Kagiso Sizanani Capital Proprietary Limited (RF)
(Registration number 2003/028948/07)
Financial Statements
for the year ended 30 June 2012

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment company
Company registration number	2003/028948/07
Directors	FF Gillion V Nkonyeni
Registered office	Kagiso Tiso House 100 West Street Wierda Valley Sandton 2196
Business address	Kagiso Tiso House 100 West Street Wierda Valley Sandton 2196
Postal address	P O Box 55276 Northlands 2116
Holding company	Kagiso Tiso Holdings Proprietary Limited (RF) incorporated in South Africa
Bankers	Standard Bank
Auditors	PricewaterhouseCoopers Incorporated Chartered Accountants (S.A.) Registered Auditors
Company secretary	S Mayet
Preparer	The financial statements were internally compiled by: TS Setshedi CA(S.A.)
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act, No. 71 of 2008.
Published	08 January 2013

Contents

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

Directors' responsibility statement and approval

The directors are required in terms of the Companies Act, No. 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the company's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 4.

The financial statements set out on pages 5 to 26, which have been prepared on the going concern basis, were approved by the board of directors and were signed on its behalf by:

FF Gillion
Director

Date: 18 December 2012

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

We have audited the annual financial statements of Kagiso Sizanani Capital Proprietary Limited (RF), which comprise the statement of financial position as at 30 June 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 5 to 26.

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 in the manner required by 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 misstatements, 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 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Other matter

The supplementary information set out on page 27 does not form part of the financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion thereon.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: V Tshikhovhokhovho
Registered Auditor
Johannesburg
18 December 2012

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Directors' report

The directors present their report, which forms part of the audited financial statements of the company for the year ended 30 June 2012.

1. Principal activities

Main business and operations

The principal activities of the company is that of providing funding to the Kagiso Tiso Holdings (RF) group companies under the Domestic Note and Redeemable Preference Share Programme.

2. Shareholder information

The company is a wholly owned subsidiary of Kagiso Tiso Holdings Proprietary Limited (RF), a company incorporated in South Africa.

During the year, the company did not declare a dividend to the ordinary shareholders (2011:Rnil).

3. Directors

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

Name	Roles	Changes
FF Gillion	Non - executive	
V Nkonyeni	Non - executive	
L Gcwabe	Non - executive	Resigned 18 June 2012
MR Shangase	Non - executive	Resigned 31 October 2011

4. Company secretary

D Mtshali resigned as secretary of the company on 08 February 2012 and S Mayet was appointed in his stead on 01 July 2012.

The secretary of the company is S Mayet whose business and postal addresses are as follows:

Business address
Kagiso Tiso House
100 West Street
Wierda Valley
Sandton
2196

Postal address
P O Box 55276
Northlands
2116

5. Share capital

There were no movements in the ordinary shares in the current year (2011:Rnil). Refer to note 7 of the financial statements for further details on the authorised and issued shares.

No redeemable preference shares were issued as part of the Domestic Note and Redeemable Preference Share Programme in the current year (2011: Rnil) refer to note 8.1.

6. Events after reporting period

On the 17 August 2012, Kagiso Tiso Holdings Proprietary Limited (RF) restructured and amended the Kagiso Sizanani Capital Proprietary Limited (RF) bond programme including increase the programme size to R2,000,000,000. New bonds were issued to the value of R 850,000,000 were raised after the reporting period and all the preference shares that were in issue were redeemed. The bonds were raised in two tranches, the first issue to the value of R250,000,000 was issued on 31 August 2012 and the second to the value of R600,000,000 was issued on 01 November 2012.

The redeemable preference shares in Kagiso Trust Investments Proprietary Limited, payable by Kagiso Tiso Holdings Proprietary Limited (RF) in terms of the merger agreement to the value of R194,000,000, were fully redeemed in August 2012.

