



**ANGLO AMERICAN SA FINANCE LIMITED**  
(Incorporated in the Republic of South Africa)

Company registration number 2003/015144/06

**AUDITED ANNUAL FINANCIAL STATEMENTS**  
For the year ended 31 December 2019

## CONTENTS

Company information	1
Compliance statement by the Company Secretary	2
Approval of the annual financial statements	3
Statutory report	4
Corporate governance and audit committee	6
Independent auditor's report	9
<b>Principal statements</b>	
Income statement	13
Statement of comprehensive income	13
Balance sheet	14
Cash flow statement	15
Statement of changes in equity	16
<b>Notes to the financial statements</b>	
1. Critical accounting judgements and key sources of estimation uncertainty	17
2. Changes in accounting policies and disclosures	17
3. Net finance income	18
4. Profit before tax	18
5. Income tax expense	19
6. Loans to group companies	20
7. Deferred tax assets	21
8. Deposits from group companies	21
9. Borrowings	22
10. Financial instruments	25
11. Derivative financial assets and liabilities	27
12. Share capital and share premium	28
13. Commitments for expenditure	28
14. Contingent liabilities and contingent assets	28
15. Events occurring after end of year	28
16. Related party transactions	28
17. Financial risk management	30
18. Accounting policies	32
19. Going concern	34
20. Directors' remuneration	35

**COMPANY INFORMATION****Directors**

R.G. Churr	Executive director	Appointed 1 April 2019
F. Edmundson	Executive director	Appointed 1 April 2019
C.C. Elliott	Executive director	Resigned 31 March 2019
M.S.V. Gantsho	Independent non-executive director	Appointed 1 November 2019
C. Goosen	Executive director	
R.H. Lloyd	Independent non-executive director	Appointed 1 November 2019
N.J. Mason-Gordon	Executive director	
S. Mayet	Executive director	Resigned 31 March 2019
C.L. Sunter	Independent non-executive director	Appointed 1 November 2019

**Registered office**

44 Main Street  
Johannesburg  
2001

Tel +27 11 638 9111

**Postal address**

PO Box 61587  
Marshalltown  
2107

**Internet address of Anglo American plc group**

<http://www.angloamerican.com>

**Administrative and technical advisors and secretaries**

Anglo Operations Proprietary Limited

**Auditors**

Deloitte & Touche  
Private Bag X6  
Gallo Manor  
South Africa  
2052

Deloitte & Touche have not been reappointed as the Company's auditor (mandatory audit firm rotation). Following a competitive tender process, PricewaterhouseCoopers have confirmed their willingness to be appointed as the Company's auditor for the year ending 31 December 2020.

**Preparation of Annual Financial Statements**

The Annual Financial Statements were prepared under the supervision of Dominique Del Fabbro CA (SA), Financial Manager. The Annual Financial Statements were audited in compliance with the South African Companies Act, No. 71 of 2008.

Anglo American SA Finance Limited

## COMPLIANCE STATEMENT BY THE COMPANY SECRETARY

In our capacity as the Company Secretary, we hereby certify to the best of our knowledge and belief that the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the South African Companies Act, No. 71 of 2008. Further, we certify that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2019.

**Anglo Operations Proprietary Limited**  
Secretaries

*Elizna Viljoen*

*Company Secretary*

JOHANNESBURG  
30 April 2020

## **APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

### **for the year ended 31 December 2019**

The Annual Financial Statements were approved by the Board of Directors on 30 April 2020 and are signed on its behalf.

The business of the annual general meeting in respect of the past financial year will be dealt with at a meeting of members pursuant to Section 61(7)(b) of the South African Companies Act, No. 71 of 2008.



**R.G. Churr**  
*Director*



**N.J. Mason-Gordon**  
*Director*

JOHANNESBURG  
30 April 2020

## STATUTORY REPORT

### DIRECTORS' REPORT

The Directors have pleasure in submitting the Annual Financial Statements of Anglo American SA Finance Limited ('the Company') for the year ended 31 December 2019.

#### *Nature of business*

The main business of the Company is the lending of money to its subsidiaries (if any), its holding company, fellow subsidiaries of its holding company and joint venture entities or associates of its group of companies, and any related or inter-related companies of the foregoing.

#### *Going concern*

The financial position of the Company, its cash flows, liquidity position and borrowings are set out in the Annual Financial Statements which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement and statement of changes in equity.

The Annual Financial Statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the Company will continue to receive the support of its holding company and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

#### *Directors' responsibilities in relation to financial statements*

The Directors are required by the Companies Act of South Africa to prepare Annual Financial Statements, which fairly present the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period, in conformity with International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. The Annual Financial Statements are the responsibility of the Directors and it is the responsibility of the independent auditors to report on the fair presentation thereof.

To enable the Directors to meet these responsibilities, management sets standards and implements systems of internal control aimed at reducing the risk of error or loss in a cost effective manner. These controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. They are monitored throughout the Company, and all employees are required to maintain the highest ethical standards in ensuring that the Company's business practices are conducted in a manner that in all reasonable circumstances is above reproach.

The Directors are of the opinion, based on the information and explanations given by management and the internal auditors that the internal accounting controls are adequate, so that the financial records may be relied on for preparing the Annual Financial Statements and maintaining accountability for assets and liabilities. The Directors believe that assets are protected and used as intended with appropriate authorisation. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

In preparing the Annual Financial Statements, the Company has used appropriate accounting policies supported by reasonable and prudent judgements and estimates, and has complied with all applicable accounting standards. The Directors are of the opinion that the Annual Financial Statements fairly present the financial position of the Company as at 31 December 2019, and the results of their operations and cash flow information for the year then ended. The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Annual Financial Statements.

#### *Auditor's responsibilities*

The auditors are responsible for reporting on the fair presentation of the financial statements. Their report can be found on page 9.

**STATUTORY REPORT** continued**DIRECTORS' REPORT** continued**Directorate**

The names of the Directors of the Company in office at the date of the Annual Financial Statements appear on page 1.

The following changes were made to the composition of the Board of Directors of the Company from the beginning of the accounting period on 1 January 2019 to the date of this report:

R.G. Churr	Appointed 1 April 2019
F. Edmundson	Appointed 1 April 2019
C.C. Elliott	Resigned 31 March 2019
M.S.V. Gantsho	Appointed 1 November 2019
R.H. Lloyd	Appointed 1 November 2019
S. Mayet	Resigned 31 March 2019
C.L. Sunter	Appointed 1 November 2019

**Secretary**

The Secretary of the Company is Anglo Operations Proprietary Limited and the registered address of the Company may be found on page 1.

**Share capital**

The authorised and issued share capital of the Company remains unchanged at 31 December 2019. Details of the Company's authorised and issued share capital are contained in the notes to the Annual Financial Statements. Refer note 12.

**Events occurring after end of year****Novel coronavirus (COVID-19)**

Following the end of 2019 the novel coronavirus (COVID-19) has been declared a pandemic by the World Health Organisation. The emergence of COVID-19 is considered a non-adjusting post balance sheet event as defined in IAS 10 *Events after the reporting period* since it represents a set of conditions which only arose after the balance sheet date. The impact of COVID-19 on the world economy and the Company's future financial performance remains uncertain. Depending on the extent and severity of the pandemic, there may be a material impact on the Company's accounting estimates in future periods, including the allowance for expected credit losses (ECL). Borrowers may have a particular exposure to the economic impacts of COVID-19 in their specific geography and industry sector which may impact their ability to meet obligations under loan relationships. Depending on the extent of the impact on a borrower, this could lead to a significant increase in credit risk which would impact the period over which the ECL is assessed. In addition, loss given default rates may increase if the borrowers underlying asset values begin to fall as a result of the impact of COVID-19.

The directors have reviewed the Company's expected future cashflows and available sources of liquidity, and concluded that it remains appropriate to adopt the going concern basis of accounting as disclosed in the statutory report for these financial statements.

Except for the above, there have been no material reportable events since 31 December 2019.

## CORPORATE GOVERNANCE AND AUDIT COMMITTEE

The Company is a wholly owned unlisted subsidiary of Anglo American South Africa Proprietary Limited ('AASA') and ultimately a wholly owned subsidiary of Anglo American plc and aligns its corporate governance with its parent companies, details of which can be found in their annual reports. As a consequence of this alignment, Anglo American SA Finance Limited substantially adheres to the principles of the King IV Code of Corporate Governance relevant to its structure; the King IV Application Register is available on the below website:

<https://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/investors/aasaf/king-IV-application-register.pdf>

The Company issues listed debt off its South African Domestic Medium Term Note (DMTN) programme, a copy of which can be found on the following Anglo American website and the JSE website:

<http://www.angloamerican.com/investors/fixed-income-investors/aasaf-investor-downloads>  
<https://www.jse.co.za/current-companies/companies-and-financial-instruments/issuer-profile?issuermasterid=2690>

### REPORT OF THE AUDIT COMMITTEE

Following the conversion of AASA to a private company on 24 June 2019, AASA disbanded its Audit and Risk Committee. The Companies Act requires that the Board of the Company must fill any vacancy on the audit committee within 40 business days after the vacancy arises. This would have resulted in the formation of the Audit Committee by August 2019. Due to the process of finding and appointing suitable Non-Executive Directors taking longer than anticipated, there was a period until 1 November 2019 where the Company did not have an Audit Committee. During this time however there were no issues raised but matters could have been raised at the Anglo American plc ("AA plc") level. An Audit Committee of the Company was formed 1 November 2019 and has specific responsibility for risk management. This Committee regularly reviews significant risks and mitigating strategies, and reports to the Board on material changes in the group's risk profile. The risk management process is facilitated by Anglo Business Assurance Services, but overall accountability and responsibility for risk management rests with the Board of Directors, executives and other officers of the Company.

