AngloAmerican

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 2016

Real Mining. Real People. Real Difference.
A member of the Anglo American plc group

CONTENTS

COMPANY INFORMATION

Directors

C.C. Elliott	Appointed 1 January 2016
I.E. French	Appointed 1 January 2016
C. Goosen	
N.J. Mason-Gordon	
S. Mayet	

Registered office

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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 will continue in office in accordance with Section 90(6) of the South African Companies Act, No. 71 of 2008.

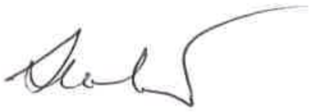
Preparation of Annual Financial Statements

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

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 2016.

Anglo Operations Proprietary Limited
Secretaries



Company Secretary

JOHANNESBURG
29 March 2017

Deloitte.

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Gallo Manor 2052
South Africa

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF ANGLO AMERICAN SA FINANCE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Anglo American SA Finance Limited set out on pages 11 to 33, which comprise the balance sheet as at 31 December 2016, the income statement, statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Anglo American SA Finance Limited as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 Financial Statements section of our report. We are independent of the entity in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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
Fair value hedge adjustment	
There's complexity in application of hedge accounting due to the risk that: • Hedge adjustments are not being made in terms of ISA 39- *Financial Instruments: Recognition and Measurement* ("IAS 39") requirements. • When a fair value hedge relationship exists, IAS 39 prescribes that an adjustment is made to hedged items (fixed rate bonds) based on movements in the hedged risk. • Judgement exercised in determining the movements in fair value as a result of hedged risk- i.e. the movement in the Pseudo bond may not accurately represent the fair value movements of the relevant bonds. • Incorrect adjustment of the carrying amount of the fixed rate bond liability based on the fair value movements in the hedged item. This is considered to be a key audit matter due to the significant level of complexity and judgement required in applying IAS 39 requirements. The bonds and fair value hedge are disclosed in notes 10, 11 and note 12 to the financial statements.	In evaluating the accuracy of the fair value hedge adjustment we involved our Financial Services "FS" advisory valuations specialists to: • Review the Anglo American SA Finance Limited (AASAF) calculations relating to the fair value of the fixed rate bonds and the fair value hedge adjustment for the year. • Independently determine the fair value of the Pseudo fixed rate bond. • Determine whether the fair value hedge is effective in terms of IAS39. • Determine whether fair value hedge accounting is appropriate and whether the fair value adjustment can be made. We found that the application of the hedge accounting and the fair value hedge adjustment made to be appropriate and reasonable.

Other Information

The directors are responsible for the other information. The other information comprises the Statutory Report, Report of the Audit and Risk Committee and the Compliance statement by the Company Secretary, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 that we 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.

Responsibilities of the directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the entity'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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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 directors 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 directors, we determine those matters that were of most significance in the audit of the 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.

Report on Other Legal and Regulatory Requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Deloitte & Touche has been the auditor of Anglo American SA Finance Limited for 14 years.

DELOITTE & TOUCHE

Deloitte & Touche
Registered Auditor
Per: Vuyelwa Sangoni
Partner
29 March 2017

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2016

The Annual Financial Statements were approved by the Board of Directors on 29 March 2017 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.

S. Mayet
Director

N.J. Mason-Gordon
Director

JOHANNESBURG
29 March 2017

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 2016.

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 aforegoing.

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 and cash flow statement.

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. The Annual Financial Statements are the responsibility of the Directors and it is the responsibility of the independent auditors to report thereon.

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 2016, 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 3.

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 2016 to the date of this report.

C.C. Elliott	Appointed 1 January 2016
I.E. French	Appointed 1 January 2016

STATUTORY REPORT continued

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 2016. Details of the Company's authorised and issued share capital are contained in the notes to the Annual Financial Statements.

Events occurring after end of year

There have been no reportable events since 31 December 2016 up to the date of the Company's Annual Financial Statements.

CORPORATE GOVERNANCE AND AUDIT AND RISK COMMITTEE

The Company is a wholly owned unlisted subsidiary of Anglo American South Africa Limited and ultimately a wholly owned subsidiary of Anglo American plc and places reliance on the governance processes and policies of its parent companies, details of which can be found in their annual reports. 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:

www.angloamerican.com/~/media/Files/A/Anglo-American-PLC-V2/investors/aasaf/programme-memorandum-supplement-22-march-2017.pdf

https://www.jse.co.za/current-companies/companies-and-financial-instruments/issuer-profile?issuermasterid=2690#

Report of the Audit and Risk Committee

This report is provided by the Audit and Risk Committee (the Committee) of Anglo American South Africa Limited appointed in respect of the 2016 financial year of the Company in compliance with section 94(7)(f) of the Companies Act, No 71 of 2008.

The Committee is a committee of the Board of directors of Anglo American South Africa Limited. In addition to having specific statutory responsibilities to the shareholders in terms of section 94 of the Companies Act, 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 Committee further provides the Anglo American South Africa Limited Board and Social, Ethics and Transformation (SET) Committee with a report after each Committee meeting on matters relating to internal financial controls, internal audit, and corruption and fraud risks that fall within the Committee's terms of reference.