7. Auditors

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

Kagiso Sizanani Capital Proprietary Limited (RF)
(Registration number 2003/028948/07)
Financial Statements for the year ended 30 June 2012

Statement of financial position

	Note	2012 R	2011 R
Assets			
Non-current assets			
Loans to shareholders	3	81,900,000	89,900,000
Preference shares	2	56,000,000	250,000,000
		137,900,000	**339,900,000**
Current assets			
Loans due from related parties	5	1,792,470	1,627,597
Loans to shareholders	3	18,007,582	16,624,352
Preference shares	2	194,000,000	-
Cash and cash equivalents	6	1,369,281	1,590,166
		215,169,333	**19,842,115**
Total assets		**353,069,333**	**359,742,115**
Equity and Liabilities			
Equity			
Ordinary shares	7	3,300,300	3,300,300
Accumulated loss		(3,593,852)	(2,871,957)
		(293,552)	**428,343**
Liabilities			
Non-current liabilities			
Amounts due to related parties	5	439,050	-
Financial liabilities held at amortised cost	8	100,000,000	340,000,000
		100,439,050	**340,000,000**
Current liabilities			
Financial liabilities held at amortised cost	8	244,142,003	12,246,066
Current income tax liabilities	4	11,870	11,870
Trade and other payables	9	205,364	143,404
Preference dividend payable		8,564,598	6,912,432
		252,923,835	**19,313,772**
Total liabilities		**353,362,885**	**359,313,772**
Total equity and liabilities		**353,069,333**	**359,742,115**

Statement of comprehensive income

	Note	2012 R	2011 R
Preference dividend income	10	4,119,032	4,242,973
Operating expenses	11	(790,223)	(390,308)
Profit before interest and taxation		3,328,809	3,852,665
Finance income	10	27,256,961	27,665,743
Finance costs	13	(31,307,665)	(31,818,526)
Loss before taxation		**(721,895)**	**(300,118)**
Taxation	14	-	-
Total comprehensive loss for the year		**(721,895)**	**(300,118)**

Statement of changes in equity

	Ordinary share capital	Share premium	Total share capital	Accumulated loss	Total equity
	R	R	R	R	R
Balance at 01 July 2010	**400**	**3,299,900**	**3,300,300**	**(2,571,839)**	**728,461**
Loss for the year	-	-	-	(300,118)	(300,118)
Total comprehensive Loss for the year	**-**	**-**	**-**	**(300,118)**	**(300,118)**
Balance at 01 July 2011	**400**	**3,299,900**	**3,300,300**	**(2,871,957)**	**428,343**
Loss for the year	-	-	-	(721,895)	(721,895)
Total comprehensive Loss for the year	**-**	**-**	**-**	**(721,895)**	**(721,895)**
Balance at 30 June 2012	**400**	**3,299,900**	**3,300,300**	**(3,593,852)**	**(293,552)**
Note	7	7	7		

Statement of cash flows

	Note	2012 R	2011 R
Cash flows from operating activities			
Cash used in operations	17	(728,263)	(330,294)
Finance income		11,517,093	11,848,205
Dividends received		4,119,032	4,242,973
Finance costs		(31,307,665)	(31,818,526)
Dividends received- KTH		15,739,868	15,817,538
Net cash flows utilised by operating activities		**(659,935)**	**(240,104)**
Cash flows from investing activities			
Loans to group companies repaid		274,177	271,999
Net cash flows generated from investing activities		**274,177**	**271,999**
Cash flows from financing activities			
Repayment of/proceeds from financial liabilities held at amortised cost		(8,104,063)	(13,030)
Proceeds from shareholder's loan		6,616,770	1,791,135
Dividends (paid)/received	15	1,652,166	(1,143,554)
Net cash flows generated from financing activities		**164,873**	**634,551**
Total cash and cash equivalents movement for the year		**(220,885)**	**666,446**
Cash and cash equivalents at the beginning of the year		1,590,166	923,720
Total cash and cash equivalents at end of the year	6	**1,369,281**	**1,590,166**

1 Accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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, as amended.

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 (including derivative instruments) held at fair value through profit or loss.

The preparation of these 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. Where appropriate, details of estimates are presented in the accompanying notes to the financial statements.

The financial statements are presented in South African Rand and all results are presented to the nearest Rand.