The Committee is a committee of the Board of Directors of the Company. In addition to having specific statutory responsibilities to the shareholders in terms of section 94 of the South African Companies Act, No. 71 of 2008, it assists the Board in discharging its duties in relation to the Company and makes recommendations to the Board regarding the safeguarding of assets, the operation of adequate systems, controls and reporting processes and the preparation of accurate financial reporting and financial statements in compliance with all applicable legal and regulatory requirements and accounting standards.

The Social Ethics and Transformation committee has been mandated to fulfil the function required on behalf of the Company as a wholly-owned subsidiary of AASA. Both these committees act against written terms of reference under which specific functions of the Board are delegated with defined purposes, membership requirements, duties and reporting procedures.

### Composition

The appointed Committee comprises three independent Non-Executive Directors of the Company. Collectively, the members possess the necessary skills and knowledge to equip the Committee to perform its functions. Its statutory duties and general activities are set out in its Board-approved terms of reference. Upon the formation of the Committee, it reviewed and approved its terms of reference and workplan for the ensuing year and agreed that it fulfilled its statutory and regulatory obligations.

The Executive Head: AASA, Finance Manager, the Company Secretary, Head: Business Assurance Services, Head: Finance and Performance Management and the external auditors attend by invitation to provide a co-ordinated approach to all assurance activities. The internal and external auditors have unrestricted access to the Committee. Both the internal and the external auditors have an opportunity to meet with the Committee's members without management being present.

### Meetings

The Committee held two meetings during the year and attendance at these meetings is set out in the tables below:

AASA Audit and Risk Committee	<b>26 March</b>
Christopher Sunter (Chairman)	√
Koosum Kalyan	√
Rams Ramashia	X

AASAF Audit Committee	<b>19 November</b>
Christopher Sunter (Chairman)	√
Robert Lloyd	√
Mandla Gantsho	X

√ Present



**CORPORATE GOVERNANCE AND AUDIT COMMITTEE continued****REPORT OF THE AUDIT COMMITTEE continued****2019 in overview**

The Committee and previous AASA Audit and Risk Committee (the AASA Committee), have executed their duties and responsibilities during the financial year in accordance with their terms of reference as they relate to the Anglo American South Africa Proprietary Limited Group's accounting, financial reporting practices and finance function, external audit, internal audit and internal control, integrated reporting, risk management and IT governance.

In respect of the external audit, during the year under review, the Committee, among other matters:

- nominated Deloitte & Touche and L. Wallace as the external auditor and designated auditor of Anglo American SA Finance Limited respectively to the shareholders for appointment as auditor for the financial year ended 31 December 2019, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- reviewed the audit, evaluated the effectiveness of the auditor and its independence, and evaluated the external auditor's internal quality control procedures;
- obtained the annual written statement from the auditor that its independence was not impaired;
- determined the nature and extent of all non-audit services provided by the external auditor and preapproved all non-audit services undertaken;
- obtained assurance that no member of the external audit team had been employed by the Company or its subsidiaries during the year;
- obtained assurances from the external auditor that adequate accounting records were being maintained;
- considered whether any reportable irregularities had been identified and reported by the external auditors in terms of the Auditing Profession Act, No 26 of 2005 and determined that there were none; and
- approved the external auditor and the designated independent auditor for Anglo American SA Finance Limited.

In respect of the financial statements, the Committee, among other matters:

- confirmed the going concern as the basis of preparation of the interim and annual financial statements;
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the Company was adequate;
- examined and reviewed the annual financial statements, and also all financial information disclosed to the public prior to submission and approval by the Board;
- ensured that the annual financial statements fairly present the financial position of the Company as at the end of the financial year, and also the results of operations and cash flows for the financial year, and considered the basis on which the Company was determined to be a going concern;
- considered accounting treatments, significant unusual transactions and accounting judgements;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report, including the Key Audit Matter;
- considered any areas of concerns identified, and reviewed any significant legal and tax matters that could have a material impact on the financial statements;
- met separately with management, external audit and internal audit; and
- reviewed the representation received from management confirming that the JSE's reports on the pro-active monitoring of financial statements have been taken into consideration in the preparation of the financial statements.

In respect of internal control and internal audit, including forensic audit, the AASA Committee, among other matters:

- reviewed with the Company's internal counsel, the adequacy and effectiveness of the Anglo American South Africa Proprietary Limited Group's procedures to ensure compliance with legal and regulatory responsibilities;
- received a report pertaining to infringements of the Anglo American South Africa Proprietary Limited Group business principles including complaints received via the Anglo American South Africa Proprietary Limited Group's Whistleblowing facility line, including complaints or concerns regarding accounting matters, internal audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters;
- reviewed and approved the annual internal audit plan, and evaluated the independence, effectiveness and performance of the Internal Audit Department;
- considered the reports of the internal and external auditors on the Company's systems of internal control including financial controls, business-risk management and maintenance of effective internal control systems; and
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof.

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE continued****REPORT OF THE AUDIT COMMITTEE continued****2019 in overview continued**

In respect of internal control and internal audit, including forensic audit, the Committee, among other matters:

- reviewed significant issues raised by the internal and forensic audit processes and the adequacy of corrective action in response to significant internal and forensic audit findings;
- assessed the adequacy of the performance of the internal audit function, and assessed the performance of the head of the internal audit function and the adequacy of the available internal audit resources and found them to be satisfactory; and
- based on the above, formed the opinion that there were no material breakdowns in internal control, including in financial controls, business risk management and the maintenance of effective material control systems.

In respect of legal and regulatory requirements, to the extent that it may have an impact on the financial statements, the Committee:

- reviewed with management, legal matters that could have a material financial impact on the Company;
- considered reports provided by management, the internal auditor and the external auditor regarding compliance with legal and regulatory requirements; and
- reviewed the JSE's reports on the pro-active monitoring of financial statements for compliance with IFRS.

In respect of the coordination of assurance activities, the Committee:

- reviewed the work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business; and
- considered the expertise, resources and experience of the Finance Manager and finance function.

**Independence of external auditor**

Deloitte & Touche has made the necessary representations to the Committee confirming that:

- the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the Company;
- the auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor;
- the auditor's independence was not prejudiced as a result of any previous appointment as auditor;
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies have been met; and
- the criteria specified in section 3.84(g)(iii) of the JSE Listing Requirements have been met.

In terms of the JSE Listing Requirements, we report that Deloitte & Touche has been the auditor of Anglo American SA Finance Limited for 17 years.

After taking the abovementioned factors into account, the Committee is satisfied that Deloitte & Touche is independent of the Company and has recommended to the Board that Deloitte & Touche remain as external auditor until such time as the 2019 annual financial statements had been finalised. Pricewaterhouse Coopers had been appointed as Group external auditors for the 2020 financial year.

**Finance Manager and finance function**

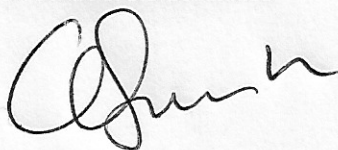
The Committee has reviewed an internal assessment conducted on the skills, expertise and experience of Dominique Del Fabbro CA (SA), Finance Manager, and is satisfied that she has the appropriate expertise and experience to meet her responsibilities in the position. The evaluation also considered the appropriateness of the expertise and adequacy of resources of the Finance function.

Based on the processes and assurances obtained, we believe that the Company's accounting practices are effective.

**Conclusion**

The Audit Committee is satisfied that it has considered and discharged its responsibilities in accordance with its terms of reference during the year under review.

On behalf of the Committee



C.L. Sunter  
Audit Committee Chairman  
30 April 2020

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF ANGLO AMERICAN SA FINANCE LIMITED

### Report on the Audit of the Separate Financial Statements

#### Opinion

We have audited the separate financial statements of Anglo American SA Finance Limited (the Company) set out on pages 13 to 35, which comprise the separate balance sheet as at 31 December 2019, and the separate income statement, the separate statement of comprehensive income, the separate statement of changes in equity and the separate cash flow statement for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2019, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**INDEPENDENT AUDITOR'S REPORT** continued**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
<b>Impairment of loans to group companies</b>	
<p>As disclosed in Note 17, the impairment of loans to group companies amounted to R4.22 million (2018: R54 million) for the year, whilst the carrying value of financial assets was R16.5 billion (2018: R27.1 billion). Significant judgement is required by the directors in assessing the impairment of loans to group companies, and we have identified the audit of expected credit loss (ECL) impairments provisions to be a key audit matter.</p> <p>The key areas where we identified greater levels of judgement and therefore increased levels of audit focus were:</p> <ul style="list-style-type: none"> <li>• The identification of a significant increase in credit risk (SICR) since initial recognition; and</li> <li>• The determination of probability of default (PD) and loss given default (LGD), including the appropriate consideration of forward-looking information in the determination thereof.</li> </ul>	<p>Our response to the key audit matter included performing the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Identifying the relevant controls that address the impairment risks identified and evaluating the design and implementation;</li> <li>• We assessed the conclusions in respect of SICR and whether 12 month or lifetime ECL was considered;</li> <li>• We reviewed available financial information related to group companies and assessed the impact on historical performance on the conclusions reached in respect of PDs and LGDs;</li> <li>• Where appropriate, we involved our specialists to challenge ECL model methodology and key inputs into the determination of ECL;</li> <li>• We tested the accuracy of key inputs into the determination of ECL and reperformed calculations as necessary; and</li> <li>• Evaluated the presentation and disclosure in accordance with IFRS 7 <i>Financial Instruments: Disclosures</i>.</li> </ul> <p>Based on the procedures performed, we found that the impairment has been appropriately recognised and disclosed in the annual financial statements.</p>

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the document titled "Anglo American SA Finance Limited Audited Financial Statements for the year ended 31 December 2019", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the separate financial statements and our auditor's reports thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT continued

### Responsibilities of the Directors for the Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **INDEPENDENT AUDITOR'S REPORT** continued

### **Report on Other Legal and Regulatory Requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Anglo American SA Finance Limited for 17 years.

