

COMPANY REGISTRATION NUMBER 05604249

JEFFERSON CAPITAL LIMITED
FINANCIAL STATEMENTS
31 MARCH 2010



HIGGINS FAIRBAIRN & CO
Chartered Accountants & Statutory Auditor
1st Floor
24/25 New Bond Street
Mayfair
London
W1S 2RR

JEFFERSON CAPITAL LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2010

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JEFFERSON CAPITAL LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2010

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 2010. The company's functional and presentation currency is South African Rand 'R'.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was investment.

DIRECTORS

The directors who served the company during the year were as follows:

RN Charrington
JM Ormerod

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

Higgins Fairbairn & Co. are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

JEFFERSON CAPITAL LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2010

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

Registered office
1st Floor
24/25 New Bond Street
Mayfair
W1S 2RR

Signed by order of the directors



RN Charrington
Company Secretary

Approved by the directors on. ^{14th} January 2011

JEFFERSON CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF JEFFERSON CAPITAL LIMITED

YEAR ENDED 31 MARCH 2010

We have audited the financial statements of JEFFERSON CAPITAL LIMITED for the year ended 31 March 2010. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Section 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

JEFFERSON CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF JEFFERSON CAPITAL LIMITED *(continued)*

YEAR ENDED 31 MARCH 2010

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime



Bankim Patel, FCA
(Senior Statutory Auditor)

For and on behalf of
HIGGINS FAIRBAIRN & CO
Chartered Accountants
& Statutory Auditor

1st Floor
24/25 New Bond Street
Mayfair
W1S 2RR

14th January 2011

JEFFERSON CAPITAL LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2010

	Note	2010 R	2009 R
TURNOVER		1,664	59,891
Administrative expenses		<u>142,056</u>	<u>234,297</u>
OPERATING LOSS	2	(140,392)	(174,406)
Interest receivable		86,957,178	100,141,404
Interest payable and similar charges		<u>(86,609,354)</u>	<u>(99,682,756)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		207,432	284,242
Tax on profit on ordinary activities	3	—	—
PROFIT FOR THE FINANCIAL YEAR		207,432	284,242
Balance brought forward		<u>1,134,474</u>	<u>850,232</u>
Balance carried forward		<u>1,341,906</u>	<u>1,134,474</u>

The notes on pages 7 to 10 form part of these financial statements

JEFFERSON CAPITAL LIMITED

BALANCE SHEET

31 MARCH 2010

	Note	2010 R	2009 R
FIXED ASSETS			
Investments	4	695,657,421	695,657,421
CURRENT ASSETS			
Debtors	5	1,827,168	1,439,702
Cash at bank		37	—
		1,827,205	1,439,702
CREDITORS: Amounts falling due within one year	6	485,287	305,216
NET CURRENT ASSETS		1,341,918	1,134,486
TOTAL ASSETS LESS CURRENT LIABILITIES		696,999,339	696,791,907
CREDITORS: Amounts falling due after more than one year	7	695,657,421	695,657,421
		1,341,918	1,134,486
CAPITAL AND RESERVES			
Called-up equity share capital	10	12	12
Profit and loss account		1,341,906	1,134,474
SHAREHOLDERS' FUNDS		1,341,918	1,134,486

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

These financial statements were approved by the directors and authorised for issue on 14th JANUARY 2011, and are signed on their behalf by



RN Charrington
Director

Company Registration Number. 05604249

The notes on pages 7 to 10 form part of these financial statements

JEFFERSON CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2010

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of financial instruments, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Turnover

The turnover shown in the profit and loss account represents amounts invoiced for recharged expenses during the year

Interest income and expense is recognised on a time proportion basis taking into account the principal outstanding and the interest rate applicable

Foreign currencies

The functional currency of Jefferson Capital Limited is the South African Rand (R) as this is the currency in which the original investment and all subsequent securities were provided Rand was thus chosen as being the most appropriate currency in which to present the financial statements

Transactions in foreign currencies are recorded in the functional currency at the exchange rates ruling at the date of the transaction Any differences are taken to the Profit & Loss Account

2. OPERATING LOSS

Operating loss is stated after charging/(crediting)

	2010	2009
	R	R
Directors' remuneration	61,110	83,196
Auditor's fees	39,133	48,424
Net profit on foreign currency translation	<u>(58,560)</u>	<u>(5,268)</u>

3. TAXATION ON ORDINARY ACTIVITIES

No tax charge accounted due to a claim for group loss relief, for which no charge was made by the surrendering company

JEFFERSON CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2010

4. INVESTMENTS

Return on Credit Default Swap (CDS) Collateral

	R
COST	
At 1 April 2009 and 31 March 2010	<u>695,657,421</u>
NET BOOK VALUE	
At 31 March 2010 and 31 March 2009	<u>695,657,421</u>

The company acting through its Luxembourg branch has granted a Put option (JCap 2 Put) on the Jefferson Capital Limited (a fellow group company incorporated in Guernsey) preference shares to Morgan Stanley & Co International Ltd, London (Morgan Stanley). This option is exercisable at any time within the ten years loan term but subject to default on the exercise of the Put option (JInv Put) granted by Jefferson Investments Limited (a fellow group company incorporated in UK) to International Ferro Metals Ltd (Australia) on the same Jefferson Capital Limited (Guernsey) preference shares. Also see note numbers 7 & 8.