1.2 Financial instruments

Classification

Financial instruments disclosed in the financial statements include cash and cash equivalents, investments, derivative instruments, receivables and short-term loans, trade and other payables 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 liabilities

a) Recognition and measurement

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

b) Classification of financial liabilities

Financial liabilities are classified as current liabilities in the statement of financial position unless thecompany has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

c) Preference shares

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

d) Debt security

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 comprehensive income over the period of the borrowing using the effective interest rate method. Finance costs on these debt securities is charged in comprehensive income on the effective interest rate method.

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

1.2 Financial instruments (continued)

e) Derecognition of financial liabilities

Financial liabilities 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 comprehensive income.

1.2.2 Derivative financial instruments and hedging activities

Derivative financial instruments, which are not designated as hedging instruments, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in comprehensive income as they arise.

Derivatives are classified as financial assets at fair value through profit or loss-held for trading.

Any derivatives embedded in financial instruments are separated from the host contract when their economic characteristics are not closely related to those of the host contract and the host contract is not carried at fair value. The host contract is accounted for at fair value. Gains and losses are reported in the statement of comprehensive income.

All derivatives are disclosed as assets if positive, and as liabilities when the fair value is negative, subject to offsetting principles.

1.3 Impairment of non-financial assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.4 Taxation

Current and deferred income tax

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

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

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

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

1.5 Share capital

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

1.6 Provisions

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

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

1.6 Provisions (continued)

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

1.7 Finance income and expenses

Finance 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. Finance income on impaired loans is recognised using the original effective interest rate. Dividends on preference shares are recognised when the right to receive payment is established.

	2012 R	2011 R
2. Preference shares		
Held-to-maturity		
Redeemable preference shares Kagiso Financial Services Limited The preference shares in Kagiso Financial Services Limited have the same terms and conditions as the listed redeemable preference share liability on the Kagiso Tiso Holdings Proprietary Limited (RF) Domestic Medium Term Note Programme listed on the Johannesburg Stock Exchange. Refer to note 8 for terms and conditions.	56,000,000	250,000,000
Redeemable preference shares Kagiso Tiso Holdings Proprietary Limited (RF) The preference shares instrument legally relates to Kagiso Trust Investments Proprietary Limited. However, the obligation related to the preference shares was ceded and assigned to Kagiso Tiso Holdings Proprietary Limited (RF), in terms of the merger agreement between Kagiso Trust Investments Proprietary Limited and Tiso Group Proprietary Limited. Therefore the dividends are payable by to Kagiso Sizanani Capital Limited (RF) by Kagiso Tiso Holdings Proprietary Limited (RF). The preference shares in Kagiso Tiso Holdings Proprietary Limited (RF) have the same terms and conditions as the listed redeemable preference share liability on the Kagiso Tiso Holdings Proprietary Limited (RF) Domestic Medium Term Note Programme listed on the Johannesburg Stock Exchange. Refer to note 8 for terms and conditions.	194,000,000	-
	250,000,000	**250,000,000**
Kagiso Trust Investments Proprietary Limited preference share capital	194	194
Kagiso Trust Investments Proprietary Limited preference share premium	193,999,806	193,999,806
Kagiso Financial Services Limited preference share capital	56	56
Kagiso Financial Services Limited preference share premium	55,999,944	55,999,944
	250,000,000	**250,000,000**
Reconciliation of held-to-maturity instruments:		
Balance at the beginning of the year	250,000,000	250,000,000
Total other financial assets		
Held-to-maturity financial assets	250,000,000	250,000,000
Non-current assets		
Held-to-maturity	56,000,000	250,000,000
Current assets		
Held to maturity	194,000,000	-
	250,000,000	**250,000,000**

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

There were no gains or losses realised on the disposal of held of maturity financial assets in 2012 and 2011, as all the financial assets were disposed of at their redemption date.

The redeemable preference shares in Kagiso Trust Investments Proprietary Limited, payable by Kagiso Tiso Holdings Proprietary Limited (RF) in terms of the merger agreement to the value of R194,000,000 were fully redeemed post reporting date, in August 2012, at the discretion of the directors.

