



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 2012

A member of the Anglo American plc group

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Company information

Directors

S. Mayet (Chairman)

G.G. Gomwe

N.J. Mason-Gordon

N.B. Mbazima

Resigned 31 August 2012

C. Goosen

J.G. Williams

K. Kweyama

Appointed 1 September 2012

Company Secretary

Anglo Operations Proprietary Limited

K. Lester

Administrative and technical advisers and secretaries

Anglo Operations Proprietary Limited

Physical Address:

44 Main Street

Johannesburg

2001

Postal Address:

P.O. Box 61587

Marshalltown

2107

Registered office

44 Main Street

Johannesburg

2001

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 Companies Act of 2008.

Preparation of Annual Financial Statements

The Annual Financial Statements were prepared under the supervision of Johan Hechter CA (SA).

Compliance statement by the company secretary

The Company Secretary, Anglo Operations Proprietary Limited, certifies that, according to its records, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 2008, and that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2012.

Anglo Operations Proprietary Limited
Secretaries

A handwritten signature in black ink, appearing to be 'K. Lester', written over a light blue horizontal line.

per K. Lester
Company Secretary

JOHANNESBURG

10 April 2013

Directors' responsibility and approval of annual financial statements

For the year ended 31 December 2012

Directors' responsibility

The Directors are responsible for the preparation and fair presentation of the annual financial statements for Anglo American SA Finance Limited, comprising the balance sheet at 31 December 2012, the income statement, the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year then ended, the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 71 of 2008.

The Directors' responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements, so as to be free from material misstatement, whether owing to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are responsible under the circumstances.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the Company's ability to continue as a going concern and there is no reason to believe that the business will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the company annual financial statements

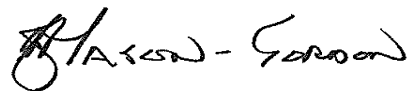
The annual financial statements, as identified in the first paragraph, were approved by the Board of Directors on 10 April 2013 and are signed on its behalf by:

per



S. Mayet

Chairman



N.J. Mason-Gordon

Director

JOHANNESBURG

10 April 2013

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ANGLO AMERICAN SA FINANCE LIMITED

We have audited the annual financial statements of Anglo American SA Finance Limited set out on pages 7 to 32, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Anglo American SA Finance Limited as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2012, we have read the Directors' Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

DELOITTE & TOUCHE

Deloitte & Touche
Registered Auditors
Per: Paul Stedall
Partner
10 April 2013

National Executive: LL Bam Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit
DL Kennedy Risk Advisory NB Kader Tax TP Pillay Consulting K Black Clients & Industries
JK Mazzocco Talent & Transformation CR Beukman Finance M Jordan Strategy S Gwala Special Projects
TJ Brown Chairman of the Board MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

Directors' report

For the year ended 31 December 2012

The Directors have pleasure in submitting the annual financial statements of the Company for the year ended 31 December 2012.

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.

Capital

There was no change during the year ended 31 December 2012 in the authorised share capital of the Company.

There was an increase during the year in the issued share capital of the company of 10,000 shares of R1 each at a premium of R2 699 990 000. Details of the Company's authorised and issued share capital at 31 December 2012 are contained in the notes to the financial statements.

The authorised and issued capital remains unchanged at the date of this report.

Financial results

The attached annual financial statements reflect the Company's financial position in South African Rand as at 31 December 2012 and the results of its operations for the year then ended.

Advisory services

Anglo Operations Proprietary Limited ("AOL") provides administrative and technical advisory services and acts as local secretaries to the Company. All of the Directors of the Company are officials of AOL.

Audit Committee Report

The audit committee is an independent statutory committee appointed by the shareholder. In addition, further duties are delegated to the audit committee by the board of directors.

No audit committee report is presented as all such functions are performed at Group level.

Directorate

The names of the present Directors and the name and business and postal addresses of the secretaries of the Company appear on page 2.

Going concern

The 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.

Balance Sheet

at 31 December 2012

Rand	Note	2012	2011
Deferred tax asset	2	827 082 153	49 192 780
External loans	3	34 478 736	1 501 946 953
Loans to group companies	4	15 053 317 786	9 302 354 675
Other financial assets (derivatives)	16	174 374 008	187 141 279
Total non-current assets		16 089 252 683	11 040 635 687
Trade and other receivables	16	26 489 744	71 711 699
External Loans	3	866 875 885	-
Loans to group companies	4	7 181 954 694	5 009 697 222
Amounts due by group companies	14, 16	197 181 329	238 012 181
Other current financial assets (derivatives)	16	131 970 424	107 113 685
Cash and cash equivalents	16	6 182 722 068	21 129 355 112
Current tax asset		1 847 317	-
Total current assets		14 589 041 461	26 555 889 899
Total assets		30 678 294 144	37 596 525 586
Short term external borrowings	5	2 976 693 760	170 000 000
Current tax liability		-	14 083 149
Trade and other payables	17	148 310 302	64 340 670
Deposits from group companies	6, 14	21 156 443 585	30 601 096 112
Amounts due to group companies	14	3 840 543	24 081 376
Other current financial liabilities (derivatives)	17	40 880 779	107 113 685
Total current liabilities		24 326 168 969	30 980 714 992
Long term external borrowings	5	4 959 807 225	5 922 786 142
Total non-current liabilities		4 959 807 225	5 922 786 142
Total liabilities		29 285 976 194	36 903 501 134
Net assets		1 392 317 950	693 024 452
Equity			
Share capital and share premium	7	2 910 000 000	210 000 000
Accumulated (loss)/profit		(1 517 682 050)	483 024 452
Equity attributable to equity shareholder of the Company		1 392 317 950	693 024 452