Composition

The appointed Committee comprises three independent Non-Executive Directors of Anglo American South Africa Limited. Collectively, the members possess the necessary skill 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. During the year the Committee reviewed its terms of reference and workplan for the ensuing year and agreed that it fulfilled its statutory and regulatory obligations.

The Executive Head: Anglo American South Africa Limited, Head of Finance, 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 table below:

	15 March	**21 September**
Christopher Sunter (Chairman)	√	√
Koosum Kalyan	√	√
Rams Ramashia	√	√

√ Present

CORPORATE GOVERNANCE AND AUDIT & RISK COMMITTEE continued

Report of the Audit and Risk Committee continued

2016 in overview

The Committee has executed its duties and responsibilities during the financial year in accordance with its terms of reference as they relate to the Anglo American South Africa 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 M. Rayfield as the external auditor and designated auditor of Anglo American South Africa Limited Group respectively to the shareholders for appointment as auditor for the financial year ended 31 December 2016, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an 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 each of the of Anglo American South Africa Limited Group's South African subsidiary companies including Anglo American SA Finance Limited taking into consideration the Company's HDSA policies.

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 interim and 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;
- considered any areas of concerns identified, and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
- met separately with management, external audit and internal audit.

In respect of internal control and internal audit, including forensic audit, the Committee, among other 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;
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- 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.

CORPORATE GOVERNANCE AND AUDIT & RISK COMMITTEE continued

Report of the Audit and Risk Committee continued

2016 in overview *continued*

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;
- reviewed with the Company's internal counsel, the adequacy and effectiveness of the Anglo American South Africa Limited Group's procedures to ensure compliance with legal and regulatory responsibilities;
- received a report pertaining to infringements of the Anglo American South Africa Limited Group business principles including complaints received via the Anglo American South Africa 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; and
- considered reports provided by management, the internal auditor and the external auditor regarding compliance with legal and regulatory requirements.

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 Head of Finance 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; and
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies have been met.

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 should be reappointed for the 2017 financial year.

Head of finance and finance function

The Committee has reviewed an internal assessment conducted on the skills, expertise and experience of Saleh Mayet, the Head of Finance, and is satisfied that he has the appropriate expertise and experience to meet his 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 and Risk 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 and Risk Committee Chairman
28 March 2017

INCOME STATEMENT
for the year ended 31 December 2016

Rand	Note	2016	2015
Interest income	3	**2 517 426 458**	2 449 462 856
Commitment fee income		**25 807 386**	25 730 762
Interest expense	3	**(1 794 604 650)**	(1 766 653 732)
Commitment and guarantee fee expense		**(113 951 575)**	(87 786 941)
Net interest income		**634 677 619**	620 752 945
Net foreign exchange loss		**(6 504)**	(33 942)
Fair value hedge adjustment		**(20 791 724)**	23 462 555
Administration expenses		**(10 606 598)**	(13 427 563)
Provision for impairment		**(6 150 734)**	(48 487 601)
Profit before tax	4	**597 122 059**	582 266 394
Income tax expense	5	**(168 916 382)**	(176 611 119)
Profit for the financial year		**428 205 677**	405 655 275

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016

Rand	2016	2015
Profit for the financial year	**428 205 677**	405 655 275
Total comprehensive income for the financial year	**428 205 677**	405 655 275

BALANCE SHEET
as at 31 December 2016

Rand	Note	2016	2015
ASSETS			
Non-current assets			
Loans to group companies	6	**15 998 425 565**	15 582 328 026
External loan receivable	7	**–**	–
Deferred tax assets	8	**205 868 072**	374 784 454
Derivative financial assets	12	**1 812 857**	–
Total non-current assets		**16 206 106 494**	15 957 112 480
Current assets			
Loans to group companies	6	**3 202 946 040**	2 055 808 651
Amounts due by group companies	11	**266 993 219**	233 569 748
Trade and other receivables	11	**89 767 549**	15 309 803
Derivative financial assets	12	**4 677 054**	2 202 779
Cash and cash equivalents	11	**10 917 035 434**	4 240 487
Total current assets		**14 481 419 296**	2 311 131 468
Total assets		**30 687 525 790**	18 268 243 948
LIABILITIES			
Current liabilities			
Deposits from group companies	9	**(24 540 704 028)**	(12 448 635 266)
Amounts due to group companies	11	**(77 798 794)**	(16 708 191)
Trade and other payables	11	**(80 021 211)**	(73 340 684)
Short term borrowings	10	**(599 943 904)**	(199 980 409)
Derivative financial liabilities	12	**(4 677 054)**	(2 202 779)
Total current liabilities		**(25 303 144 991)**	(12 740 867 329)
Non-current liabilities			
Medium and long term borrowings	10	**(2 449 460 243)**	(2 967 457 053)
Derivative financial liabilities	12	**(2 310 909)**	(55 515 596)
Total non-current liabilities		**(2 451 771 152)**	(3 022 972 649)
Total liabilities		**(27 754 916 143)**	(15 763 839 978)
Net assets		**2 932 609 647**	2 504 403 970
EQUITY			
Share capital	13	**20 100**	20 100
Share premium	13	**2 909 979 900**	2 909 979 900
Retained earnings/(accumulated loss)		**22 609 647**	(405 596 030)
Total equity		**2 932 609 647**	2 504 403 970