	2012 R	2011 R

3. Loans to shareholders

	2012 R	2011 R
Kagiso Tiso Holdings Proprietary Limited (RF) Advances to the Kagiso Tiso Holdings Proprietary Limited (RF) are made on the same terms and conditions associated with the issuing of debt securities. Such advances are governed by proper approval and loan agreements that incorporate the terms and conditions attached to the Registered Domestic Note and Redeemable Preference Share Programme dated 16 September 2005. Refer to note 8 for terms and conditions attached to debt securities.	99,907,582	106,524,352
Non-current assets	81,900,000	89,900,000
Current assets	18,007,582	16,624,352
	99,907,582	**106,524,352**

Credit quality of loans to shareholders

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

	2012 R	2011 R
Credit rating		
Baa2	99,907,582	106,564,352

Fair value of loans to and from shareholders

The loans reprice within 12 months and as a result approximate fair values (none of the loans are past due nor impaired).

4. Current income tax liabilities

	2012 R	2011 R
Normal tax liabilities	11,870	11,870
Reconciliation of current income tax liabilities		
At beginning of the year	11,870	11,870

5. Loans due from related parties

Fellow subsidiaries

	2012 R	2011 R
Kagiso Ventures Proprietary Limited The loan is unsecured, interest free and has no fixed terms of repayment.	(20,555)	-

Fellow subsidiaries

	2012 R	2011 R
Kagiso Financial Services Proprietary Limited ("KFS") Advances to KFS are made on the same terms and conditions associated with the issuing of debt securities. Such advances are governed by proper approval and loan agreements that incorporate the terms and conditions attached to the Registered DMTN Programme dated 16 September 2005. Refer to note 8 for terms and conditions attached to debt securities.	1,792,470	1,627,597
Current assets	1,792,470	1,627,597
Non-current liabilities	(439,050)	-
	1,353,420	**1,627,597**

Notes to the Financial Statements

	2012 R	2011 R

5. Loans due from related parties (continued)

Credit quality of loans to related parties

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

	2012 R	2011 R
Counterparties without external credit rating		
Existing customers (more than 6 months) with no defaults in the past	1,353,420	1,627,597

Fair value of loans to related parties

	2012 R	2011 R
Existing customers (more than 6 months) with no defaults in the past	1,353,420	1,627,597

None of the loans to related parties have been impaired or past due. These amounts are guaranteed by Kagiso Tiso Holdings Proprietary Limited (RF) ("KTH") (formerly Kagiso Trust Investments Proprietary Limited prior to the merger with Tiso Group Proprietary Limited) to the extent of R56,000,000 (2011: R56,000,000).

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2012 R	2011 R
Bank balances	1,369,281	1,590,166

Credit quality of cash at bank and short term deposits, excluding cash on hand

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

	2012 R	2011 R
Credit rating		
A1	1,369,281	1,590,166

7. Ordinary shares

	2012 R	2011 R
Authorised		
1 000 Ordinary shares of R1 each	1,000	1,000
Reconciliation of number of shares issued:		
Reported at beginning and end of the year	400	400

All unissued ordinary shares are under the control of the directors. This authority remains in force until the next annual general meeting.

	2012 R	2011 R
Issued		
Ordinary shares of R 1 each	400	400
Share premium	3,299,900	3,299,900
	3,300,300	**3,300,300**

8. Financial liabilities held at amortised cost

	2012 R	2011 R
Held at amortised cost		
Debt securities in issue	-	90,000,000
Redeemable preference shares	250,000,000	250,000,000
Debt securities - bonds	94,142,003	12,246,066
	344,142,003	**352,246,066**

	2012 R	2011 R

8. Financial liabilities held at amortised cost (continued)

8.1 Preference share liabilities

	2012 R	2011 R
Authorised preference shares		
1 000 000 redeemable preference shares of R1 each	1,000,000	1,000,000
Issued preference share liabilities		
250 redeemable preference shares of R1 each	250,000,000	250,000,000

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

	2012 R	2011 R
Reconciliation of issued preference share liabilities		
At beginning of year	250	250
Movements during the year	-	-
Total share capital	250	250
At beginning of year	249,999,750	249,999,750
Movements during the year	-	-
Total share premium	249,999,750	249,999,750
	250,000,000	**250,000,000**