*Deloitte & Touche*

**Deloitte & Touche**  
**Registered Auditor**

Per: Lesley Wallace  
Partner  
30 April 2020

Financial Services Team - FIST  
Deloitte  
5 Magwa Crescent  
Waterfall City  
Waterfall  
Docex 10 Johannesburg

Private Bag X6  
Gallo Manor 2052  
South Africa



## INCOME STATEMENT

### for the year ended 31 December 2019

Rand	Note	2019	2018
Interest income	3	2 187 841 684	2 837 052 226
Commitment fee income		79 225 903	29 361 987
Interest expense	3	(1 570 050 694)	(2 143 099 660)
Commitment and guarantee fee expense		(96 488 824)	(116 146 731)
<b>Net interest and non-interest income</b>		<b>600 528 069</b>	<b>607 167 822</b>
Net foreign exchange (loss)/gain		(11 933)	584 513
Fair value hedge adjustment		384 476	1 219 175
Administration expenses		(15 122 062)	(15 400 563)
Provision for impairment		22 780 000	5 891 365
<b>Profit before tax</b>	4	<b>608 558 550</b>	<b>599 462 312</b>
Income tax expense	5	(162 836 396)	(158 663 993)
<b>Profit for the financial year</b>		<b>445 722 154</b>	<b>440 798 319</b>

## STATEMENT OF COMPREHENSIVE INCOME

### for the year ended 31 December 2019

Rand	2019	2018
<b>Profit for the financial year</b>	<b>445 722 154</b>	<b>440 798 319</b>
<b>Total comprehensive income for the financial year</b>	<b>445 722 154</b>	<b>440 798 319</b>

# **BALANCE SHEET** as at 31 December 2019

Rand	Note	2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Loans to group companies	6	2 958 663 450	6 671 448 000
Deferred tax assets	7	1 069 795	5 833 860
Derivative financial assets	11	10 795 843	6 303 046
<b>Total non-current assets</b>		<b>2 970 529 088</b>	<b>6 683 584 906</b>
<b>Current assets</b>			
Loans to group companies	6	12 952 867 623	4 446 551 808
Amounts due by group companies	10	34 353 689	53 814 710
Trade and other receivables	10	80 416 861	73 489 034
Derivative financial assets	11	42 802 010	3 824 154
Cash and cash equivalents	10	423 595 989	15 820 389 604
<b>Total current assets</b>		<b>13 534 036 172</b>	<b>20 398 069 310</b>
<b>Total assets</b>		<b>16 504 565 260</b>	<b>27 081 654 216</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Deposits from group companies	8	(10 966 207 618)	(20 628 858 542)
Amounts due to group companies	10	(88 712 950)	(76 451 235)
Trade and other payables	10	(32 117 093)	(70 008 785)
Short term borrowings	9	—	(1 400 482 084)
Current tax liabilities	5	(24 694 458)	(5 064 908)
Derivative financial liabilities	11	(42 802 010)	—
<b>Total current liabilities</b>		<b>(11 154 534 129)</b>	<b>(22 180 865 554)</b>
<b>Non-current liabilities</b>			
Medium and long term borrowings	9	(1 060 062 369)	(1 056 542 054)
<b>Total non-current liabilities</b>		<b>(1 060 062 369)</b>	<b>(1 056 542 054)</b>
<b>Total liabilities</b>		<b>(12 214 596 498)</b>	<b>(23 237 407 608)</b>
<b>Net assets</b>		<b>4 289 968 762</b>	<b>3 844 246 608</b>
<b>EQUITY</b>			
Share capital	12	20 100	20 100
Share premium	12	2 909 979 900	2 909 979 900
Retained earnings		1 379 968 762	934 246 608
<b>Total equity</b>		<b>4 289 968 762</b>	<b>3 844 246 608</b>



# **CASH FLOW STATEMENT** for the year ended 31 December 2019

Rand	Note	2019	2018 <sup>(1)</sup>
<b>Cash flows (used in)/from operating activities</b>			
Profit before tax		608 558 550	599 462 312
Net finance income	3	(617 790 990)	(693 952 566)
Net foreign exchange loss/(gain)		11 933	(584 513)
Fair value hedge adjustment		(384 476)	(1 219 175)
Provision for impairment		(22 780 000)	(5 891 365)
Fair value adjustment on derivatives		(9 188 256)	3 232 526
(Increase)/decrease in operating receivables		(6 927 827)	11 712 268
Decrease in operating payables		(37 891 692)	(71 864)
<b>Cash flows used in operations</b>		<b>(86 392 758)</b>	<b>(87 312 377)</b>
Interest received		2 207 302 705	3 043 299 897
Interest paid		(1 554 378 205)	(2 175 781 699)
Income tax paid	5	(138 442 781)	(139 399 247)
Change in loans to group companies <sup>(1)</sup>		(4 797 751 265)	5 733 585 758
Change in deposits from group companies <sup>(1)</sup>		(9 662 650 924)	(6 206 516 631)
<b>Net cash flows (used in)/from operating activities</b>		<b>(14 032 313 228)</b>	<b>167 875 701</b>
<b>Cash flows from investing activities</b>			
Receipt of external loans		27 000 000	–
<b>Net cash from investing activities</b>		<b>27 000 000</b>	<b>–</b>
<b>Cash flows (used in)/from financing activities</b>			
Repayment of borrowings		(1 400 000 000)	–
Net settlement on debt related interest rate swaps		8 519 613	10 063 482
<b>Net cash (used in)/from financing activities</b>		<b>(1 391 480 387)</b>	<b>10 063 482</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(15 396 793 615)</b>	<b>177 939 183</b>
<b>Cash and cash equivalents at start of year</b>		<b>15 820 389 604</b>	<b>15 642 450 421</b>
Net (decrease)/increase in cash and cash equivalents		(15 396 793 615)	177 939 183
<b>Cash and cash equivalents at end of year</b>		<b>423 595 989</b>	<b>15 820 389 604</b>

<sup>(1)</sup> Restatement of prior year cash flows arising from the movement of loans and deposits from investing activities and financing activities to operating activities as the Company is considered a financial institution in terms of IAS 7 - *Statement of Cash Flows*. The restatement resulted in the reclassification of loans to group companies from 'Net cash from investing activities' and deposits from group companies from 'Net cash (used in)/from financing activities' to 'Net cash flows (used in)/from operating activities' as it represents key operations of the Company. The result of the reclassification in 2018 is the reduction of 'Net cash flows (used in)/from operating activities' by R472 930 873, the reduction in 'Net cash from investing activities' by R5 733 585 758 and the increase of 'Net cash (used in)/from financing activities' by R6 206 516 631.

# STATEMENT OF CHANGES IN EQUITY

## for the year ended December 2019

Rand	Share capital	Share premium	Retained earnings	Total equity
At 1 January 2018	20 100	2 909 979 900	493 448 289	3 403 448 289
Effect of change in accounting policies due to adoption of IFRS 9 and IFRS 15	–	–	–	–
Total comprehensive income	–	–	440 798 319	440 798 319
At 31 December 2018	<b>20 100</b>	<b>2 909 979 900</b>	<b>934 246 608</b>	<b>3 844 246 608</b>
Total comprehensive income	–	–	<b>445 722 154</b>	<b>445 722 154</b>
<b>At 31 December 2019</b>	<b>20 100</b>	<b>2 909 979 900</b>	<b>1 379 968 762</b>	<b>4 289 968 762</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the course of preparing financial statements, management necessarily makes judgements and estimates that can have a significant impact on the financial statements. The most critical of these relate to impairment of financial assets at amortised cost. The use of inaccurate assumptions in assessments made for any of these estimates could result in a significant impact on financial results.

#### **Impairment of financial assets at amortised cost**

The Company's accounting policy for the impairment of financial assets at amortised cost is set out in Note 18(d). In applying the policy to financial assets at each reporting date, the Company exercises its judgement and makes estimates based on reasonable and supportable information that is available without undue cost or effort at the reporting date.

The Company is required to assess whether there has been a significant increase in credit risk of the counterparty since recognition of the asset, in order to determine the period over which the impairment provision needs to be calculated. The Company exercises its judgement in determining the outcome of this assessment after considering a number of factors, such as internal or external price indicators, regulatory, economic or technological factors that may affect the counterparties ability to repay its obligations and past due information.