Income Statement

for the year ended 31 December 2012

Rand	Note	2012	2011
Interest income	8	2 884 526 807	2 979 259 243
Commitment fee income		2 344 903	14 142 478
Interest expense	9	(2 158 697 770)	(2 341 047 343)
Commitment and guarantee fees expense		(71 938 318)	(65 797 795)
Net interest income		656 235 622	586 556 583
Currency loss		(3 568)	(545 138)
Fair value hedge adjustment		7 460 802	4 006 278
Corporate activity costs		(13 666 091)	(13 258 712)
Loss on assignment of loan		(3 428 203 092)	-
(Loss)/profit before taxation	10	(2 778 176 327)	576 759 011
Income tax expense	11	777 469 825	(161 420 334)
(Loss)/profit for the year		(2 000 706 502)	415 338 677

Statement of comprehensive income

for the year ended 31 December 2012

Rand	2012	2011
(Loss)/profit for the year	(2 000 706 502)	415 338 677
Total comprehensive (loss)/income for the year	(2 000 706 502)	415 338 677

Statement of changes in equity

for the year ended 31 December 2012

Rand	Share capital	Share premium	Accumulated profit/(loss)	Total
Balance at 1 January 2011	10 100	209 989 900	467 686 175	677 686 175
Total comprehensive income for the year	-	-	415 338 677	415 338 677
Dividends declared			(400 000 400)	(400 000 400)
Balance at 31 December 2011	10 100	209 989 900	483 024 452	693 024 452
Issued share capital	10 000	2 699 990 000	-	2 700 000 000
Total comprehensive (loss) for the year	-	-	(2 000 706 502)	(2 000 706 502)
Balance at 31 December 2012	20 100	2 909 979 900	(1 517 682 050)	1 392 317 950

Cash flow statement

for the year ended to 31 December 2012

Rand	Note	2012	2011
Cash flows from operating activities			
Cash inflow/(outflow) from operations	12	45 932 080	(93 118 757)
Income tax paid	13	(16 350 015)	(148 859 534)
Net cash inflows/(used in) operating activities		29 582 065	(241 978 291)
Cash flows from investing activities			
Interest received		2 925 357 660	2 974 023 863
Decrease in external loans		600 592 334	74 005 261
(Increase)/decrease in loans to group companies		(11 351 427 243)	364 044 322
Net cash (outflow)/inflow from investing activities		(7 825 477 249)	3 412 073 446
Cash flows from financing activities			
Issue of share capital		2 700 000 000	-
Interest paid		(2 221 451 740)	(2 364 853 754)
Dividends paid to shareholders		-	(400 000 400)
Decrease in long term borrowings		(962 978 917)	(182 682 410)
Increase in short term borrowings		2 849 206 895	170 000 000
(Decrease)/increase in deposits from group companies		(9 444 652 527)	5 984 519 248
(Increase)/decrease in net financial assets (derivatives)		(70 861 571)	11 273 937
Net cash (outflow)/inflow from financing activities		(7 150 737 860)	3 218 256 621
Net (decrease)/increase in cash and cash equivalents		(14 946 633 044)	6 388 351 776
Cash and cash equivalents at start of year		21 129 355 112	14 741 003 336
Cash and cash equivalents at end of year		6 182 722 068	21 129 355 112

Notes to the financial statements

31 December 2012

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa. The principal accounting policies adopted in the preparation of these financial statements are consistent in all material respects with those applied in the previous year, except for the adoption of all revised standards and interpretations issued effective from 1 January 2012, as noted in the accounting policies below.

The financial statements have been prepared under the historical cost convention as modified by the recording of certain financial instruments at fair value. Set out below are significant features of the Company's accounting policies.

Significant judgements

In preparing the financial statements, management is required to exercise its judgement in the process of applying the company's accounting policies, make estimates, judgements and assumptions that affect reported income, expenses, assets and liabilities.

Judgements made relate to classifying financial assets and liabilities into their relevant categories and in the determination of their fair value for measurement and disclosure purposes.

Changes in accounting estimates are recognised in profit or loss during the period in which the change is made.

Significant areas of management uncertainty include impairment of assets.

Changes in accounting policies and disclosures

A number of amendments to accounting standards and new interpretations issued by the International Accounting Standards Board (IASB) were applicable from 1 January 2012. They have not had a material impact on the accounting policies, methods of computation or presentation applied by the Company.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount can be estimated reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Notes to the financial statements continued

31 December 2012

1. Accounting policies continued*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and 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.