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

	2012 R	2011 R
KSP003 with redemption date 1 February 2013		
- Shares at cost	78	78
- Share premium	77,999,922	77,999,922
	78,000,000	**78,000,000**
KSP004 with redemption date 01 April 2013		
- Shares at cost	72	72
- Share premium	71,999,928	71,999,928
	72,000,000	**72,000,000**
KSP005 with redemption date 31 July 2012		
- Shares at cost	100	100
- Share premium	99,999,900	99,999,900
	100,000,000	**100,000,000**

On 16 September 2005, Kagiso Tiso Holdings Proprietary Limited (RF) (formerly Kagiso Trust Investments Proprietary Limited prior to the merger with Tiso Group Proprietary Limited) established a Domestic Note and Redeemable Preference Share Programme for a total programme value of R1 billion.

KSP003, for a nominal value of R78 million is a floating yield Redeemable Preference Share. The shares bear dividend which is payable and repriced six monthly at 84.7% of prime on a NACS basis. The shares redeem on 1 February 2013 and are listed on the Johannesburg Securities Exchange ("JSE").

KSP004, for a nominal value of R72 million is a floating yield Redeemable Preference Share. The shares bear dividend which is payable and repriced six monthly at 84.7% of prime on a NACS basis. The shares redeem on 1 April 2013 and are listed on the JSE.

	2012 R	2011 R

8. Financial liabilities held at amortised cost (continued)

KSP005, for a nominal value of R100 million and is a floating yield Redeemable Preference Share. The share bear a dividend which is payable and repriced six monthly at 99.7% of prime on a NACS basis. The shares redeem on the 31 July 2012 and are listed on the JSE.

The nominal proceeds of Redeemable Preference Shares in issue at financial year-end have been invested in Redeemable Preference Shares of Kagiso Tiso Holdings Proprietary Limited (RF) (formerly Kagiso Trust Investments Proprietary Limited prior to the merger with Tiso Group Proprietary Limited) Group companies as follows

	2012 R	2011 R
Kagiso Tiso Holdings Proprietary Limited (RF)	194,000,000	194,000,000
Kagiso Financial Services Limited	56,000,000	56,000,000
	250,000,000	**250,000,000**

8.2 Debt securities - bonds

	2012 R	2011 R
KSB004 KSB004, for a nominal value of R50 million and is a floating rate note. The instrument bears interest which is payable and repriced six monthly at a fixed yield of 12%. The instrument matures on 1 February 2013. It is listed on the Johannesburg Securities Exchange ("JSE")	52,472,527	52,469,613
KSB005 KSB005, for a nominal value of R40 million is a floating rate note. The instrument bears a coupon half- yearly on a determination date at a fixed coupon of 12.56 basis point. The instrument matures on 28 February 2013. It is listed on the JSE.	41,669,476	41,664,902
KSB006 KSB006, for a nominal value of R8 million is a floating rate note. The instrument bears interest which is payable and repriced quartely at a fixed margin of 3.2% above 3-month JIBAR. The instrument matures on the 01 February 2012. It is listed on the JSE.	-	8,111,551
Total debt securities - bonds	**94,142,003**	**102,246,066**

Total debt securities

The Kagiso Sizanani Capital Proprietary Limited (RF) ("KSC") debt capacity is informed by the programme size, the Kagiso Tiso Holdings Proprietary Limited (RF) ("KTH") treasury policy and KTH debt covenants. As at 30 June 2012, KSC could raise additional debt up to R660 million (2011: R152 million).

The nominal proceeds of debt instruments in issue at financial year-end have been on-lent to Kagiso Tiso Holdings Proprietary Limited (RF)'s group companies as follows:

	2012 R	2011 R
Kagiso Tiso Holdings Proprietary Limited (RF)	283,900,000	291,900,000
Kagiso Financial Services Limited	56,000,000	56,000,000
	339,900,000	**347,900,000**
Availability of future and immediate capabilities for the issuance of debt securities are as follows:		
Registered Programme Value	2,000,000,000	1,000,000,000
Total financial liabilities held at amortised cost- non-current		
At amortised cost	100,000,000	340,000,000
Total financial liabilities held at amortised cost -current		
At amortised cost	244,142,003	12,246,066
	344,142,003	**352,246,066**