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and estimating the inputs to the impairment calculation, based on each counterparty's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies applied are consistent with those adopted and disclosed in the Company's financial statements for the year ended 31 December 2018, changes arising from the adoption of the following new accounting pronouncements which became effective in the current reporting period did not have a material impact on the accounting policies applied by the Company:

- IFRS 16 *Leases*
- Amendments to IFRS 7 *Financial Instruments Disclosures*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Financial instruments*
- Annual Improvements to IFRSs: 2015-17 Cycle: *IFRS 3, IAS 12 and IAS 23*

A number of other accounting pronouncements, principally amendments to existing standards, issued by the International Accounting Standards Board became effective on 1 January 2019 and were adopted by the Company. These pronouncements have not had a material impact on the accounting policies applied by the Company.

The Company has not early adopted any other amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. NET FINANCE INCOME

See note 18a for the Company's accounting policy on net finance income.

Net finance income is presented net of qualifying hedges for respective interest bearing borrowings.

Rand	Note	2019	2018
<b>Interest income</b>			
Interest income from group companies	16	1 315 922 727	1 715 804 748
Interest income from cash and cash equivalents		871 467 770	1 125 824 116
Other interest income		451 187	(4 576 638)
<b>Total interest income</b>		<b>2 187 841 684</b>	<b>2 837 052 226</b>
<b>Interest expense</b>			
Interest expense to group companies	16	(1 450 988 448)	(1 925 571 026)
Interest expense on bonds		(124 290 451)	(225 378 184)
Net settlement on debt related interest rate swaps		8 519 613	10 063 482
Other interest expense		(3 291 408)	(2 213 932)
<b>Total interest expense</b>		<b>(1 570 050 694)</b>	<b>(2 143 099 660)</b>
<b>Net finance income</b>		<b>617 790 990</b>	<b>693 952 566</b>

### 4. PROFIT BEFORE TAX

Rand	Note	2019	2018
<b>Profit before tax is stated after charging:</b>			
Audit fees		(844 083)	(973 822)
Administration fees to Anglo Operations Proprietary Limited	16	(11 475 772)	(9 754 846)
Interest rate hedging			
Fair value movement on interest rate swaps		2 967 748	(14 181 504)
Fair value movement on hedged interest rate risk		(2 583 272)	15 400 679
Foreign exchange forward contracts			
Fair value through profit or loss		(11 933)	584 513

## NOTES TO THE FINANCIAL STATEMENTS

### 5. INCOME TAX EXPENSE

See note 18b for the Company's accounting policy on tax.

#### Analysis of charge for the year

Rand	2019	2018
<b>Current tax</b>		
Payable in respect of the current year	158 072 331	148 003 737
Prior year adjustment	–	(3 539 582)
	<b>158 072 331</b>	<b>144 464 155</b>
<b>Deferred tax</b>		
Current year charge	4 764 065	19 869 838
Prior year adjustment	–	(5 670 000)
	<b>4 764 065</b>	<b>14 199 838</b>
<b>Income tax expense</b>	<b>162 836 396</b>	<b>158 663 993</b>

#### Effective tax rate

The effective tax rate for the year of 26.76% (2018: 26.47%) is lower than the statutory rate of corporation tax in South Africa of 28% (2018: 28%).

#### Tax rate reconciliation

Percentage	2019	2018
<b>Normal tax rate</b>	<b>28.00</b>	<b>28.00</b>
Items non-deductible for tax purposes		
Prior year adjustment	–	(1.53)
Provision for impairments	(1.24)	–
<b>Effective tax rate</b>	<b>26.76</b>	<b>26.47</b>

#### Income tax paid

Rand	2019	2018
<b>Current tax</b>		
Balance at start of the year	5 064 908	–
Income tax charge	158 072 331	144 464 155
Balance at end of the year	(24 694 458)	(5 064 908)
<b>Income tax paid</b>	<b>138 442 781</b>	<b>139 399 247</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 6. LOANS TO GROUP COMPANIES

See notes 18c and 18d for the Company's accounting policies on financial instruments.

Rand	2019	2018
<b>Long term</b>		
Anglo American Inyosi Coal Proprietary Limited <sup>(1)</sup>	<b>2 958 663 450</b>	1 135 778 000
Rustenburg Platinum Mines Limited	–	5 535 670 000
	<b>2 958 663 450</b>	6 671 448 000
<b>Short term</b>		
Anglo American South Africa Proprietary Limited	<b>10 964 905 850</b>	–
Anglo Operations Proprietary Limited	<b>737 547 432</b>	4 441 647 968
Newshelf 480 Proprietary Limited	<b>414 341</b>	4 903 840
De Beers Group Services Proprietary Limited	<b>1 250 000 000</b>	–
	<b>12 952 867 623</b>	4 446 551 808
	<b>15 911 531 073</b>	11 117 999 808

<sup>(1)</sup> The Company has recognised an expected credit loss of R4 220 000 on the loan to Anglo American Inyosi Coal Proprietary Limited, refer note 17a).

The long term loan to Anglo American Inyosi Coal Proprietary Limited is unsecured and bears interest at a variable rate based on JIBAR. Interest is calculated monthly and payable according to the terms of the drawing. The loan has been provided under a R4 billion committed facility maturing in 2023. Under the terms of the facility the Company has preferential ranking over all lenders in the event of the liquidation of Anglo American Inyosi Coal Proprietary Limited, and Anglo South Africa Proprietary Limited has provided a guarantee of up to R1.625 billion for the facility.

The long term loan to Rustenburg Platinum Mines Limited is unsecured and bears interest at a variable rate based on JIBAR. Interest is calculated monthly and payable according to the terms of the drawing. The loan has been provided under a R9.1 billion committed facility maturing in 2022. The loan is guaranteed by Anglo American Platinum Limited.

A R2.8 billion committed facility maturing in 2020 has been provided to De Beers Group Services Proprietary Limited. The facility bears interest at a market related interest rate and is guaranteed by De Beers Consolidated Mines Proprietary Limited.

The short term loans to Newshelf 480 Proprietary Limited, Anglo Operations Proprietary Limited and Anglo American South Africa Proprietary Limited are unsecured and bear interest at a variable rate based on the weighted average rate of the Company's external borrowings. The interest is calculated and payable monthly. The loans are repayable on demand.

A R4 billion committed facility maturing in 2024 has been provided to De Beers Consolidated Mines Proprietary Limited. The facility is available from 1 January 2020. The facility bears interest at a market related interest rate and is guaranteed by De Beers plc.

Detailed risk profiles of the above companies are disclosed in their individual financial statements. The Directors are of the opinion that there is no reason to doubt the recoverability of these loans.

## NOTES TO THE FINANCIAL STATEMENTS

### 7. DEFERRED TAX ASSETS

See note 18b for the Company's accounting policy on tax.

The movement in net deferred tax assets during the year is as follows:

Rand	2019	2018
At 1 January	5 833 860	20 033 698
Charged to the income statement	(4 764 065)	(14 199 838)
<b>At 31 December</b>	<b>1 069 795</b>	<b>5 833 860</b>

The amount of deferred tax assets recognised in the balance sheet is as follows:

Rand	2019	2018
Derivatives	321 870	429 523
Other temporary differences	(138 275)	(265 663)
Provision for impairment	886 200	5 670 000
	<b>1 069 795</b>	<b>5 833 860</b>

The amount of deferred tax charged to the income statement is as follows:

Rand	2019	2018
Tax losses	–	(19 749 099)
Derivatives	(107 653)	(341 369)
Other temporary differences	127 388	220 630
Provision for impairment	(4 783 800)	5 670 000
	<b>(4 764 065)</b>	<b>(14 199 838)</b>

The Company did not have any deductible temporary differences, unused tax losses or unused tax credits for which no deferred tax asset has been recognised.

### 8. DEPOSITS FROM GROUP COMPANIES

See note 18c for the Company's accounting policy on financial instruments.

Rand	2019	2018
<b>Term deposit</b>		
Newshelf 480 Proprietary Limited	(11 157 818)	–
<b>Call deposits</b>		
Anglo American South Africa Proprietary Limited (holding company)	–	(13 095 745 980)
Anglo American EMEA Shared Services Proprietary Limited	(130 755 843)	(148 763 908)
Anglo American Properties Proprietary Limited	(5 427 344)	(7 034 715)
Rustenburg Platinum Mines Limited	(5 646 237 000)	–
De Beers Group Services Proprietary Limited	(655 167 000)	(1 929 502 000)
Holdac Limited	(83 263 391)	(77 475 737)
Newshelf 480 Proprietary Limited	–	(15 214 416)
Sishen Iron Ore Company Proprietary Limited	(4 428 000 000)	(5 338 000 000)
Spectrem Air Proprietary Limited	(6 199 222)	(17 121 786)
	<b>(10 966 207 618)</b>	<b>(20 628 858 542)</b>

At 31 December 2019, the rate of interest paid on these deposits ranged between 6.35% and 6.89% (2018: 6.60% and 7.07%) per annum. Call deposits are reflected as current liabilities and are available on demand.

## NOTES TO THE FINANCIAL STATEMENTS

### 9. BORROWINGS

See note 18f for the Company's accounting policy on bank borrowings.