Trade and other receivables

Trade and other receivables do not incur any interest, are short term in nature and are measured at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. The Company does not expect the effect of discounting to be material.

Trade and other payables

Trade and other payables are not interest bearing. They are initially recognized at fair value and subsequently stated at their nominal value as the Company does not expect the effect of discounting to be material. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value net of transaction costs incurred. Borrowings are subsequently carried at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments and hedge accounting

The Company enters into derivative contracts with group companies on a principal basis to allow them to manage their exposure to fluctuations in exchange rates and interest rates. The Company manages the exposures that arise from these transactions by entering into derivative contracts with external counterparties. The Company does not acquire, hold or issue derivative instruments for speculative trading purposes.

All derivatives are held at fair value in the balance sheet within other financial assets (derivatives) or other financial liabilities (derivatives) and, when designated as hedges, are classified as current or non-current depending on the maturity of the derivative.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flow 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 forecasted transaction results in the recognition of a non-financial asset or a 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 a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net 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 with the corresponding entry in profit or loss.

The gain or loss on hedging instruments relating to the effective portion of a net investment hedge is recognised in equity. The ineffective portion is recognised immediately in the income statement.

Notes to the financial statements continued

31 December 2012

1. Accounting policies continued*Derivative financial instruments and hedge accounting continued*

Changes in the fair value of any derivative instrument that are not hedge accounted are recognised immediately in the income statement and are classified within other gains and losses or net finance costs or income depending on the type of risk the derivative relates to.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity 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 included in the income statement for the period.

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 are not carried at fair value with unrealised gains or losses reported in the income statement.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment if any. The criteria that the Company uses to determine that there is an objective evidence of an impairment loss includes:

- Significant financial difficulty of the issuer or obligor;
- A breach on contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization.

If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment is recognised immediately as an expense.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset in prior years. Reversal of an impairment is recognised immediately as income.

Derecognition

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

On derecognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is included in income. On derecognition of a financial liability the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid for is included in income.

Notes to the financial statements continued

31 December 2012

1. Accounting policies continued*Taxation*

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

The tax currently 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 balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. The recognition of deferred tax assets is based upon whether it is probable that taxable profits will be available in the future, against which the deductible temporary differences can be utilised. Recognition, therefore, involves judgment regarding the future financial performance of the company. The carrying amount of deferred tax assets is reviewed at each balance sheet 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. Deferred tax is charged or credited in 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.

Foreign currency translation

The Company's functional and presentation currency is South African Rand. Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Revised standards and interpretations adopted during the year

The following new or amended IFRS accounting standards and interpretations not yet adopted are expected to have a significant impact on the Company.

IFRS 9 *Financial Instruments – Classification and Measurement* reflects the first phase of the IASB's three stage project to replace IAS39. The first phase deals with the classification and measurement of financial assets and financial liabilities. The standard applies to annual periods beginning on or after 1 January 2015.

The following new or amended IFRS accounting standards and interpretations not yet adopted are not expected to have a significant impact on the company:

IFRS 13 *Fair value measurement* provides a single framework for all fair value measurements and applies to annual periods beginning on or after 1 January 2013.

The amendment to IAS 1 *Presentation of financial statements* issued in June 2011 requires items to be grouped in other comprehensive income based on whether those items are subsequently reclassified to profit or loss. The amendment is to be applied for annual periods beginning on or after 1 July 2012.

The amendment to IFRS 7 *Financial Instruments: Disclosures* concerns the disclosure requirements in relation to transferred financial assets. The amendment is effective for annual periods beginning on or after 1 January 2015.

Notes to the financial statements continued

31 December 2012

2. Deferred tax asset

Rand	2012	2011
At 1 January	49 192 780	55 012 890
Charged to income statement	777 889 373	(5 820 110)
At 31 December	827 082 153	49 192 780

Deferred taxation comprises the following:

Rand	2012	2011
Fair value adjustments	11 838 392	23 742 069
Derivatives	12 367 350	26 207 226
Other temporary differences	(1 496 843)	(756 515)
Unutilised estimated tax losses	804 373 254	-
	827 082 153	49 192 780

3. External loans

Rand	2012	2011
Long term		
Main Street 333 Proprietary Limited	-	897 899 057
Exxaro Resources Limited	-	572 992 140
Pamodzi Coal Proprietary Limited	34 478 736	31 055 756
	34 478 736	1 501 946 953
Short term		
Main Street 333 Proprietary Limited	866 875 885	-
	866 875 885	-
	901 354 621	1 501 946 953

The loans are unsecured and bear interest based on variable market benchmark rates. The interest is calculated monthly and is payable according to the specific terms of the loans. The loan to Main Street 333 Proprietary Limited is repayable by the end of November 2013. The loan to Pamodzi Coal Proprietary Limited has no fixed terms of repayment and is secured by shares in Anglo American Inyosi Coal Proprietary Limited.