CASH FLOW STATEMENT
for the year ended 31 December 2016

Rand	Note	2016	2015
Cash flows from operating activities			
Profit before tax		**597 122 059**	582 266 394
Net finance income	3	**(722 821 808)**	(682 809 124)
Net foreign exchange loss		**6 504**	33 942
Fair value hedge adjustment		**20 791 724**	(23 462 555)
Provision for impairment		**6 150 734**	48 487 601
(Increase)/decrease in operating receivables		**(74 457 746)**	2 300 646
Increase/(decrease) in operating payables		**6 680 527**	(13 090 817)
Cash flows used in operations		**(166 528 006)**	(86 273 913)
Interest received		**2 477 827 836**	2 456 866 634
Interest paid		**(1 672 321 173)**	(1 834 934 270)
Net cash flows from operating activities		**638 978 657**	535 658 451
Cash flows from investing activities			
Repayment of loans to group companies		**438 767 241**	10 487 023 288
Advances of loans to group companies		**(2 002 002 169)**	(974 934 342)
Net cash (used in)/from investing activities		**(1 563 234 928)**	9 512 088 946
Cash flows from financing activities			
Repayment of borrowings		**(200 000 000)**	(1 000 000 000)
Proceeds from deposits from group companies		**12 308 041 647**	1 274 838 789
Repayment of deposits from group companies		**(215 972 885)**	(10 463 305 812)
(Increase)/decrease in derivative financial assets		**(55 017 544)**	84 903 329
Net cash from/(used in) financing activities		**11 837 051 218**	(10 103 563 694)
Net increase/(decrease) in cash and cash equivalents		**10 912 794 947**	(55 816 297)
Cash and cash equivalents at start of year		**4 240 487**	60 056 784
Net increase/(decrease) in cash and cash equivalents		**10 912 794 947**	(55 816 297)
Cash and cash equivalents at end of year		**10 917 035 434**	4 240 487

STATEMENT OF CHANGES IN EQUITY
for the year ended December 2016

Rand	Share capital	Share premium	Retained earnings/ (accumulated loss)	Total equity
At 1 January 2015	20 100	2 909 979 900	(811 251 305)	2 098 748 695
Total comprehensive income	–	–	405 655 275	405 655 275
At 1 January 2016	**20 100**	**2 909 979 900**	**(405 596 030)**	**2 504 403 970**
Total comprehensive income	–	–	**428 205 677**	**428 205 677**
At 31 December 2016	**20 100**	**2 909 979 900**	**22 609 647**	**2 932 609 647**

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 taxation, impairment of loans receivable and assessment of fair value. The use of inaccurate assumptions in assessments made for any of these estimates could result in a significant impact on financial results.

Taxation
In arriving at the deferred tax asset balance, management necessarily applies its judgment to assess the probability of future taxable profits against which deductible temporary differences can be utilised.

Impairment of loans receivable
In making assessments for impairment, management necessarily applies its judgment in the estimation of the recoverable amount of loans receivable.

Fair value of financial instruments
Certain of the Company's financial instruments, principally derivatives, are required to be measured on the balance sheet at fair value. Where a quoted market price for an identical instrument is not available, a valuation model is used to calculate the fair value based on the net present value of the expected cash flows under the contract. Valuation assumptions are usually based on observable market data where available.

The valuations of financial instruments are adjusted for the risk that contractual cash flows will not be paid because of the risk of default by one of the parties. A credit valuation adjustment (CVA) is applied to the valuation of financial assets, reflecting the possibility of default by the counterparty. A debit valuation adjustment (DVA) is applied to the valuation of financial liabilities, reflecting the possibility that the Company may default on its obligations. These adjustments are calculated based on the expected net positive or negative exposure to the counterparty, and with reference to the counterparty's and the Company's spread at the balance sheet date.

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 2015.

A number of other accounting pronouncements, principally amendments to existing standards, issued by the International Accounting Standards Board became effective on 1 January 2016 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.

New IFRS accounting standards not yet adopted
The following new IFRS accounting standards in issue but not yet effective are expected to have a significant impact on the Company:

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and subsequent amendments, Clarifications to IFRS 15, were issued in April 2016. IFRS 15, as amended, is effective for accounting periods beginning on or after 1 January 2018, which will be the date the Company transitions to IFRS 15.

IFRS 9 *Financial Instruments*
IFRS 9 was issued in July 2014 and becomes effective for accounting periods beginning on or after 1 January 2018, which will be the date the Company transitions to IFRS 9. The new standard is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and derecognition of financial assets and financial liabilities together with a new hedge accounting model.

Other issued standards and amendments that are not yet effective are not expected to have an impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3. NET FINANCE INCOME

See note 19a for the Company's accounting policy on net finance income.