The Company accesses borrowings mostly in capital markets through bonds issued under the South African Domestic Medium Term Note (DMTN) programme. The Company uses interest rate swaps where appropriate to ensure that the majority of the Company's borrowings are at a floating rate.

An analysis of borrowings, as presented on the balance sheet, is set out below:

	2019			
Rand	Short term borrowings	Medium and long term borrowings	Total borrowings	Contractual repayment at hedged rates
<b>Unsecured</b>				
Bonds issued under DMTN programme				
R650 million 9.49% bond due April 2021	–	(660 247 258)	(660 247 258)	(650 000 000)
R400 million JIBAR+1.47% bond due April 2021	–	(399 815 111)	(399 815 111)	(400 000 000)
<b>Total borrowings</b>	<b>–</b>	<b>(1 060 062 369)</b>	<b>(1 060 062 369)</b>	<b>(1 050 000 000)</b>

	2018			
Rand	Short term borrowings	Medium and long term borrowings	Total borrowings	Contractual repayment at hedged rates
<b>Unsecured</b>				
Bonds issued under DMTN programme				
R1 400 million 9.27% bond due March 2019	(1 400 482 084)	–	(1 400 482 084)	(1 400 000 000)
R650 million 9.49% bond due April 2021	–	(656 857 227)	(656 857 227)	(650 000 000)
R400 million JIBAR+1.47% bond due April 2021	–	(399 684 827)	(399 684 827)	(400 000 000)
<b>Total borrowings</b>	<b>(1 400 482 084)</b>	<b>(1 056 542 054)</b>	<b>(2 457 024 138)</b>	<b>(2 450 000 000)</b>

Included in the value of the borrowings is a fair value hedge adjustment of R10 556 207 (2018: R7 382 221).

#### Facilities

The below facilities have been arranged with a number of financial institutions. The use of these facilities may give rise to interest rate risk due to changes in the market rates:

- Short term committed facilities of R2.7 billion (2018: R2.7 billion) with interest payable at a weighted average rate of JIBAR plus 1.36% (2018: 1.40%) per annum for a relative interest period.
- Long term committed facilities of R12.5 billion (2018: R12.5 billion) with interest payable at a weighted average rate of JIBAR plus 1.40% (2018: 1.41%) per annum for a relative interest period.

#### Commitment fees

Commitment fees are payable to financial institutions based on the undrawn amount on committed facilities.

#### Guarantees

Anglo American plc ("AA plc") has guaranteed the Company's due and punctual observance and performance of all the terms, conditions and covenants under the Company's DMTN programme (the 'programme') and certain facilities with external parties. In consideration for this guarantee, AA plc charges the Company a guarantee fee which amounts to 0.30% (2018: 0.30%) of the average value of amounts owing by the Company under the programme and such facilities for each quarter of a calendar year (or any part thereof). The guarantee fees are due and payable to AA plc quarterly.

Anglo American South Africa Proprietary Limited ("AASA") has guaranteed the Company's due and punctual observance and performance of all the terms, conditions and covenants under facilities with various external parties. In consideration for this guarantee, AASA charges the Company a guarantee fee which amounts to 0.25% (2018: 0.25%) of the average value of the amounts advanced to the Company and owing by the Company under such agreement for each quarter of a calendar year (or any part thereof). No such amounts have been advanced by or are owing by the Company during the current financial year and as such no related fee has arisen.



**NOTES TO THE FINANCIAL STATEMENTS****9. BORROWINGS** continued**Liquidity risk**

Liquidity risk is the risk that the Company may be unable to meet short term financial demands. The Company ensures that there are sufficient committed loan facilities (including refinancing, where necessary) in order to meet short term business requirements, after taking into account cash flows from operations and its holding of cash and cash equivalents, as well as any Company distribution restrictions that exist.

The expected undiscounted cash flows of the Company's net debt related and other financial liabilities, by remaining contractual maturity, based on conditions existing at the balance sheet date are as follows:

					2019
Rand	Net debt related financial liabilities				Total
	Bonds	Expected future interest payments	Derivatives hedging net debt	Other financial liabilities	
<b>Amount due for repayment within one year</b>	–	(183 441 114)	5 976 666	(10 978 130 947)	(11 155 595 395)
Greater than one year, less than two years	(1 050 000 000)	(47 287 322)	5 476 972	–	(1 091 810 350)
Greater than two years, less than three years	–	–	–	–	–
Greater than three years, less than four years	–	–	–	–	–
Greater than four years, less than five years	–	–	–	–	–
Greater than five years	–	–	–	–	–
<b>Total due for repayment after more than one year</b>	(1 050 000 000)	(47 287 322)	5 476 972	–	(1 091 810 350)
<b>Total</b>	(1 050 000 000)	(230 728 436)	11 453 638	(10 978 130 947)	(12 247 405 745)

					2018
Rand	Net debt related financial liabilities				Total
	Bonds	Expected future interest payments	Derivatives hedging net debt	Other financial liabilities	
<b>Amount due for repayment within one year</b>	(1 400 000 000)	(238 806 235)	6 774 342	(20 642 178 296)	(22 274 210 189)
Greater than one year, less than two years	–	(97 465 000)	3 293 844	–	(94 171 156)
Greater than two years, less than three years	(1 050 000 000)	(47 785 952)	741 103	–	(1 097 044 849)
Greater than three years, less than four years	–	–	–	–	–
Greater than four years, less than five years	–	–	–	–	–
Greater than five years	–	–	–	–	–
<b>Total due for repayment after more than one year</b>	(1 050 000 000)	(145 250 952)	4 034 947	–	(1 191 216 005)
<b>Total</b>	(2 450 000 000)	(384 057 187)	10 809 289	(20 642 178 296)	(23 465 426 194)

## NOTES TO THE FINANCIAL STATEMENTS

### 9. BORROWINGS continued

The Company had the following undrawn committed borrowing facilities at 31 December:

Rand	2019	2018
<b>Expiry</b>		
Within one year	(2 200 000 000)	(2 200 000 000)
Greater than one year, less than two years	(2 200 000 000)	(2 200 000 000)
Greater than two years, less than three years	(10 800 000 000)	(10 800 000 000)
	<b>(15 200 000 000)</b>	<b>(15 200 000 000)</b>

#### Capital risk management

The Company's objectives when managing capital, principally comprising equity, 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, with cognisance of forecast future market conditions and structuring, to maintain an optimal capital structure to enable the business to operate effectively.

#### Market risk

Market risk is the risk that financial instrument fair values and related cash flows will fluctuate due to changes in market prices. The Company manages interest rate risks on borrowings and cash with the use of interest rate swaps in order to ensure that the majority of borrowings are at a floating rate. For more information regarding the Company's financial risk management see note 17.

The table below reflects the exposure of the Company's net cash to currency and interest rate risk.

Rand	2019		
	Financial assets/(liabilities)	Impact of interest derivatives	Total
Cash and cash equivalents	423 595 989	–	423 595 989
Floating rate financial assets <sup>(1)</sup>	15 945 884 762	–	15 945 884 762
Floating rate borrowings <sup>(2)</sup>	(11 454 735 679)	(660 247 258)	(12 114 982 937)
Fixed rate borrowings	(660 247 258)	660 247 258	–
Non-interest bearing financial instruments <sup>(3)</sup>	48 299 768	–	48 299 768
Derivatives hedging net debt <sup>(4)</sup>	10 795 843	–	10 795 843
Impact of currency derivatives	–	–	–
<b>Net financial assets</b>	<b>4 313 593 425</b>	<b>–</b>	<b>4 313 593 425</b>

Rand	2018		
	Financial assets/(liabilities)	Impact of interest derivatives	Total
Cash and cash equivalents	15 820 389 604	–	15 820 389 604
Floating rate financial assets <sup>(1)</sup>	11 171 814 518	–	11 171 814 518
Floating rate borrowings <sup>(2)</sup>	(21 104 994 604)	(2 057 339 311)	(23 162 333 915)
Fixed rate borrowings	(2 057 339 311)	2 057 339 311	–
Non-interest bearing financial instruments <sup>(3)</sup>	3 480 249	–	3 480 249
Derivatives hedging net debt <sup>(4)</sup>	10 127 200	–	10 127 200
Impact of currency derivatives	–	–	–
<b>Net financial assets</b>	<b>3 843 477 656</b>	<b>–</b>	<b>3 843 477 656</b>

<sup>(1)</sup> Floating rate financial assets comprise loans to group companies of R15 911 531 073 (2018: R11 117 999 808) and amounts due by group companies of R34 353 689 (2018: R53 814 710).

<sup>(2)</sup> Floating rate borrowings comprise bonds of R399 815 111 (2018: R399 684 827), deposits from group companies of R10 966 207 618 (2018: R20 628 858 542) and amounts due to group companies of R88 712 950 (2018: R76 451 235).

<sup>(3)</sup> Non-interest bearing financial instruments comprise trade and other receivables of R80 416 861 (2018: R73 489 034) and trade and other payables of R32 117 093 (2018: R70 008 785).

<sup>(4)</sup> Derivatives hedging net debt represents the mark to market valuation of such derivatives after taking into account the effect of debit and credit valuation adjustments which decrease the valuation of derivative liabilities hedging net debt by R96 904 (2018: increase by R96 904).

Total net financial assets are denominated in South African Rands.