Notes to the financial statements continued

31 December 2012

4. Loans to group companies

Rand	2012	2011
Long term		
Fellow subsidiary companies		
Anglo Platinum Management Services Proprietary Limited	6 100 000 000	-
Scaw South Africa Proprietary Limited	-	3 634 592 840
Sishen Iron Ore Company Proprietary Limited	3 200 000 000	-
Anglo American Inyosi Coal Proprietary Limited	5 753 317 786	5 667 761 835
	15 053 317 786	9 302 354 675
Short term		
Fellow subsidiary companies		
Anglo Platinum Management Services Proprietary Limited	4 500 000 000	4 996 524 000
Sishen Iron Ore Company Proprietary Limited	2 669 000 000	-
Other companies	12 954 694	13 173 222
	7 181 954 694	5 009 697 222
	22 235 272 480	14 312 051 897

The long term loan to Anglo Platinum Management Services 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 facility maturing in 2015. The short term loan is unsecured and bears interest at a market related interest rate. The loan has been provided under an uncommitted facility.

The loan to Scaw South Africa Proprietary Limited was unsecured and bore interest at a variable rate based on JIBAR. Interest was calculated monthly and payable on a six monthly basis. The loan was assigned to an independent third party and a loss was realised on the assignment of the loan.

The long term loan to Sishen Iron Ore Company 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 facility maturing in 2015. The short term loan is unsecured and bears interest at a market related interest rate. The loan has been provided under an uncommitted facility.

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 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 committed and uncommitted facilities become repayable (refer note 5).

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 continued

31 December 2012

5. External borrowings

Rand	2012	2011
Long term		
Floating rate notes with a weighted average maturity of 4.0 years (2011: 4.2 years). Interest is payable at a weighted average rate of 3 month JIBAR plus 1.16% (2011: 0.50%).	798 771 454	199 651 423
Fixed rate bonds with a weighted average maturity of 4.6 years (2011: 3.4 years). Interest is payable semi annually at a weighted average of 9.48% (2011: 9.77%).	2 561 035 771	1 056 283 874
Term loan maturing in 2013 at an interest rate of 9.44% per annum.	-	3 066 850 845
Bank loans drawn under long term committed facilities of R8.7 billion (2011: R8.7 billion) with interest payable at a weighted average rate of JIBAR plus 1.41% (2011: 1.44%) per annum for the relative interest period.	1 600 000 000	1 600 000 000
	4 959 807 225	5 922 786 142
Short term		
Term loan maturing in 2013 at an interest rate of 9.44% per annum.	2 976 693 760	-
Bank loans drawn under short term committed facilities of R9.8 billion (2011: R10.0 billion) with interest payable at a weighted average rate of JIBAR plus 0.70% (2011: 0.79%) per annum for the relative interest period.	-	170 000 000
	2 976 693 760	170 000 000
	7 936 500 985	6 092 786 142

Committed and uncommitted facilities

The maturity and interest rate profiles for the drawings under facilities at 31 December are as follows:

Long term committed facilities

Weighted average maturity	1.2 years	2.2 years
Weighted average interest rate per annum	7.98%	8.43%

Short term committed facilities

Weighted average maturity	-	0.2 years
Weighted average interest rate per annum	-	8.08%

Notes to the financial statements continued

31 December 2012

5. External borrowings continued*Facilities*

The above 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.

Commitment fees

Commitment fees are payable to financial institutions based on the undrawn amount on committed facilities. The commitment fees are due and payable annually in November of each year.

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 Domestic Medium Term Note 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% 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).

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/loan agreements with various external parties.

In consideration for this guarantee, AASA charges the Company a guarantee fee which amounts to 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).

The guarantee fees are due and payable to AASA and AA plc quarterly.

6. Deposits from group companies

Rand	2012	2011
Holding company		
Anglo American South Africa Limited	20 368 699 929	24 754 898 993
Fellow subsidiary companies		
Term deposits		
Newshelf 480 Proprietary Limited	10 264 734	9 683 089
Sishen Iron Ore Company Proprietary Limited	-	2 000 000 000
Call deposits		
Anglo American Properties Limited	23 274 745	35 498 204
Anglo Operations Proprietary Limited	71 875 081	1 367 321 643
Anglo American Inyosi Coal Proprietary Limited	505 562 786	386 759 839
Anglo American EMEA Shared Services Proprietary Limited	56 413 483	23 600 399

Notes to the financial statements continued

31 December 2012

6. Deposits from group companies continued

Sishen Iron Ore Company Proprietary Limited	-	1 885 389 999
Holdac Limited	98 158 736	105 161 772
Lansan Investment Holdings Limited	3 054 445	14 857 201
Spectrem Air Limited	19 139 646	17 924 973
	787 743 656	5 846 197 119
	21 156 443 585	30 601 096 112

At 31 December 2012, the rate of interest paid on these deposits ranged between 4.80% and 5.33% (2011: 5.15% and 6.20%) per annum.