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

Rand	Note	2016	2015
Interest income			
Interest income from group companies	17	**2 336 935 612**	2 265 834 217
Interest income from cash and cash equivalents		**174 304 314**	178 480 762
Other interest income		**6 186 532**	5 147 877
Total interest income		**2 517 426 458**	2 449 462 856
Interest expense			
Interest expense to group companies	17	**(1 519 292 534)**	(1 485 125 683)
Interest expense on committed facilities		**(16 582)**	–
Interest expense on bonds		**(280 968 419)**	(315 504 088)
Net settlement on debt related interest rate swaps		**7 301 491**	35 268 408
Other interest expense		**(1 628 606)**	(1 292 369)
Total interest expense		**(1 794 604 650)**	(1 766 653 732)
Net finance income		**722 821 808**	682 809 124

4. PROFIT BEFORE TAX

Rand	Note	2016	2015
Profit before tax is stated after charging:			
Audit fees		**(872 757)**	(820 859)
Non-audit fees		**(87 550)**	(44 952)
Administration fees to Anglo Operations Proprietary Limited	17	**(8 873 708)**	(11 209 092)
Interest rate hedging			
Fair value movement on interest rate swaps		**60 241 933**	(81 298 844)
Fair value movement on hedged interest rate risk		**(81 033 657)**	104 761 399
Foreign exchange forward contracts			
Fair value through profit or loss		**(6 504)**	(33 942)

NOTES TO THE FINANCIAL STATEMENTS

5. INCOME TAX EXPENSE

See note 19b for the Company's accounting policy on tax.

Analysis of charge for the year

Rand	**2016**	2015
Current tax		
Payable in respect of the current year	–	–
	–	–
Deferred tax		
Current year charge	**168 916 382**	176 611 119
	168 916 382	176 611 119
Income tax expense	**168 916 382**	176 611 119

Effective tax rate

The effective tax rate for the year of 28.29% (2015: 30.33%) is higher than the applicable statutory rate of corporation tax in South Africa of 28% (2015: 28%).

Tax rate reconciliation

Percentage	**2016**	2015
Normal tax rate	**28.00**	28.00
Items non-taxable/deductible for tax purposes		
Provision for impairments	**0.29**	2.33
Effective tax rate	**28.29**	30.33

6. LOANS TO GROUP COMPANIES

See note 19c for the Company's accounting policy on financial instruments.

Rand	**2016**	2015
Long term		
Anglo American Inyosi Coal Proprietary Limited	**6 898 425 565**	6 252 328 026
De Beers Group Services Proprietary Limited	–	230 000 000
Rustenburg Platinum Mines Limited	**9 100 000 000**	9 100 000 000
	15 998 425 565	15 582 328 026
Short term		
Anglo Operations Proprietary Limited	–	3 767 241
Newshelf 480 Proprietary Limited	**3 735 040**	3 214 410
Rustenburg Platinum Mines Limited	**3 199 211 000**	1 843 827 000
Sishen Iron Ore Company Proprietary Limited	–	205 000 000
	3 202 946 040	2 055 808 651
	19 201 371 605	17 638 136 677

NOTES TO THE FINANCIAL STATEMENTS

6. LOANS TO GROUP COMPANIES continued

The loan to Anglo American Inyosi Coal Proprietary Limited is unsecured and bears interest at a market rate based on JIBAR. The interest is calculated monthly and payable on a six month basis. The loan has been provided under a project financing facility maturing in 2018.

The loan to De Beers Group Services Proprietary Limited is unsecured and bears interest at a market related interest rate. Interest is calculated monthly and payable according to the terms of the drawing. The loan has been provided under a committed facility maturing in 2018.

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 committed facility maturing in 2019. The short term loan is unsecured and bears interest at a market related interest rate. Interest is calculated monthly and payable according to the terms of the drawing. The loan has been provided under an uncommitted facility.

The loan to Sishen Iron Ore Company Proprietary Limited is unsecured and bears interest at a market related interest rate. Interest is calculated monthly and payable according to the terms of the drawing. The loan has been provided under an uncommitted facility.

The loans to other fellow subsidiary companies 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 have no fixed repayment terms but will become repayable should the external committed and uncommitted facilities become repayable, refer note 10.

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.

7. EXTERNAL LOAN RECEIVABLE

See note 19c for the Company's accounting policy on financial instruments.

Rand	2016	2015
Long term		
Pamodzi Coal Proprietary Limited	**53 044 455**	47 142 005
Provision for impairment on external loan receivable	**(53 044 455)**	(47 142 005)
	–	–

The loan to Pamodzi Coal Proprietary Limited has no fixed terms of repayment and is secured by shares indirectly held in Anglo American Inyosi Coal Proprietary Limited, a fellow subsidiary company. A provision for impairment was raised against the loan receivable based on the fair value of the security. The interest is calculated monthly based on variable market benchmark rates and is payable according to the specific terms of the loan.

Rand	2016	2015
Provision for impairment		
At 1 January	**47 142 005**	–
Charged to the income statement – external loan receivable	**5 902 450**	47 142 005
At 31 December	**53 044 455**	47 142 005

NOTES TO THE FINANCIAL STATEMENTS

8. DEFERRED TAX ASSETS

See note 19b for the Company's accounting policy on tax.