## NOTES TO THE FINANCIAL STATEMENTS

### 10. FINANCIAL INSTRUMENTS

See notes 18c, 18d and 18e for the Company's accounting policies on financial instruments, impairment of financial assets and derivative financial instruments and hedge accounting.

The carrying amounts of financial assets and financial liabilities are as shown below. Where the carrying amount of a financial asset or liability does not approximate its fair value, this is also disclosed.

For financial assets and liabilities which are traded on an active market, such as listed debt instruments, fair value is determined by reference to market value. For non-traded financial assets and liabilities, fair value is calculated using discounted cash flows, considered to be reasonable and consistent with those that would be used by a market participant, and based on observable market data where available, unless carrying value is considered to approximate fair value.

All derivatives that have been designated into hedge relationships have been separately disclosed.

					2019
Rand	At fair value through profit or loss	Financial assets at amortised cost	Designated into hedges	Financial liabilities at amortised cost	Total
<b>Financial assets</b>					
Loans to group companies	–	15 911 531 073	–	–	15 911 531 073
Amounts due by group companies	–	34 353 689	–	–	34 353 689
Trade and other receivables	–	80 416 861	–	–	80 416 861
Derivative financial assets	42 802 010	–	10 795 843	–	53 597 853
Cash and cash equivalents	–	423 595 989	–	–	423 595 989
	42 802 010	16 449 897 612	10 795 843	–	16 503 495 465
<b>Financial liabilities</b>					
Deposits from group companies	–	–	–	(10 966 207 618)	(10 966 207 618)
Amounts due to group companies	–	–	–	(88 712 950)	(88 712 950)
Trade and other payables <sup>(1)</sup>	–	–	–	(32 117 093)	(32 117 093)
Derivative financial liabilities	(42 802 010)	–	–	–	(42 802 010)
Borrowings <sup>(2)</sup>	–	–	(660 247 258)	(399 815 111)	(1 060 062 369)
	(42 802 010)	–	(660 247 258)	(11 486 852 772)	(12 189 902 040)
<b>Net financial assets</b>	–	16 449 897 612	(649 451 415)	(11 486 852 772)	4 313 593 425

<sup>(1)</sup> Included in trade and other payables is interest payable on borrowings of R20 193 764 (2018: R56 689 031).

<sup>(2)</sup> The estimated fair value of borrowings designated into fair value hedges was R660 821 200 which is measured using a combination of actual trade data for the particular debt instrument and observable market benchmark prices, and consequently is classified as Level 2. The valuation adjustments considered are insignificant relative to the total carrying value.

**NOTES TO THE FINANCIAL STATEMENTS****10. FINANCIAL INSTRUMENTS** continued

	2018				
Rand	At fair value through profit or loss	Financial assets at amortised cost	Designated into hedges	Financial liabilities at amortised cost	Total
<b>Financial assets</b>					
Loans to group companies	–	11 117 999 808	–	–	11 117 999 808
Amounts due by group companies	–	53 814 710	–	–	53 814 710
Trade and other receivables	–	73 489 034	–	–	73 489 034
Derivative financial assets	–	–	10 127 200	–	10 127 200
Cash and cash equivalents <sup>(1)</sup>	3 000 000 000	12 820 389 604	–	–	15 820 389 604
	3 000 000 000	24 065 693 156	10 127 200	–	27 075 820 356
<b>Financial liabilities</b>					
Deposits from group companies	–	–	–	(20 628 858 542)	(20 628 858 542)
Amounts due to group companies	–	–	–	(76 451 235)	(76 451 235)
Trade and other payables <sup>(2)</sup>	–	–	–	(70 008 785)	(70 008 785)
Borrowings <sup>(3)</sup>	–	–	(2 057 339 311)	(399 684 827)	(2 457 024 138)
	–	–	(2 057 339 311)	(21 175 003 389)	(23 232 342 700)
<b>Net financial assets</b>	3 000 000 000	24 065 693 156	(2 047 212 111)	(21 175 003 389)	3 843 477 656

<sup>(1)</sup> Cash and cash equivalents in 2018 include R3 000 000 000 held in short-term money market funds. Following the adoption of IFRS 9 from 1 January 2018 these balances have been reclassified as at fair value through profit or loss and they are redeemed through the sale of units in the funds rather than solely through the recovery of principal and interest and is classified as Level 1. There is no impact on the carrying value of cash and cash equivalents as a result of this reclassification.

<sup>(2)</sup> Included in trade and other payables is interest payable on borrowings of R56 689 031 (2017: R56 595 935).

<sup>(3)</sup> The estimated fair value of borrowings designated into fair value hedges was R2 066 617 305 which is measured using a combination of actual trade data for the particular debt instrument and observable market benchmark prices, and consequently is classified as Level 2. The valuation adjustments considered are insignificant relative to the total carrying value.

**Fair value hierarchy**

An analysis of financial assets and liabilities carried at fair value is set out below:

Rand	2019	2018
<b>Financial assets</b>		
At fair value through profit or loss		
Cash and cash equivalents <sup>(1)</sup>	–	3 000 000 000
Other derivatives <sup>(2)</sup>	42 802 010	–
Designated into hedges		
Derivatives hedging debt <sup>(2)</sup>	10 795 843	10 127 200
	53 597 853	3 010 127 200
<b>Financial liabilities</b>		
At fair value through profit or loss		
Other derivatives <sup>(2)</sup>	(42 802 010)	–
	(42 802 010)	–
<b>Net assets carried at fair value</b>	<b>10 795 843</b>	<b>3 010 127 200</b>

<sup>(1)</sup> Short-term money market funds are classified as Level 1 financial instruments and are valued using unadjusted quoted prices in active markets for identical financial instruments.

<sup>(2)</sup> Derivatives are classified as level 2 financial instruments and are valued using a discounted cash flow technique. Future cash flows are projected using a forward curve and then discounted using a market-related curve over the contractual period. The rest date of each swaplet is determined in terms of the legal documents.

**Valuation technique**

Level 1: Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes cash and cash equivalents held in money market funds and listed equity shares.

Level 2: Valued using techniques based significantly on observable market data. Instruments in this category are valued using valuation techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3: Instruments in this category have been valued using a valuation technique where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, management determines a reasonable estimate for the input.

There has been no transfer between fair value levels during the current or prior year.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

See note 18e for the Company's accounting policy on derivatives.

The fair values of derivatives are separately recorded on the balance sheet within 'Derivative financial assets' and 'Derivative financial liabilities'. Derivatives are classified as current or non-current depending on the date of expected settlement of the derivative.

The Company utilises derivative instruments to manage certain market risk exposures. The Company does not use derivative financial instruments for speculative purposes, however it may choose not to designate certain derivatives as hedges for accounting purposes. Such derivatives are classified as 'at fair value through profit or loss' and fair value movements are recorded in the income statement.

The use of derivative instruments is subject to limits and the positions are regularly monitored and reported to senior management.

#### Fair value hedges

All of the interest rate swaps (taken out to swap the Company's fixed rate borrowings to floating rate, in accordance with the Company's policy) have been designated as fair value hedges. The carrying value of the hedged debt is adjusted at each balance sheet date to reflect the impact on its fair value of changes in market interest rates. Changes in the fair value of the hedged debt are offset against fair value changes in the interest rate swap and recognised in the income statement.

#### At fair value through profit or loss

The Company may choose not to designate certain derivatives as hedges. This may occur where gains and losses on both the derivative and hedged item naturally offset in the income statement. Fair value changes on these derivatives are recognised in the income statement as remeasurements and are classified as financing or operating depending on the nature of the associated hedged risk.

The fair value of the Company's open derivative position at 31 December, recorded within 'Derivative financial assets' and 'Derivative financial liabilities' is as follows:

Rand	2019		2018	
	Current	Non-current	Current	Non-current
<b>Financial assets</b>				
At fair value through profit or loss				
Other derivatives <sup>(1)</sup>	42 802 010	–	–	–
Designated into hedges				
Derivatives hedging debt <sup>(2)</sup>	–	10 795 843	3 824 154	6 303 046
	42 802 010	10 795 843	3 824 154	6 303 046
<b>Financial liabilities</b>				
At fair value through profit or loss				
Other derivatives <sup>(1)</sup>	(42 802 010)	–	–	–
	(42 802 010)	–	–	–
<b>Net assets carried at fair value</b>	<b>–</b>	<b>10 795 843</b>	<b>3 824 154</b>	<b>6 303 046</b>

<sup>(1)</sup> Other derivatives primarily related to forward foreign currency contracts. The fair value of forward exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to the present value.

<sup>(2)</sup> Relates to interest rate swaps. The fair value of interest rate swap contracts is calculated as the present value of the estimated future cash flows based on observable yield curves.

These marked to market valuations are not predictive of the future value of the hedged position, nor of the future impact on the profit of the Company. The valuations represent the cost of transferring all hedge contracts at year end, at market prices and rates available at the time. The Company is exposed in varying degrees to a variety of financial instrument related risks. For more information about these risks and the ways in which the Company manages them, see notes 9 and 17.

## NOTES TO THE FINANCIAL STATEMENTS

### 12. SHARE CAPITAL AND SHARE PREMIUM

	2019		2018	
	Number of shares	Rand	Number of shares	Rand
Authorised:				
Ordinary shares of R1 each	50 000	50 000	50 000	50 000
Issued:				
Ordinary shares of R1 each	20 100	20 100	20 100	20 100
Share premium	–	2 909 979 900	–	2 909 979 900
	20 100	2 910 000 000	20 100	2 910 000 000

The remaining unissued shares are under the control of the Directors until the forthcoming board meeting.