7. Share capital and share premium

	Number of shares 2012	Rand 2012	Number of shares 2011	Rand 2011
Authorised:				
Shares of R1 each	50 000	50 000	50 000	50 000
Issued:				
Shares of R1 each	20 100	20 100	10 100	10 100
Share premium	-	2 909 979 900	-	209 989 900
	20 100	2 910 000 000	10 100	210 000 000

8. Interest income

Rand	2012	2011
Fellow subsidiary companies	1 963 745 513	1 608 047 182
Interest and other income	920 781 294	1 371 212 061
	2 884 526 807	2 979 259 243

Notes to the financial statements continued

31 December 2012

9. Interest expense

Rand	2012	2011
Committed facilities	136 578 150	148 486 765
Bonds	242 702 514	109 762 919
Term loan	276 701 092	279 940 501
Net settlement on debt related interest rate swaps	(130 517 795)	(101 931 838)
	525 463 961	436 258 347
Holding company	1 161 416 451	1 278 685 288
Fellow subsidiary companies	471 817 358	626 103 708
	1 633 233 809	1 904 788 996
	2 158 697 770	2 341 047 343

10. (Loss)/profit before taxation

The following items have been included in arriving at (loss)/profit before taxation:

Rand	2012	2011
Auditor's remuneration		
- Audit fees current year	590 382	616 911
- Other services	111 264	147 060
Fees for services		
- Administration fees to Anglo Operations Proprietary Limited	10 189 433	9 218 445
Fair value movement on interest rate hedging		
- Fair value on interest rate swaps	(66 332 803)	9 324 046
- Fair value on hedged interest rate risk	58 872 001	(13 330 324)
Foreign exchange forward contracts		
- Fair value through profit or loss	3 568	545 138

Notes to the financial statements continued

31 December 2012

11. Income tax expense

Rand	2012	2011
South African normal taxation		
Current taxation		
- Current Year	-	(155 600 224)
- Prior Year Adjustment	(419 548)	-
Deferred taxation (note 2)	777 889 373	(5 820 110)
Total income tax charge	777 469 825	(161 420 334)

Tax rate reconciliation

Percentage	2012	2011
South African tax at normal rate	28.00	28.00
Prior year tax adjustment	-	-
Effective tax rate	28.00	28.00

12. Reconciliation of (loss)/profit before taxation to cash inflows/(outflows) from operations

Rand	2012	2011
(Loss)/profit before taxation	(2 778 176 327)	576 759 011
Interest income	(2 884 526 807)	(2 979 259 243)
Interest expense	2 201 210 904	2 381 168 574
Currency loss	3 568	545 138
Amortisation of fair value adjustment	(42 513 133)	(40 121 240)
Fair value hedge adjustment	(7 460 802)	(4 006 278)
Loss on assignment of loan	3 428 203 092	-
Decrease/(increase) in operating receivables	45 221 955	(30 530 894)
Increase in operating payables	83 969 632	2 326 175
Cash inflow/(outflow) from operations	45 932 080	(93 118 757)

13. Income tax paid

Rand	2012	2011
Balance at start of year	(14 083 149)	(7 342 459)
Income tax – current taxation charge (note 11)	(419 548)	(155 600 224)
Balance at end of year	(1 847 318)	14 083 149
	(16 350 015)	(148 859 534)

Notes to the financial statements continued

31 December 2012

14. Related party transactions

The Company enters into various financial transactions with group companies in the ordinary course of business. These transactions are conducted on an arms-length basis.

Loans to group companies are disclosed in note 4 and deposits from group companies are disclosed in note 6.

A guarantee fee, amounting to R8 144 753 (2011: R8 122 500), was due to Anglo American South Africa Limited in respect of the year under review. As at 31 December 2012 an amount of R2 047 315 (2011: R2 047 315) was outstanding and is included in "Amounts due to group companies" on the balance sheet.

A guarantee fee, amounting to R12 998 877 (2011: R9 103 933), was due to Anglo American plc in respect of the year under review. As at 31 December 2012 an amount of R3 629 589 (2011: R2 245 808) was outstanding and is included in "Trade and other payables" on the balance sheet.

Interest received from group companies is disclosed in note 8 and interest paid to group companies is disclosed in note 9. Administration fees paid to a group company is disclosed in note 10.

A commitment fee, amounting to Rnil (2011: R13 863 026), was earned from Anglo Platinum Management Services Proprietary Limited in respect of the year under review. As at 31 December 2012 an amount of Rnil (2011: R8 538 038) was outstanding and is included in "Trade and other receivables" on the balance sheet.

A commitment fee, amounting to Rnil (2011: R279 452), was earned from Black Mountain Mining Proprietary Limited in respect of the year under review. As at 31 December 2012 an amount of Rnil (2011: Rnil) was outstanding and is included in "Trade and other receivables" on the balance sheet.