The company has entered into a Credit Default SWAP (CDS) relating to the JCap 2 Put and collateralised the CDS with Morgan Stanley for an amount of ZAR 695,657,421 bearing interest at 12.5% nominal annual compounded semi-annually on 25 January 2006 with a maturity date of 25 January 2016.

Following a restructuring of the financing arrangements (as explained in Note 8), the IFML Board resolved to remove Morgan Stanley from the financing structure. On 10th October 2008, Morgan ceded all its rights, title and interest as agreed under the CDS back to Jefferson Capital Ltd. On the same day, Landsend Capital Ltd, a company registered in England and Wales, acting through its Luxembourg branch replaced Morgan Stanley and acquired the same rights and obligations similar to those in place between Jefferson Capital Ltd and Morgan Stanley. Further to the replacement of Morgan Stanley, the terms of the CDS have not been altered.

5. DEBTORS

	2010	2009
	R	R
Amounts owed by group undertakings	1,787,331	1,439,702
Prepayments	39,837	–
	<u>1,827,168</u>	<u>1,439,702</u>

6 CREDITORS: Amounts falling due within one year

	2010	2009
	R	R
Overdrafts	–	28
Amounts owed to group undertakings	243,411	78,978
Accruals	241,876	226,210
	<u>485,287</u>	<u>305,216</u>

JEFFERSON CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2010

7. CREDITORS: Amounts falling due after more than one year

	2010 R	2009 R
Amounts owed to group undertakings	<u>695,657,421</u>	<u>695,657,421</u>

Jefferson Capital Ltd has received a loan of ZAR 695,657,421 from Jefferson Capital Ltd - Guernsey (a group company) at the rate of 12.45% nominal annual compounded semi-annually on 25th January 2006. This loan amount was previously put as collateral for the Credit Default Swap with Morgan Stanley Ltd (see note 4). The loan is repayable on 25th January 2016.

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company is part of a complex structure to make loan funding available to International Ferro Metals (IFM-SA) - a South African incorporated & tax resident company, from International Ferro Metals Limited - an Australian incorporated & tax resident company (IFML AUS), through group companies and Morgan Stanley & Co International Limited, London (Morgan Stanley). For this purpose the company has loan relationship debits representing interest on the loan from a group company (Jefferson Capital Ltd-Guernsey, a company incorporated in Guernsey but UK tax resident) and credits relating to interest on the cash collateral from Morgan Stanley.

In order to manage its exposure to interest risk, the loan has been obtained on a fixed rate of 12.5% nominal annual compounded semi-annually.

To limit its exposure to the financial risk the company has entered in to a Credit Default SWAP (CDS) with Morgan Stanley and also granted a Put option over Jefferson Capital Ltd-Guernsey preference shares to Morgan Stanley through its Luxembourg branch. The CDS has been collateralised by the cash obtained through the loan from Jefferson Capital Ltd-Guernsey.

On 25th September 2008, the IFML board of directors resolved to restructure IFMSA financing arrangements to extinguish IFML's exposure to Morgan Stanley counterparty risk by replacing Morgan Stanley.

The restructure was executed in the following manner:

- The put agreements between IFML, Jefferson Investments over preference shares in Jefferson Capital Ltd, a company incorporated in Guernsey, and IFMSA debentures were cancelled,
- Landsend Capital Ltd, a company registered in England and Wales then acquired the IFMSA debentures, acting through its Luxembourg branch,
- The Company and IFML granted puts over the Jefferson Capital preference shares and debentures, similar to those in place between IFML and Morgan Stanley,
- The Company then pledged the IFMSA debentures to IFML as security for the above put arrangement,
- The pledge was provided by the Company to IFML over the listed IFMSA debentures. The pledge was registered by Standard Bank in South Africa.

JEFFERSON CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2010

9. RELATED PARTY TRANSACTIONS

Interest amounting to ZAR 86,609,349 (2009 ZAR 99,682,756) has been paid to Jefferson Capital Ltd (Guernsey) – a fellow group company – as at 31 March 2010 (note 7) The above transaction has been entered into on arm's length terms

10. SHARE CAPITAL

Authorised share capital:

	2010 R	2009 R
100,000 Ordinary share of £1	<u>1,200,000</u>	<u>1,200,000</u>

Allotted, called up and fully paid:

	2010 No	R	2009 No	R
1 Ordinary share of £1	<u>1</u>	<u>12</u>	<u>1</u>	<u>12</u>

11. PARENT COMPANY

The immediate holding company is Jefferson Investments Limited which is incorporated in the UK The ultimate holding company is La Compagnie Financiere Ceres Holdings S A, which is incorporated in Luxembourg