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

Rand	2016	2015
At 1 January	**374 784 454**	551 395 573
Charged to the income statement	**(168 916 382)**	(176 611 119)
At 31 December	**205 868 072**	374 784 454

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

Rand	2016	2015
Tax losses	**205 574 404**	380 573 717
Derivatives	**996 810**	(4 824 873)
Other temporary differences	**(703 142)**	(964 390)
	205 868 072	374 784 454

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

Rand	2016	2015
Tax losses	**(174 999 313)**	(170 378 962)
Derivatives	**5 821 683**	(6 569 515)
Other temporary differences	**261 248**	337 358
	(168 916 382)	(176 611 119)

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. The utilisation of the deferred tax asset is based on forecast assumptions made by management that the Company will be earning taxable profits in the foreseeable future.

9. DEPOSITS FROM GROUP COMPANIES

See note 19c for the Company's accounting policy on financial instruments.

Rand	2016	2015
Term deposits		
Kumba Iron Ore Limited	**–**	205 000 000
Newshelf 480 Proprietary Limited	**12 097 861**	11 198 657
Call deposits		
Anglo American South Africa Limited (holding company)	**11 973 055 574**	10 665 553 791
Anglo American EMEA Shared Services Proprietary Limited	**135 516 128**	84 797 054
Anglo American Inyosi Coal Proprietary Limited	**1 994 057 660**	618 613 067
Anglo American Properties Limited	**24 788 827**	23 667 436
Anglo Operations Proprietary Limited	**1 331 778 371**	–
De Beers Group Services Proprietary Limited	**1 535 258 000**	124 130 000
Holdac Limited	**80 125 843**	49 645 002
Lansan Investment Holdings Proprietary Limited	**6 168 849**	3 271 178
Newshelf 480 Proprietary Limited	**1 067 779**	997 060
Sishen Iron Ore Company Proprietary Limited	**7 430 000 000**	634 000 000
Spectrem Air Proprietary Limited	**16 789 136**	27 762 021
	24 540 704 028	12 448 635 266

At 31 December 2016, the rate of interest paid on these deposits ranged between 6.80% and 7.98% (2015: 6.00% and 7.74%) per annum. Call deposits are reflected as current liabilities and are available on demand.

NOTES TO THE FINANCIAL STATEMENTS

10. BORROWINGS

See note 19f 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:

				2016
Rand	**Short term borrowings**	**Medium and long term borrowings**	**Total borrowings**	**Contractual repayment at hedged rates**
Unsecured				
Bonds issued under DMTN programme				
R600 million JIBAR+1.38% bond due March 2017	**599 943 904**	–	**599 943 904**	**600 000 000**
R1 400 million 9.27% bond due March 2019	–	**1 396 484 122**	**1 396 484 122**	**1 400 000 000**
R650 million 9.49% bond due April 2021	–	**653 519 608**	**653 519 608**	**650 000 000**
R400 million JIBAR+1.47% bond due April 2021	–	**399 456 513**	**399 456 513**	**400 000 000**
Total borrowings	**599 943 904**	**2 449 460 243**	**3 049 404 147**	**3 050 000 000**

				2015
Rand	Short term borrowings	Medium and long term borrowings	Total borrowings	Contractual repayment at hedged rates
Unsecured				
Bonds issued under DMTN programme				
R200 million JIBAR+0.5% bond due March 2016	199 980 409	–	199 980 409	200 000 000
R600 million JIBAR+1.38% bond due March 2017	–	599 691 085	599 691 085	600 000 000
R1 400 million 9.27% bond due March 2019	–	1 350 661 385	1 350 661 385	1 400 000 000
R650 million 9.49% bond due April 2021	–	617 751 539	617 751 539	650 000 000
R400 million JIBAR+1.47% bond due April 2021	–	399 353 044	399 353 044	400 000 000
Total borrowings	199 980 409	2 967 457 053	3 167 437 462	3 250 000 000

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 R6.6 billion (2015: R6.6 billion) with interest payable at a weighted average rate of JIBAR plus 1.15% (2015: 0.93%) per annum for a relative interest period.
- Long term committed facilities of R10.8 billion (2015: R10.8 billion) with interest payable at a weighted average rate of JIBAR plus 1.61% (2015: 1.30%) per annum for a relative interest period.

Commitment fees

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

NOTES TO THE FINANCIAL STATEMENTS

10. BORROWINGS continued

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% (2015: 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 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% (2015: 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).