A commitment fee, amounting to R2 344 903 (2011: Rnil), was earned from Sishen Iron Ore Company Proprietary Limited in respect of the year under review. As at 31 December 2012 an amount of R1 613 979 (2011: Rnil) 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 2012:

Rand	Interest income	Interest expense	Amounts due by group companies	Amounts due to group companies
Holding company				
Anglo American South Africa Limited	-	1 161 416 451	-	2 047 315
Fellow subsidiaries				
Newshelf 480 Proprietary Limited	156 687	577 918	-	40 665
Anglo American Properties Limited	-	1 791 659	-	-
Anglo Operations Proprietary Limited	453 456 279	358 094 293	-	-
Anglo American Inyosi Coal Proprietary Limited	481 544 623	19 187 244	115 826 897	1 667 533
Anglo American EMEA Shared Services Proprietary Limited	-	2 297 837	-	-
Sishen Iron Ore Company Proprietary Limited	118 608 568	82 511 164	27 638 080	-
Holdac Limited	-	5 575 924	-	-
Lansan Investment Holdings Limited	-	684 504	-	-
Spectrem Air Limited	-	1 096 815	-	85 030
Longmeadow Home Farm Limited	301 721	-	-	-
Anglo Platinum Management Services Proprietary Limited	507 894 768	-	53 716 352	-
Scaw South Africa Proprietary Limited	400 752 828	-	-	-
Afrope Zambia Limited	249 563	-	-	-
Haggie Rand Zimbabwe (Pvt) Limited	780 476	-	-	-
Total – Fellow-subsidiaries	1 963 745 513	471 817 358	197 181 329	1 793 228
Total	1 963 745 513	1 633 233 809	197 181 329	3 840 543

Notes to the financial statements continued

31 December 2012

14. Related party transactions (continued)

The Company had the following material related party transactions during the year and balances as at 31 December 2011.

Rand	Interest income	Interest expense	Amounts due by group companies	Amounts due to group companies
Holding company				
Anglo American South Africa Limited	-	1 278 685 288	-	2 047 315
Fellow subsidiaries				
Newshef 480 Proprietary Limited	136 952	541 814		44 389
Anglo American Properties Limited	-	7 441 910	-	-
Anglo Operations Proprietary Limited	409 001 589	395 488 011	-	-
Black Mountain Mining Proprietary Limited	-	461 643	-	-
Anglo American Inyosi Coal Proprietary Limited	470 596 350	16 492 424	119 838 225	1 183 236
Anglo American EMEA Shared Services Proprietary Limited	-	1 403 532	-	-
Sishen Iron Ore Company Proprietary Limited	233 129	196 758 643	-	20 723 060
Holdac Limited	-	5 551 102	-	-
Lansan Investment Holdings Limited	-	755 253	-	-
Spectrem Air Limited	-	1 208 863	-	83 376
Longmeadow Home Farm Limited	133 338	513	-	-
Anglo Platinum Management Services Proprietary Limited	361 831 868	-	30 263 511	-
Scaw South Africa Proprietary Limited	364 915 695	-	87 910 445	-
Afrope Zambia Limited	397 995	-	-	-
Haggie Rand Zimbabwe (Pvt) Limited	800 265	-	-	-
Total – Fellow-subsidiaries	1 608 047 181	626 103 708	-	22 034 061
Total	1 608 047 181	1 904 788 996	238 012 181	24 081 376

15. Events occurring after end of year

No significant events occurred after year ended 31 December 2012 up to the date of the report.

Notes to the financial statements continued

31 December 2012

16. Financial assets

The carrying amounts and fair values of financial assets are as follows:

Rand	2012		2011	
	Estimated Fair Values	Carrying amounts	Estimated Fair values	Carrying amounts
Loans and receivables				
Trade and other receivables	26 489 744	26 489 744	71 711 699	71 711 699
Cash and cash equivalents	6 182 722 068	6 182 722 068	21 129 355 112	21 129 355 112
Financial asset investments - external	901 354 621	901 354 621	1 501 946 953	1 501 946 953
Loans to group companies	22 235 272 480	22 235 272 480	14 312 051 897	14 312 051 897
Amounts due by group companies	197 181 329	197 181 329	238 012 181	238 012 181
At fair value through profit and loss				
Other financial assets (derivatives) ⁽¹⁾	306 344 432	306 344 432	294 254 964	294 254 964
Total	29 849 364 674	29 849 364 674	37 547 332 806	37 547 332 806

⁽¹⁾ Other financial assets (derivatives) comprise short term derivatives of R131 970 424 (2011: R107 113 685) and long term derivatives of R174 374 008 (2011: R187 141 279).

17. Financial liabilities

The carrying amounts and fair values of financial liabilities are as follows:

Rand	2012		2011	
	Estimated Fair Values	Carrying amounts	Estimated Fair values	Carrying amounts
Financial liabilities at amortised cost				
Trade and other payables	148 310 302	148 310 302	64 340 670	64 340 670
Current borrowings ⁽¹⁾	24 147 551 681	24 136 977 888	30 795 177 488	30 795 177 488
Other non-current borrowings	4 958 085 014	4 959 807 225	5 889 973 341	5 922 786 142
At fair value through profit and loss				
Other financial liabilities (derivatives) ⁽²⁾	40 880 779	40 880 779	107 113 685	107 113 685
Total	29 294 827 776	29 285 976 194	36 856 605 184	36 889 417 985

⁽¹⁾ Current borrowings comprise short term borrowings of R2 976 693 760 (2011: R170 000 000), deposits from group companies of R21 156 443 585 (2011: 30 601 096 112) and amounts due to group companies of R3 840 543 (2011: R24 081 376).