	2012 R	2011 R

8. Financial liabilities held at amortised cost (continued)

9. Trade and other payables

Other payables	1	-
Accrued audit fees	205,363	97,361
Other payables	-	46,043
	205,364	**143,404**

10. Investment revenue

Preference dividend income		
Listed financial assets - local	4,119,032	4,242,973
Finance income		
Finance income - listed financial assets	11,448,764	11,757,814
Finance income - Bank	68,329	90,391
Preference dividend - Listed financial assets	15,739,868	15,817,538
	27,256,961	**27,665,743**
	31,375,993	**31,908,716**

11. Other operating expenses

Auditor's remuneration (refer to note 12)	283,262	132,029
Consulting and professional fees	352,487	7,524
Strate fees	15,510	-
Other expenses	138,964	250,755
	790,223	**390,308**

12. Auditor's remuneration

Fees	265,262	201,489
Prior year over provision	-	(79,720)
Tax and secretarial services	18,000	10,260
	283,262	**132,029**

13. Finance costs

Non-current borrowings	11,448,764	11,758,015
Preference dividends	19,858,901	20,060,511
	31,307,665	**31,818,526**

Finance costs consists of the following:

Finance costs:		
Dividend on preference shares	19,858,901	20,060,511
Finance cost on debt securities	11,448,764	11,758,015
	31,307,665	**31,818,526**

	2012 R	2011 R

14. Taxation

Major components of the tax expense

No provision for current income tax has been made because the company has an assessed loss of R721,894 (2011: R300,118).

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	2012	2011
Standard tax rate	28.00 %	28.00 %
Impact of assessed loss	(28.00)%	(28.00)%
	- %	- %

15. Dividends payable

	2012	2011
Balance at beginning of the year	(6,912,432)	(8,055,986)
Balance at end of the year	8,564,598	6,912,432
	1,652,166	**(1,143,554)**

16. Income tax paid

	2012	2011
Balance at beginning of the year	(11,870)	(11,870)
Balance at end of the year	11,870	11,870
	-	-

17. Cash used in operations

	2012	2011
Loss before taxation	(721,895)	(300,118)
Adjustments for:		
Dividends received	(4,119,032)	(4,242,973)
Finance income	(11,517,093)	(11,848,205)
Finance costs	31,307,665	31,818,526
Preference dividend - Listed financial assets	(15,739,868)	(15,817,538)
Changes in working capital:		
Trade and other payables	61,960	60,014
	(728,263)	**(330,294)**

	2012 R	2011 R

18. Related parties

Related parties and related parties balances

The directors are listed on page 1.

Details of loans from and to related parties are disclosed in note 3, 5 and 8.

The primary related party relationships are with Kagiso Tiso Holdings Proprietary Limited (RF) its holding company, related parties transactions have been disclosed somewhere else in these financial statements.

Refer to Kagiso Tiso Holdings Proprietary Limited (RF)'s consolidated financial statements for a complete list of all related parties and balances.There is no provision for doubtful debts, nor any bad debt written off during the year, that relates to related parties.

The following were the balances with related parties:

	2012 R	2011 R
Loan accounts - Owing (to) by related parties		
Kagiso Tiso Holdings Proprietary Limited (RF)	81,900,000	89,900,000
Kagiso Financial Services Proprietary Limited	1,792,470	1,792,470
Kagiso Ventures Proprietary Limited	20,555	-
Investment in preference shares (refer to note 2)		
Kagiso Tiso Holdings Proprietary Limited (RF)	194,000,000	194,000,000
Kagiso Financial Services Limited	56,000,000	56,000,000

19. Risk management

19.1 Financial risk management

Market risk

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

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

Management of risk

Interest rate risk is regularly assessed to determine:

1. The period for which interest rate swaps are required to hedge interest rate against adverse movements in interest rates.

