 791**

	Liabilities at amortised cost	Carrying value
	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
Other payables	377 214	377 214
Accrued interest	14 703 745	14 703 745
	871 224 029	871 224 029

5 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

6 Held-to-maturity financial assets

	2014 R	2013 R
Reconciliation of carrying amount		
Carrying value at the beginning of the period	-	250 000 000
Redemptions	-	(250 000 000)
Carrying value at the end of the period	-	-
The preference shares were issued and redeemed to the following counterparties:		
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 prior 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 11 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 prior 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 11 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.

7 Loans and receivables

	2014 R	2013 R
Donation receivable - Tiso Power Services Proprietary Limited	-	5 477 456
Other receivable - Kagiso Financial Services Proprietary Limited	279 991	1 079 991
	279 991	6 557 447

Loans and receivables comprises of a donation made by Tiso Power Services Proprietary Limited in 2013 to assist the company to meet its liquidity and solvency requirements. The amount was received in January 2014.

Kagiso Financial Services Proprietary Limited paid R 800 000 in March 2014 towards its amount owing to the company.

NOTES TO THE FINANCIAL STATEMENTS

8 Amounts due from/(to) group companies

	2014 R	2013 R
Holding company	859 341 355	857 133 269
	859 341 355	857 133 269

	2014 R	2013 R
Holding company		
Kagiso Tiso Holdings Proprietary Limited	**859 341 355**	857 133 269
Net indebtedness due from group companies	**859 341 355**	857 133 269

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

	2014 R	2013 R
Non-current assets	849 900 000	849 900 000
Current assets	16 075 856	13 376 339
Current liabilities	(6 634 501)	(6 143 070)
	859 341 355	857 133 269

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 16,075,856 (2013:R 13,376,339) 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 finance costs due on the instruments in issue under the DMTNP. Refer to note 11 for the terms and conditions.

9 Cash and cash equivalents

	2014 R	2013 R
Cash and cash equivalents consist of:		
Current bank balances	11 166 816	1 390 244
	11 166 816	1 390 244

10 Share capital

	2014 R	2013 R
Authorised		
1 000 ordinary shares with R 1.00 par value	1 000	1 000
Issued		
401 (2013: 400) Ordinary shares of R 1.00 each	401	400
Share premium	8 299 899	3 299 900
	8 300 300	3 300 300
Movement of ordinary shares for the period		
Total number of shares issued at the beginning of the period	400	400
Shares issued	1	-
	401	400

Unissued shares remain under the control of the directors.

NOTES TO THE FINANCIAL STATEMENTS

11 Borrowings

	2014 R	2013 R
Debt securities	850 000 000	850 000 000
	850 000 000	850 000 000

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 (KSP003, KSP004, KSP005, KSB004 and KSB005) 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.

	2014 R	2013 R
KSB007	250 000 000	250 000 000
KSB008	600 000 000	600 000 000
Total issued preference shares	**850 000 000**	850 000 000

KSP003, for a nominal value of R78 million was a floating yield Redeemable Preference Share. The shares bear dividends which were 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.

	2014 R	2013 R
Reconciliation of carrying amount		
Balance at the beginning of the period	-	78 000 000
Redeemed during the period	-	(78 000 000)
Balance at the end of the period	-	-

KSP004, for a nominal value of R72 million was a floating yield Redeemable Preference Share. The shares bear dividends which were 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.

	2014 R	2013 R
Reconciliation of carrying amount		
Balance at the beginning of the period	-	72 000 000
Redeemed during the period	-	
Balance at the end of the period	-	-

11 Borrowings (continued)

KSP005, for a nominal value of R 100 million was a floating yield Redeemable Preference Share. The shares bear dividends which were 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.

	2014 R	2013 R
Reconciliation of carrying amount		
Balance at the beginning of the period	-	100 000 000
Redeemed during the period	-	(100 000 000)
Balance at the end of the period	-	-

KSB 004

	2014 R	2013 R
Reconciliation of carrying amount		
Balance at the beginning of the period	-	50 000 000
Redeemed during the period	-	(50 000 000)
Balance at the end of the period	-	-

KSB 005

	2014 R	2013 R
Reconciliation of carrying amount		
Balance at the beginning of the period	-	40 000 000
Redeemed during the period	-	(40 000 000)
Balance at the end of the period	-	-

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

KSB005, for a nominal value of R 40 million was a floating rate note. The instrument bears interest which is payable six monthly at a fixed yield of 12.56%. The instrument matured on 28 February 2013 and was 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. Both notes are redeemable at nominal value.