Liquidity risk

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:

2016

	Net debt related financial liabilities				
Rand	**Bonds**	**Expected future interest payments**	**Derivatives hedging net debt**	**Other financial liabilities**	**Total**
Amount due for repayment within one year	**(600 000 000)**	**(317 931 730)**	**(1 146 047)**	**(24 562 508 673)**	**(25 481 586 450)**
Greater than one year, less than two years	–	**(226 777 000)**	**3 504 184**	–	**(223 272 816)**
Greater than two years, less than three years	**(1 400 000 000)**	**(161 887 000)**	**507 887**	–	**(1 561 379 113)**
Greater than three years, less than four years	–	**(96 997 000)**	**(2 381 750)**	–	**(99 378 750)**
Greater than four years, less than five years	**(1 050 000 000)**	**(48 450 127)**	**(1 771 729)**	–	**(1 100 221 856)**
Greater than five years	–	–	–	–	–
Total due for repayment after more than one year	**(2 450 000 000)**	**(534 111 127)**	**(141 408)**	–	**(2 984 252 535)**
Total	**(3 050 000 000)**	**(852 042 857)**	**(1 287 455)**	**(24 562 508 673)**	**(28 465 838 985)**

2015

	Net debt related financial liabilities				
Rand	Bonds	Expected future interest payments	Derivatives hedging net debt	Other financial liabilities	Total
Amount due for repayment within one year	(200 000 000)	(293 424 974)	6 152 355	(12 464 700 250)	(12 951 972 869)
Greater than one year, less than two years	(600 000 000)	(234 572 500)	(21 759 509)	–	(856 332 009)
Greater than two years, less than three years	–	(222 577 000)	(38 218 418)	–	(260 795 418)
Greater than three years, less than four years	(1 400 000 000)	(157 687 000)	(25 424 873)	–	(1 583 111 873)
Greater than four years, less than five years	–	(92 797 000)	(15 178 225)	–	(107 975 225)
Greater than five years	(1 050 000 000)	(46 398 500)	(7 753 236)	–	(1 104 151 736)
Total due for repayment after more than one year	(3 050 000 000)	(754 032 000)	(108 334 261)	–	(3 912 366 261)
Total	(3 250 000 000)	(1 047 456 974)	(102 181 906)	(12 464 700 250)	(16 864 339 130)

NOTES TO THE FINANCIAL STATEMENTS

10. BORROWINGS continued

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

Rand	2016	2015
Expiry		
Within one year	**6 100 000 000**	6 100 000 000
Greater than one year, less than two years	**3 900 000 000**	500 000 000
Greater than two years, less than three years	**7 400 000 000**	10 800 000 000
	17 400 000 000	17 400 000 000

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and, 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 18.

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

			2016
Rand	**Financial assets/(liabilities)**	**Impact of interest derivatives**	**Total**
Cash and cash equivalents	**10 917 035 434**	–	**10 917 035 434**
Floating rate financial assets[1]	**19 468 364 824**	–	**19 468 364 824**
Floating rate borrowings[2]	**(25 617 903 239)**	**(2 050 003 730)**	**(27 667 906 969)**
Fixed rate borrowings	**(2 050 003 730)**	**2 050 003 730**	–
Non-interest bearing financial instruments[3]	**9 746 338**	–	**9 746 338**
Derivatives hedging net debt[4]	**(498 052)**	–	**(498 052)**
Impact of currency derivatives	–	–	–
Net financial assets	**2 726 741 575**	–	**2 726 741 575**

			2015
Rand	Financial assets/(liabilities)	Impact of interest derivatives	Total
Cash and cash equivalents	4 240 487	–	4 240 487
Floating rate financial assets[1]	17 871 706 425	–	17 871 706 425
Floating rate borrowings[2]	(13 664 367 995)	(1 968 412 924)	(15 632 780 919)
Fixed rate borrowings	(1 968 412 924)	1 968 412 924	–
Non-interest bearing financial instruments[3]	(58 030 881)	–	(58 030 881)
Derivatives hedging net debt[4]	(55 515 596)	–	(55 515 596)
Impact of currency derivatives	–	–	–
Net financial assets	2 129 619 516	–	2 129 619 516

(1) Floating rate financial assets comprise loans to group companies of R19 201 371 605 (2015: R17 638 136 677) and amounts due by group companies of R266 993 219 (2015: R233 569 748).
(2) Floating rate borrowings comprise bonds of R999 400 417 (2015: R1 199 024 538), deposits from group companies of R24 540 704 028 (2015: R12 448 635 266) and amounts due to group companies of R77 798 794 (2015: R16 708 191).
(3) Non-interest bearing financial instruments comprise trade and other receivables of R89 767 549 (2015: R15 309 803) and trade and other payables of R80 021 211 (2015: R73 340 684).
(4) 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 reduce the valuation of derivative liabilities hedging net debt by R266 589 (2015: R22 571 187).

Total net financial assets are denominated in South African rands.

NOTES TO THE FINANCIAL STATEMENTS

11. FINANCIAL INSTRUMENTS

See notes 19c, 19d and 19e 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.