⁽²⁾ Other financial liabilities (derivatives) comprise short term derivatives of R40 880 779 (2010: R107 113 685).

Notes to the financial statements continued

31 December 2012

17. Financial liabilities continued

The fair value of current and other non-current borrowings is determined by reference to quoted market prices for similar instruments, where applicable, otherwise the carrying value approximates the fair value.

The Company's 2012 borrowings are presented on an unhedged basis. The fair value of associated derivatives is recorded separately within 'Other financial assets (derivatives)' and 'Other financial liabilities (derivatives)' (see note 18).

An analysis of borrowings is set out below:

Rand	Within 1 year or on demand	Between 1-2 years	Between 2-5 years	After 5 years	Total
At 31 December 2012					
Unsecured					
Bank loans	-	1 600 000 000	-	-	1 600 000 000
Other loans	24 136 977 888	-	1 862 667 650	1 497 139 575	27 496 785 113
Total borrowings	24 136 977 888	1 600 000 000	1 862 667 650	1 497 139 575	29 096 785 113
At 31 December 2011					
Unsecured					
Bank loans	170 000 000	-	1 600 000 000	-	1 770 000 000
Other loans	30 625 177 488	3 066 850 844	1 255 935 297	-	34 947 963 630
Total borrowings	30 795 177 488	3 066 850 844	2 855 935 297	-	36 717 963 630

18. Financial instrument risk exposure, risk management and derivatives*Financial instrument risk exposure and management*

The Company is exposed in varying degrees to a variety of financial instrument related risk. The Board approves and monitors the risk management processes, inclusive of documented treasury policies, counterparty limits, controlling and reporting structures. The risk management processes of the group's independently listed subsidiaries are in line with the Company's own policy.

The types of risk exposure and the way in which such exposure is managed, including the use of derivative instruments is provided as follows (subcategorised into credit risk, liquidity risk and market risk).

Credit risk

The Company's credit risk is primarily attributable to its cash and cash equivalents, trade and other receivables, loans and derivative financial instruments.

The Company limits exposure to credit risk through adherence to a policy of:

- Minimum acceptable counterparty credit ratings assigned by international credit-rating agencies or who have received specific internal corporate credit approval and approved credit limits.
- Daily counterparty settlement limits.
- Exposure diversification.
- Custody restriction on securities held by banks and other institutions.

The Company does not have significant concentration of credit risk.

Notes to the financial statements continued

31 December 2012

18. Financial instrument risk exposure, risk management and derivatives continued

The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet (net of impairment losses where relevant).

The Company believes that no impairment allowance is necessary in respect of receivables as no objective evidence existed at year end to indicate that one or more events may have a negative effect on the estimated future cash flows expected from any individual balance.

Liquidity risk

The Company ensures that there are sufficient committed loan facilities in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holding of cash and cash equivalents, as well as any distribution restrictions that exist.

The expected cash flow of the Company's financial liabilities (including associated derivatives), by remaining contractual maturity, at the balance sheet date is as follows:

Rand	Within 1 year			1-2 years		
	Fixed Interest	Floating Interest	Capital Repayment	Fixed Interest	Floating Interest	Capital Repayment
At 31 December 2012						
Bank loans and overdrafts	-	(134 880 000)	-	-	(33 720 000)	(1 600 000 000)
Other loans	(546 664 858)	(52 156 375)	(31 149 457 960)	(227 480 000)	(50 268 000)	-
Other non-interest bearing liabilities	-	-	(57 940 399)	-	-	-
Net settled derivatives	466 538 000	(310 542 516)	-	227 480 000	(162 814 555)	-
	(80 126 858)	(497 578 891)	(31 207 398 359)	-	(246 802 555)	(1 600 000 000)
At 31 December 2011						
Bank loans and overdrafts	-	(138 314 000)	(170 000 000)	-	(134 880 000)	-
Other loans	(416 884 858)	(35 201 410)	(30 601 096 111)	(416 884 858)	(12 180 000)	(2 850 000 000)
Other non-interest bearing liabilities	-	-	(9 710 973)	-	-	-
Net settled derivatives	337 412 953	(236 466 085)	-	336 758 000	(252 267 006)	-
	(79 471 905)	(409 981 495)	(30 780 807 084)	(80 126 858)	(399 327 006)	(2 850 000 000)
Rand	3-5 years			+ 5 years		
	Fixed Interest	Floating Interest	Capital Repayment	Fixed Interest	Floating Interest	Capital Repayment
At 31 December 2012						
Bank loans and overdrafts	-	-	-	-	-	-
Other loans	(438 190 000)	(101 865 000)	(1 800 000 000)	(194 670 000)	-	(1 400 000 000)
Net settled derivatives	438 190 000	(374 980 355)	-	194 670 000	(194 384 306)	-
	-	(476 845 355)	(1 800 000 000)	-	(194 384 306)	(1 400 000 000)
At 31 December 2011						
Bank loans and overdrafts	-	(33 720 000)	(1 600 000 000)	-	-	-
Other loans	(146 550 000)	(27 405 000)	(1 200 000 000)	-	-	-
Net settled derivatives	146 550 000	(132 788 394)	-	-	-	-
	-	(193 913 394)	(2 800 000 000)	-	-	-