### 13. COMMITMENTS FOR EXPENDITURE

As at 31 December 2019 the Company had no commitments for expenditure.

### 14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company had no contingent liabilities or contingent assets at 31 December 2019.

### 15. EVENTS OCCURRING AFTER END OF YEAR

#### Novel coronavirus (COVID-19)

Following the end of 2019 the novel coronavirus (COVID-19) has been declared a pandemic by the World Health Organisation. The emergence of COVID-19 is considered a non-adjusting post balance sheet event as defined in IAS 10 *Events after the reporting period* since it represents a set of conditions which only arose after the balance sheet date. The impact of COVID-19 on the world economy and the Company's future financial performance remains uncertain. Depending on the extent and severity of the pandemic, there may be a material impact on the Company's accounting estimates in future periods, including the allowance for expected credit losses (ECL). Borrowers may have a particular exposure to the economic impacts of COVID-19 in their specific geography and industry sector which may impact their ability to meet obligations under loan relationships. Depending on the extent of the impact on a borrower, this could lead to a significant increase in credit risk which would impact the period over which the ECL is assessed. In addition, loss given default rates may increase if the borrowers underlying asset values begin to fall as a result of the impact of COVID-19.

The directors have reviewed the Company's expected future cashflows and available sources of liquidity, and concluded that it remains appropriate to adopt the going concern basis of accounting as disclosed in the statutory report for these financial statements.

Except for the above, there have been no material reportable events since 31 December 2019.

### 16. RELATED PARTY TRANSACTIONS

The Company is incorporated in South Africa and is a wholly owned unlisted subsidiary of Anglo American South Africa Proprietary Limited and ultimately a wholly owned subsidiary of Anglo American plc. The Company has a related party relationship with other members of the Anglo American plc group. Members of the Board are considered to be related parties.

The Company, in the ordinary course of business, enters into various transactions with other members of the Anglo American plc group. These transactions are under terms that are no less favourable to the Company than those arranged with third parties.

Loans to group companies are disclosed in note 6 and deposits from group companies are disclosed in note 8. Interest received from group companies and interest paid to group companies are disclosed in note 3. Administration fees paid to a group company were R11 475 772 (2018: R9 754 846).

Remuneration and benefits of key management personnel including Directors are disclosed in note 20.

**NOTES TO THE FINANCIAL STATEMENTS****16. RELATED PARTY TRANSACTIONS** continued

A guarantee fee, amounting to R4 070 548 (2018: R7 350 000), was due to Anglo American plc in respect of the year under review. As at 31 December 2019 an amount of R793 972 (2018: R1 852 603) was outstanding and is included in 'Trade and other payables' on the balance sheet.

A guarantee fee, amounting to nil (2018: nil), was due to Anglo American South Africa Proprietary Limited in respect of the year under review.

A commitment fee, amounting to R26 171 890 (2018: R24 640 000), was earned from De Beers Group Services Proprietary Limited in respect of the year under review. As at 31 December 2019 an amount of R12 120 339 (2018: nil) was outstanding and is included in 'Trade and other receivables' on the balance sheet.

A commitment fee, amounting to R42 715 360 (2018: R5 475 334), was earned from Rustenburg Platinum Mines Limited in respect of the year under review. As at 31 December 2019 an amount of R36 820 311 (2018: R6 173 484) was outstanding and is included in 'Trade and other receivables' on the balance sheet.

A commitment fee, amounting to R22 222 539 (2018: R964 724), was earned from Anglo American Inyosi Coal Proprietary Limited in respect of the year under review. As at 31 December 2019 an amount of R1 056 041 (2018: R964 724) was outstanding and is included in 'Trade and other receivables' on the balance sheet.

The Company had the following material related party transactions during the year and balances as at 31 December:

	<b>2019</b>			
Rand	Interest income	Interest expense	Amounts due by group companies	Amounts due to group companies
Anglo American South Africa Proprietary Limited (holding company)	203 742 789	(278 100 708)	–	–
Anglo American EMEA Shared Services Proprietary Limited	–	(9 463 623)	–	–
Anglo American Inyosi Coal Proprietary Limited	218 137 822	–	25 869 742	–
Anglo American Properties Proprietary Limited	–	(392 629)	–	–
Anglo Operations Proprietary Limited	499 657 738	(396 592 895)	–	–
De Beers Group Services Proprietary Limited	18 458 140	(83 824 628)	8 483 947	(4 389 779)
Holdac Limited	–	(7 026 727)	–	–
Newshelf 480 Proprietary Limited	173 827	(886 694)	–	(128 433)
Rustenburg Platinum Mines Limited	375 752 411	(43 121 806)	–	(32 475 742)
Sishen Iron Ore Company Proprietary Limited	–	(630 637 324)	–	(51 680 358)
Spectrem Air Proprietary Limited	–	(941 414)	–	(38 638)
	<b>1 315 922 727</b>	<b>(1 450 988 448)</b>	<b>34 353 689</b>	<b>(88 712 950)</b>

	<b>2018</b>			
Rand	Interest income	Interest expense	Amounts due by group companies	Amounts due to group companies
Anglo American South Africa Proprietary Limited (holding company)	–	(769 921 873)	–	–
Anglo American EMEA Shared Services Proprietary Limited	–	(9 444 501)	–	–
Anglo American Inyosi Coal Proprietary Limited	638 805 352	(285 961 019)	2 587 978	(22 874 039)
Anglo American Properties Proprietary Limited	–	(454 649)	–	–
Anglo Operations Proprietary Limited	319 170 342	(262 365 708)	–	–
Anglo South Africa Capital Proprietary Limited	–	(16 386 383)	–	–
De Beers Group Services Proprietary Limited	–	(177 440 356)	–	(11 956 651)
Holdac Limited	–	(6 000 882)	–	–
Lansan Investment Holdings Proprietary Limited	–	(137 537)	–	–
Newshelf 480 Proprietary Limited	411 845	(1 029 085)	–	(92 036)
Rustenburg Platinum Mines Limited	757 417 209	–	51 226 732	–
Sishen Iron Ore Company Proprietary Limited	–	(395 477 631)	–	(41 454 290)
Spectrem Air Proprietary Limited	–	(951 402)	–	(74 219)
	<b>1 715 804 748</b>	<b>(1 925 571 026)</b>	<b>53 814 710</b>	<b>(76 451 235)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 17. FINANCIAL RISK MANAGEMENT

The Board monitors risk management processes.

The types of risk exposure, the way in which such exposure is managed and quantification of the level of exposure in the balance sheet at 31 December is provided as follows (subcategorised into credit risk, commodity price risk, foreign exchange risk and interest rate risk). See note 9 for liquidity risk.

#### a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a loss to the Company by failing to pay for its obligation. The Company's principal financial assets are cash, trade and other receivables, loans receivable and derivative financial instruments. The Company's maximum exposure to credit risk is limited to the carrying value of its financial assets and undrawn committed facilities. Financial assets are reviewed annually for impairment and all inter-group committed facilities are at arm's length. No items were past due or considered to be impaired during the financial year.

The Company limits credit risk on liquid funds and derivative financial instruments through diversification of exposures with a range of financial institutions. Counterparty limits are set for each financial institution with reference to credit ratings assigned by Standard & Poor's, Moody's and Fitch Ratings.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due. This represents a judgement by the Company of the period after which a borrower is unlikely to pay its credit obligations in full.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 120 days past due. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Company primarily provides loans to entities within the Anglo American South Africa Proprietary Limited Group. Therefore, the Company is subject to a concentration of credit risk in the mining sector. Expected credit losses (ECL) are evaluated on an individual basis for impairment. Changes in loan terms are evaluated on a case by case basis to evaluate whether they should be accounted for as modifications or new financial instruments. There have been no loan modifications. Forward looking information is taken into consideration through the use of cash flow forecasts and budgets. The Company has recognised a stage 1 ECL of R4 220 000 on a loan to a Group company. This is based on an assessment of probability of default, the entity's financial position and related credit support for the loan. The Company has not recognised an ECL on the remaining loans to Group companies due to the evaluation of the respective counterparty as having either a negligible probability of default, or no or negligible loss given default after taking into account the financial position of the counterparty and credit support for the loans. See notes 18c and 18d for the Company's accounting policies on financial instruments.

2019				
Rand	Stage 1	Stage 2	Stage 3	Total
Gross loan carrying amount	15 178 203 641	737 547 432	–	15 915 751 073
Expected credit loss	(4 220 000)	–	–	(4 220 000)
Loan carrying amount	15 173 983 641	737 547 432	–	15 911 531 073
Accrued interest	34 353 689	–	–	34 353 689
<b>Total carrying amount</b>	<b>15 208 337 330</b>	<b>737 547 432</b>	<b>–</b>	<b>15 945 884 762</b>

2018				
Rand	Stage 1	Stage 2	Stage 3	Total
Gross loan carrying value	5 582 329 808	5 535 670 000	54 000 000	11 171 999 808
Expected credit loss	–	–	(54 000 000)	(54 000 000)
Loan carrying amount	5 582 329 808	5 535 670 000	–	11 117 999 808
Accrued interest	2 587 978	51 226 732	–	53 814 710
<b>Total carrying amount</b>	<b>5 584 917 786</b>	<b>5 586 896 732</b>	<b>–</b>	<b>11 171 814 518</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 17. FINANCIAL RISK MANAGEMENT continued

#### b) Commodity price risk

The Company's earnings are not exposed to movements in the prices of commodities.