					2016
Rand	At fair value through profit and loss	Loans and receivables	Designated into hedges	Financial liabilities at amortised cost	Total
Financial assets					
Loans to group companies	–	19 201 371 605	–	–	19 201 371 605
Amounts due by group companies	–	266 993 219	–	–	266 993 219
Trade and other receivables	–	89 767 549	–	–	89 767 549
Derivative financial assets	4 677 054	–	1 812 857	–	6 489 911
Cash and cash equivalents	–	10 917 035 434	–	–	10 917 035 434
	4 677 054	30 475 167 807	1 812 857	–	30 481 657 718
Financial liabilities					
Deposits from group companies	–	–	–	(24 540 704 028)	(24 540 704 028)
Amounts due to group companies	–	–	–	(77 798 794)	(77 798 794)
Trade and other payables	–	–	–	(80 021 211)	(80 021 211)
Derivative financial liabilities	(4 677 054)	–	(2 310 909)	–	(6 987 963)
Borrowings[1]	–	–	(2 050 003 730)	(999 400 417)	(3 049 404 147)
	(4 677 054)	–	(2 052 314 639)	(25 697 924 450)	(27 754 916 143)
Net financial assets	–	30 475 167 807	(2 050 501 782)	(25 697 924 450)	2 726 741 575

[1] The estimated fair value of borrowings designated into fair value hedges was R1 978 122 635 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.

NOTES TO THE FINANCIAL STATEMENTS

11. FINANCIAL INSTRUMENTS continued

2015

Rand	At fair value through profit and loss	Loans and receivables	Designated into hedges	Financial liabilities at amortised cost	Total
Financial assets					
Loans to group companies	–	17 638 136 677	–	–	17 638 136 677
Amounts due by group companies	–	233 569 748	–	–	233 569 748
Trade and other receivables	–	15 309 803	–	–	15 309 803
Derivative financial assets	2 202 779	–	–	–	2 202 779
Cash and cash equivalents	–	4 240 487	–	–	4 240 487
	2 202 779	17 891 256 715	–	–	17 893 459 494
Financial liabilities					
Deposits from group companies	–	–	–	(12 448 635 266)	(12 448 635 266)
Amounts due to group companies	–	–	–	(16 708 191)	(16 708 191)
Trade and other payables	–	–	–	(73 340 684)	(73 340 684)
Derivative financial liabilities	(2 202 779)	–	(55 515 596)	–	(57 718 375)
Borrowings[1]	–	–	(1 968 412 924)	(1 199 024 538)	(3 167 437 462)
	(2 202 779)	–	(2 023 928 520)	(13 737 708 679)	(15 763 839 978)
Net financial assets	–	17 891 256 715	(2 023 928 520)	(13 737 708 679)	2 129 619 516

[1] The estimated fair value of borrowings designated into fair value hedges was R2 029 792 800 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.

Fair value hierarchy

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

Rand	2016[1]	2015[1]
Financial assets		
At fair value through profit and loss		
Other derivatives	**4 677 054**	2 202 779
Designated into hedges		
Derivatives hedging debt	**1 812 857**	–
	6 489 911	2 202 779
Financial liabilities		
At fair value through profit and loss		
Other derivatives	**(4 677 054)**	(2 202 779)
Designated into hedges		
Derivatives hedging debt	**(2 310 909)**	(55 515 596)
	(6 987 963)	(57 718 375)
Net assets carried at fair value	**(498 052)**	(55 515 596)

[1] 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 1: Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes 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

12. DERIVATIVES

See note 19e 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 'held for trading' 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 and loss

The Company may choose not to designate certain derivatives as hedges. This may occur where the Company is economically hedged but IAS 39 hedge accounting cannot be achieved or 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	**2016**		2015	
	Current	**Non-current**	Current	Non-current
Financial assets				
At fair value through profit and loss				
Other derivatives[1]	**4 677 054**	**–**	2 202 779	–
Designated into hedges				
Derivatives hedging debt[2]	**–**	**1 812 857**	–	–
	4 677 054	**1 812 857**	2 202 779	–
Financial liabilities				
At fair value through profit and loss				
Other derivatives[1]	**(4 677 054)**	**–**	(2 202 779)	–
Designated into hedges				
Derivatives hedging debt[2]	**–**	**(2 310 909)**	–	(55 515 596)
	(4 677 054)	**(2 310 909)**	(2 202 779)	(55 515 596)
Net assets carried at fair value	**–**	**(498 052)**	–	(55 515 596)

[1] Other derivatives primarily relate to forward foreign currency contracts (2015: 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.
[2] 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 10 and 18.

NOTES TO THE FINANCIAL STATEMENTS

13. SHARE CAPITAL AND SHARE PREMIUM

		2016		2015
	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.

14. COMMITMENTS FOR EXPENDITURE

As at 31 December 2016 the Company had no commitments for expenditure.

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company had no contingent liabilities or contingent assets at 31 December 2016.

16. EVENTS OCCURRING AFTER END OF YEAR

There have been no reportable events since 31 December 2016 up to the date of the Annual Financial Statements.

17. RELATED PARTY TRANSACTIONS

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, enter 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 9. Interest received from group companies and interest paid to group companies are disclosed in note 3. Administration fees paid to a group company were R8 873 708 (2015: R11 209 092).

Remuneration and benefits of other key management personnel including Directors are disclosed in note 21.

A guarantee fee, amounting to R9 319 726 (2015: R10 818 493), was due to Anglo American plc in respect of the year under review. As at 31 December 2016 an amount of R2 306 301 (2015: R2 457 534) was outstanding and is included in 'Trade and other payables' on the balance sheet.