12 Other payables

	2014 R	2013 R
Other payables	-	265 214
Audit fees	100 434	112 000
	100 434	377 214

NOTES TO THE FINANCIAL STATEMENTS

13 Operating profit/(loss)

	2014 R	2013 R
Operating (loss)/profit is stated after taking the following into account:		
Expenses		
Auditors' remuneration	(116 114)	(34 969)
Securities transfer tax	-	(625 000)
Consulting and professional fees	(170 836)	(4 278 355)
Bond programme expenses	(112 942)	(182 353)
Other income		
Donations - Tiso Power Services Proprietary Limited	-	5 477 456

14 Net recoupment of loans

	2014 R	2013 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.

15 Finance income

	2014 R	2013 R
Finance income from banks	18 171	46 944
Finance income from group companies	72 657 565	59 656 738
	72 675 736	59 703 682

Finance income from group companies comprises of interest income of R 72,657,565 (2013: R 52,946,573) and dividends received of nil (2013: R 6,710,165).

16 Finance costs

	2014 R	2013 R
Interest on loans	(72 658 072)	(56 475 166)
Dividends on preference shares	-	(3 428 988)
	(72 658 072)	(59 904 154)

NOTES TO THE FINANCIAL STATEMENTS

17 Income tax expense

	2014 R	2013 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		
(Loss)/profit before income tax	(388 128)	281 680
Tax at the applicable tax rate of 28%	(108 676)	78 870
Tax effect of adjustments on taxable income		
Prior year over provision	-	(11 870)
Income not subject to tax	-	(3 449 357)
Non-deductible expenditure	108 676	3 370 487
	-	(11 870)

18 Cash generated from/(used in) operations

	2014 R	2013 R
Profit/(loss) before income tax	(388 128)	281 682
Adjustments for:		
Finance income	(72 675 736)	(59 703 682)
Finance costs	72 658 072	59 904 154
Net recoupment of loans	-	(131 510)
Changes in working capital:		
(Decrease)/increase in other payables	(276 780)	171 853
Decrease/(increase) in loans and receivables	6 277 456	(6 557 447)
	5 594 884	(6 034 950)

18.1 Taxation paid

	2014 R	2013 R
Amount unpaid at the beginning of the period	-	(18 870)
Over-provision in prior year	-	18 870
	-	-

19 Related party information

Key management personnel
The directors of the company are as follows:
FF Gillion
V Nkonyeni
JB Hinson

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

Refer to notes 6,7,8,14 and 15 for amounts due to/(from) the company and transactions with related parties.

20 Subsequent events

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

NOTES TO THE FINANCIAL STATEMENTS

21 Compliance with the King III Report on corporate governance for South Africa 2009

The company does not comply with King III except for section 2.9 of the King III Report on Corporate Governance for South Africa 2009 ("King III code") (laws, rules, codes and standards in terms of governance principle 2.9 of the King III code). The company is a wholly-owned subsidiary of Kagiso Tiso Holdings Limited ("KTH"), which is responsible for compliance with the remaining principles of the King III code, to the extent that the board of KTH has deemed such principles as appropriate.

The financial statements of the company are available for inspection at the offices of the company and on KTH's website www.kth.co.za.

22 Directors emoluments

No emoluments were paid to the directors in the current year (2013: Nil).

23 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.

DETAILED STATEMENT OF FINANCIAL PERFORMANCE

	2014 R	2013 R
Other income		
Donation received	-	5 477 456
	-	5 477 456
Expenses		
Net recoupment of loans	-	131 510
Other operating expenses - net	(405 793)	(5 126 814)
Auditors' remuneration	(100 434)	(117 700)
Auditors' remuneration - prior year	(15 680)	82 731
Bank charges	(5 901)	(6 138)
Consulting and professional fees	(170 836)	(4 278 355)
Securities transfer tax	-	(625 000)
Bond programme related expenses	(112 942)	(182 353)
Operating (loss)/profit	**(405 793)**	482 152
Finance income	72 675 736	59 703 682
Finance costs	(72 658 072)	(59 904 154)
(Loss)/profit before taxation	**(388 128)**	281 680
Income tax expense	-	11 870
Loss/(profit) for the year	**(388 128)**	293 550

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