2. The portion of interest rate risk that needs to be hedged. In principle the company applies the following policy guidelines for evaluating interest rate risk should a hedge strategy be implemented:

   a) 50% hedged, 50% unhedged
   b) 40% hedged, 60% unhedged
   c) 60% hedged, 40% unhedged

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

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

	2012 R	2011 R

Credit risk

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

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

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

The credit exposure as at 30 June 2012 was limited predominantly to financial institutions with short-term ratings not less than A1 and inter-group companies.

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

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

Financial instrument	2012	2011
Loans to shareholders - held-to-maturity	81,900,000	89,900,000
Preference shares -held-to-maturity financial assets (refer to note 2)	250,000,000	250,000,000
Cash and cash equivalents	1,369,281	1,590,166

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.

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Preference share liability	250,000,000	-	-	-
Debt securities instruments	81,900,000	-	-	-
Other payables	205,363	-	-	-

At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Preference share liability	-	250,000,000	-	-
Debt securities instruments	8,000,000	89,900,000	-	-
Other payables	143,404	-	-	-

The company borrows from the market and lends the Kagiso Tiso Holdings Proprietary Limited (RF) Group companies at the same rates, as a result any movements in the interest rates will not have different results on the statement of comprehensive income.

	2012 R	2011 R

19.2 Capital risk management

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

The capital structure of the company consists of debt, which includes the borrowings (excluding derivative financial liabilities) and advances to Kagiso Tiso Holdings Proprietary Limited (RF) Group companies as disclosed in notes 3, 5 and 8, cash and cash equivalents disclosed in note 6, and equity as disclosed in the statement of financial position.

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

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

During 2012 the company's strategy, which was unchanged from 2011, was to maintain a Baa2 credit rating for long-term and A2 for short-term commitments . The gearing ratios at 30 June 2012 and 2011 were as follows:

	2012	2011
Total borrowings	344,798,287	359,158,498
Less: cash and cash equivalents	(1,369,281)	(1,590,166)
Less: advances to Group companies	(351,700,052)	(358,151,949)
Net debt	(8,271,046)	(583,617)
Total equity	(293,552)	428,343
Total capital	**(8,564,598)**	**(155,274)**
Gearing ratio	97 %	(136)%

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

19.3 Fair value estimation

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

20. New standards and interpretations

20.1 Standards and interpretations effective and adopted in the current year

The following new standards and amendments to standards were issued but are not effective for the financial year ending 30 June 2012:

Amendment to IFRS 7 Financial Instruments: Disclosures – Transfer of financial assets

The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets.

Amendment to IAS 12, 'Income taxes' on deferred tax - (effective date - financial periods commencing on/after 1 January 2013)

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 amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment does not address which items should be presented in OCI and the option to present items of OCI either before tax or net of tax has been retained.

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.

20. New standards and interpretations (continued)

IFRS 10 – Consolidated financial statements - (effective date - financial periods commencing on/after 1 January 2013)

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 - (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.

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.

Improvements to IFRSs (Issued May 2010) was issued by the IASB as part the 'annual improvements process' resulting in the following amendments to standards issued, effective for the first time for 30 June 2012 year-ends:

IFRS 7 Financial Instruments: Disclosures - (effective date - financial periods commencing on/after 1 January 2011)

Clarification of disclosures

20. New standards and interpretations (continued)

IAS 1 Presentation of Financial Statements - (effective date - financial periods commencing on/after 1 January 2011)

Clarification of statement of changes in equity

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.

Statement of Financial Performance

	Note	2012 R	2011 R
Other income			
Dividend revenue	10	4,119,032	4,242,973
Finance income	10	27,256,961	27,665,743
		31,375,993	**31,908,716**
Operating expenses			
Administration and management fees		(114,992)	(244,365)
Auditors remuneration	12	(283,262)	(132,029)
Bank charges		(6,758)	(6,390)
Consulting and professional fees		(352,487)	-
Depreciation, amortisation and impairments		(17,214)	-
Strate fees		(15,510)	(7,524)
		(790,223)	**(390,308)**
Operating profit		**30,585,770**	**31,518,408**
Finance costs	13	(31,307,665)	(31,818,526)
Loss before taxation		**(721,895)**	**(300,118)**
Loss for the year		**(721,895)**	**(300,118)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(721,895)**	**(300,118)**