A commitment fee, amounting to R25 807 386 (2015: R25 730 762), was earned from De Beers Group Services Proprietary Limited in respect of the year under review. As at 31 December 2016 an amount of R14 803 884 (2015: R14 770 552) was outstanding and is included in 'Trade and other receivables' on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS continued

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

				2016
Rand	**Interest income**	**Interest expense**	**Amounts due by group companies**	**Amounts due to group companies**
Anglo American South Africa Limited (holding company)	–	**645 317 964**	–	–
Anglo American EMEA Shared Services Proprietary Limited	–	**8 387 447**	–	–
Anglo American Inyosi Coal Proprietary Limited	**675 597 724**	**82 143 382**	**176 187 679**	**10 482 217**
Anglo American Properties Limited	–	**1 621 391**	–	–
Anglo Operations Proprietary Limited	**543 184 889**	**417 987 182**	–	–
De Beers Group Services Proprietary Limited	**200 195**	**95 049 187**	–	**10 760 154**
Holdac Limited	–	**3 878 293**	–	–
Kumba Iron Ore Limited	–	**5 737 019**	–	–
Lansan Investment Holdings Proprietary Limited	–	**347 658**	–	–
Newshelf 480 Proprietary Limited	**313 204**	**971 643**	–	**59 321**
Rustenburg Platinum Mines Limited	**1 110 651 760**	–	**90 805 540**	–
Sishen Iron Ore Company Proprietary Limited	**6 987 840**	**256 083 341**	–	**56 389 555**
Spectrem Air Proprietary Limited	–	**1 768 027**	–	**107 547**
	2 336 935 612	**1 519 292 534**	**266 993 219**	**77 798 794**

				2015
Rand	Interest income	Interest expense	Amounts due by group companies	Amounts due to group companies
Anglo American South Africa Limited (holding company)	–	943 453 621	–	–
Anglo American EMEA Shared Services Proprietary Limited	–	6 239 927	–	–
Anglo American Inyosi Coal Proprietary Limited	554 821 282	36 058 874	146 687 495	3 783 427
Anglo American Properties Limited	–	1 317 797	–	–
Anglo Operations Proprietary Limited	505 549 531	328 872 342	–	–
De Beers Group Services Proprietary Limited	248 208	43 575 847	248 208	2 185 130
Holdac Limited	–	1 551 931	–	–
Kumba Iron Ore Limited	–	1 128 230	–	1 128 230
Lansan Investment Holdings Proprietary Limited	–	1 464 976	–	–
Newshelf 480 Proprietary Limited	240 369	728 570	–	57 600
Rustenburg Platinum Mines Limited	1 138 432 392	–	85 349 116	–
Sishen Iron Ore Company Proprietary Limited	66 542 435	119 209 327	1 284 929	9 401 447
Spectrem Air Proprietary Limited	–	1 524 241	–	152 357
	2 265 834 217	1 485 125 683	233 569 748	16 708 191

NOTES TO THE FINANCIAL STATEMENTS

18. 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 10 for liquidity risk.

Market risks

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.

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.

b) Commodity price risk

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

c) Foreign exchange risk

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 as well as to hedge future transactions and cash flows when appropriate.

Analysis of foreign exchange risk associated with net financial assets and the impact of derivatives to hedge against this risk is included within note 10. The impact of derivatives to hedge against foreign exchange risk in 2016 is nil (2015: 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 10.

NOTES TO THE FINANCIAL STATEMENTS

18. FINANCIAL RISK MANAGEMENT continued

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.
- 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 R12 638 515 (2015: R9 718 709) 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
- 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

19. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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.

19a. Net finance 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.

19b. 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint arrangements and associates except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis in that taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

19. ACCOUNTING POLICIES continued

19c. 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, loans and receivables, financial liabilities at fair value through profit or loss and other financial liabilities at amortised costs. The classification depends on the purpose for which the financial assets were acquired / financial liabilities were assumed. Management determines the classification at initial recognition.

19d. Impairment of financial assets (including receivables)

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. 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.

19e. Derivative financial instruments and hedge accounting

In order to hedge its exposure to foreign exchange, interest rate and commodity price risk, the Company enters into forward, option and swap contracts. 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' except if they are linked to settlement and delivery of an unquoted equity instrument and the fair value cannot be measured reliably, in which case they are carried at cost. A derivative cannot be measured reliably where the range of reasonable fair value estimates is significant and the probabilities of various estimates cannot be reasonably assessed.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows (cash flow hedges) are recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects profit or loss.

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.

The gain or loss on hedging instruments relating to the effective portion of a net investment hedge is recognised in equity (within the cumulative translation adjustment reserve). The ineffective portion is recognised immediately in the income statement. Gains or losses accumulated in the cumulative translation adjustment reserve are recycled to the income statement on disposal of the foreign operations to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

19. ACCOUNTING POLICIES continued

19e. 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. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is recycled to the income statement for the period.

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.

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

19f. 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.

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.

Bank borrowings

Interest bearing bank 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.

19g. 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.

19h. 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.

20. 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.