#### c) Foreign exchange risk

Foreign exchange risk is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the Company. The Company may use forward exchange contracts, currency swaps and option contracts to limit the effects of movements in exchange rates on foreign currency denominated assets and liabilities.

Analysis of foreign exchange risk associated with net financial assets and the impact of derivatives to hedge against this risk is included within note 9. The impact of derivatives to hedge against foreign exchange risk in 2019 is nil (2018: nil). Total net financial assets are denominated in South African Rands.

#### d) Interest rate risk

Interest rate risk arises due to fluctuations in interest rates which impact on the value of short term investments and financing activities. The Company is principally exposed to South African interest rates.

The Company's policy is to borrow funds at floating rates of interest given the link with economic output and therefore the correlation, over the longer term, with commodity prices. The Company uses interest rate swap contracts to manage its exposure to interest rate movements on its existing debt.

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and to maintain cash reserves in short term investments (less than one year) in order to maintain liquidity, while achieving a satisfactory return for shareholders.

Analysis of interest rate risk associated with net financial assets and the impact of derivatives to hedge against this risk is included within note 9.

#### e) Financial instrument sensitivities

Financial instruments affected by market risk include borrowings, deposits, derivative financial instruments, trade receivables and trade payables. The following analysis is intended to illustrate the sensitivity of the Company's financial instruments at 31 December to changes in foreign currencies and interest rates.

The following assumptions were made in calculating the sensitivity analysis:

- all income statement sensitivities also impact equity;
- for debt and other deposits carried at amortised cost, carrying value does not change as interest rates move;
- no sensitivity is provided for interest accruals as these are based on pre-agreed interest rates and therefore are not susceptible to further rate changes;
- changes in the carrying value of derivatives (from movements in interest rates) designated as cash flow hedges are assumed to be recorded fully within equity on the grounds of materiality;
- no sensitivity has been calculated on derivatives and related underlying instruments designated into fair value hedge relationships as these are assumed to materially offset one another;
- all hedge relationships are assumed to be fully effective on the grounds of materiality; and
- debt with a maturity of less than one year is floating rate, unless it is long term fixed rate debt in its final year.

No sensitivity for foreign exchange rate is presented as the Company does not have any net open positions in foreign currency at year end.

Using the above assumptions, the effect on the income statement and equity is R21 615 717 (2018: R19 310 595) for a 50 basis point move in South African interest rates.

The above sensitivities are calculated with reference to a single moment in time and are subject to change due to a number of factors including:

- fluctuating trade receivable and payable balances;
- derivative instruments and borrowings settled throughout the year;
- fluctuating cash balances; and
- changes in currency mix.

Each of the sensitivities is calculated in isolation, whilst in reality interest rates and foreign currencies do not move independently.

#### Capital management

The Board of Directors monitors the level of capital, which the Company defines as equity, comprising issued share capital and retained earnings. The Company manages its capital to ensure it will be able to continue as a going concern. In order to maintain or adjust this capital structure, the Company may issue new shares. There were no changes in the Company's approach to capital management during the year. The Company is not exposed to externally imposed capital requirements.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. ACCOUNTING POLICIES

#### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and in accordance with the requirements of the South African Companies Act, No. 71 of 2008. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments. A summary of the principal Company accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Company does not operate in operating segments.

#### **18a. Revenue**

##### ***Net interest income***

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest expense is recognised in the income statement in the period in which it is incurred based on the effective interest rate. The Company does not charge any monthly fees other than contractual interest rates.

##### ***Commitment fee income***

Commitment fee income is accrued on a time basis, by reference to the undrawn committed facility value at an arm's length rate.

#### **18b. Tax**

The tax expense includes the current tax and deferred tax charge recognised in the income statement.

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. ACCOUNTING POLICIES continued

#### 18c. Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument. The Company's financial instruments consist primarily of cash and cash equivalents, trade and other receivables, loans receivable, borrowings, trade and other payables and certain other derivative instruments.

The Company classifies its financial instruments in the following categories:

- financial assets at fair value through profit or loss which includes money market fund investments which are held at fair value as they are redeemed through the sale of units in the funds and not solely through the recovery of principal and interest;
- financial assets at amortised cost which includes loans to group companies, external loan receivable, amounts due by group companies, trade and other receivables and cash and cash equivalents and are measured at amortised cost;
- financial liabilities at fair value through profit or loss; and
- other financial liabilities at amortised costs which includes borrowings, deposits from group companies, amounts due to group companies and trade and other payables.

The classification depends on the purpose for which the financial assets were acquired or financial liabilities were assumed. Management determines the classification at initial recognition.

#### 18d. Impairment of financial assets

A financial asset not measured at fair value through profit or loss is assessed for impairment at each reporting date. The Company assesses on a forward looking basis the expected credit losses, defined as the difference between the contractual cash flows and the cash flows that are expected to be received, associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. A financial asset impairment provision is raised based on 12 month expected credit losses, unless there has been a significant increase in credit risk in which case the provision is based on lifetime expected credit losses.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions; and
- Expected credit losses are also assessed on financial commitments.

Losses are recognised in the income statement. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

#### 18e. Derivative financial instruments and hedge accounting

The Company does not use derivative financial instruments for speculative purposes.

All derivatives are held at fair value in the balance sheet within 'Derivative financial assets' or 'Derivative financial liabilities'.

In order to hedge its exposure to foreign exchange and interest rate risk, the Company enters into forward and swap contracts.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged. The corresponding entry, along with gains or losses from remeasuring the associated derivative, is recognised in the income statement.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. ACCOUNTING POLICIES continued

#### 18e. Derivative financial instruments and hedge accounting continued

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, revoked, or no longer qualifies for hedge accounting.

Changes in the fair value of any derivative instruments that are not designated in a hedge relationship are recognised immediately in the income statement and are classified within other gains and losses (operating costs) or net finance costs depending on the type of risk to which the derivative relates.

#### 18f. Cash and debt

##### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits, together with short term, highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet. Cash and cash equivalents in the cash flow statement are shown net of overdrafts. Cash and cash equivalents are measured at amortised cost except for money market fund investments which are held at fair value as they are redeemed through the sale of units in the funds and not solely through the recovery of principal and interest. Cash and cash equivalents are held with reputable financial institutions with good credit ratings, consequently the probability of default is negligible and no expected credit loss has been recognised.

##### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified and accounted for as debt or equity according to the substance of the contractual arrangements entered into.

##### Borrowings

Interest bearing loans and overdrafts are initially recognised at fair value, net of directly attributable transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are recognised in the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### 18g. Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the right to receive cash flows from the asset has expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the associated obligation has been discharged, cancelled or has expired.

The difference between the carrying amount of the financial asset or liability derecognised and the consideration is recognised in profit or loss.

#### 18h. Foreign currency transactions and translation

The Company's functional and presentation currency is South African Rand. Foreign currency transactions by the Company are recognised in the functional currency of the Company at the exchange rate ruling on the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the income statement for the period and are classified as either operating or financing depending on the nature of the monetary item giving rise to them.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### 19. GOING CONCERN

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting in preparing the financial statements continues to be adopted. Further details are contained in the Statutory report.

**NOTES TO THE FINANCIAL STATEMENTS****20. DIRECTORS' REMUNERATION**

Directors' emoluments comprise salaries and other benefits, performance bonus and incentive awards.

				2019
Rand	Services to the Company	Services to other group companies <sup>(1)</sup>	Amounts paid/payable to a pension scheme	Total
R.G. Churr	–	(5 223 821)	(269 413)	(5 493 234)
F. Edmundson	–	(5 554 363)	(310 779)	(5 865 142)
C. Goosen	–	(13 292 244)	(350 000)	(13 642 244)
M.S.V. Gantsho	–	–	–	–
R.H. Lloyd	–	–	–	–
N.J. Mason-Gordon	–	(11 858 838)	(378 405)	(12 237 243)
C.C. Elliott	–	(22 644 378)	(418 767)	(23 063 145)
S. Mayet	–	(13 012 935)	(103 869)	(13 116 804)
C.L. Sunter	–	–	–	–
	–	(71 586 579)	(1 831 233)	(73 417 812)

<sup>(1)</sup> Includes Bonus Share Plan and Long Term Incentive Plan shares in Anglo American plc that have vested in the current year.

				2018
Rand	Services to the Company	Services to other group companies <sup>(1)</sup>	Amounts paid/payable to a pension scheme	Total
C.C. Elliott	–	(11 688 412)	(430 978)	(12 119 390)
S. Mayet	–	(9 361 983)	(391 957)	(9 753 940)
C. Goosen	–	(8 621 253)	(351 112)	(8 972 365)
N.J. Mason-Gordon	–	(6 515 879)	(356 985)	(6 872 864)
I.E. French	–	(4 731 882)	(254 925)	(4 986 807)
	–	(40 919 409)	(1 785 957)	(42 705 366)

<sup>(1)</sup> Includes Bonus Share Plan and Long Term Incentive Plan shares in Anglo American plc that have vested in the current year.