Notes to the financial statements continued

31 December 2012

18. Financial instrument risk exposure, risk management and derivatives continued

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

Rand Expiry date	2012	2011
In one year or less	11 282 000 000	9 782 000 000
Between 1 and 2 years	1 818 000 000	1 500 000 000
In more than two years	3 800 000 000	5 618 000 000
	16 900 000 000	16 900 000 000

Market risk

The significant market exposures to which the Company is exposed are foreign exchange risk and interest rate risk. These are discussed further below:

Foreign exchange risk

The Company uses 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.

The exposure of the Company's financial assets and liabilities to currency risk is as follows:

Rand	Financial assets (excluding derivatives)	Impact of currency derivatives	Derivative assets	Total financial asset exposure to currency risk
At 31 December 2012				
SA rand	29 543 020 242	-	306 344 432	29 849 364 674
Total	29 543 020 242	-	306 344 432	29 849 364 674

At 31 December 2011				
SA rand	37 253 077 842	-	294 254 964	37 547 332 806
Total	37 253 077 842	-	292 254 964	37 547 332 806

Rand	Financial liabilities (excluding derivatives)	Impact of currency derivatives	Derivative liabilities	Total financial liabilities exposure to currency risk
At 31 December 2012				
SA rand	29 245 095 415	-	40 880 779	29 285 976 194
Total	29 245 095 415	-	40 880 779	29 285 976 194

At 31 December 2011				
SA rand	41 795 458 962	-	107 113 685	41 902 572 647
Total	41 795 458 962	-	107 113 685	41 902 572 647

Notes to the financial statements continued

31 December 2012

18. Financial instrument risk exposure, risk management and derivatives continued*Interest rate risk*

Fluctuations in interest rates impact on the value of short-term investments and financing activities, giving rise to interest rate risk. Exposure to interest rate risk is particularly with reference to changes in ZAR interest rates.

The Company's policy is to borrow funds at floating rates of interest as this is considered to give a partial natural hedge against commodity price movements, given the correlation to economic growth (and industrial activity) which in turn shows a high correlation with commodity price fluctuations. The Company also uses interest rate swaps to manage its exposure to interest rate movements on a portion of its existing debt. Strategic hedging using fixed rate debt may be undertaken from time to time if considered appropriate.

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

The exposure of the Company's financial assets to interest rate risk is as follows:

Rand	Interest bearing financial assets		Non-interest bearing financial assets
	Floating rate financial assets	Fixed rate financial assets	Other non-interest bearing financial assets
At 31 December 2012			
Financial assets (excluding derivatives)	29 516 530 497	-	26 489 744
Derivative assets	265 463 654	-	40 880 779
Financial exposure to interest rate risk	29 781 994 151	-	67 370 523
At 31 December 2011			
Financial assets (excluding derivatives)	37 181 366 143	-	71 711 699
Derivative assets	187 141 279	-	107 113 685
Financial exposure to interest rate risk	37 368 507 422	-	178 825 384

Floating rate financial assets consist mainly of loans to group companies. Interest on floating rate assets is based on the relevant national inter-bank rates.

Notes to the financial statements continued

31 December 2012

18. Financial instrument risk exposure, risk management and derivatives continued

The exposure of the Company's financial liabilities to interest rate risk is as follows:

Rand	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings
At 31 December 2012			
Financial liabilities (excluding derivatives)	23 559 055 582	5 537 729 531	148 310 302
Effect of interest rate swaps	5 495 449 650	(5 495 449 650)	-
Derivative liabilities	-	-	40 880 779
Financial exposure to interest rate risk	29 054 505 232	42 279 881	189 191 081
At 31 December 2011			
Financial liabilities (excluding derivatives)	37 607 983 572	4 123 134 719	64 340 671
Effect of interest rate swaps	4 038 341 614	(4 038 241 614)	-
Derivative liabilities	-	-	107 113 685
Financial exposure to interest rate risk	41 646 325 186	84 793 105	171 454 356

Interest on floating rates is based on the relevant national inter-bank rates.

Derivatives

The Company utilises derivative instruments to manage its market risk exposures as explained above. The Company does not use derivative financial instruments for speculative purposes, however it may choose not to designate certain derivatives as hedges. Such derivatives that are not hedge accounted are classified as non-hedges and fair valued through 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

The majority of interest rate swaps taken out to protect the Company's fixed rate borrowings against future interest rate movements have been designated as fair value hedges. The respective carrying values of the hedged borrowings are adjusted to reflect the fair value of the interest rate risk being hedged. Subsequent changes in the fair value of the hedged risk are offset against fair value changes in the interest rate swap and classified within financing costs, in the income statement.

Non-hedges

The Company may choose not to designate certain derivatives as hedges, for example certain forward contracts that economically hedge forecast commodity transactions and relatively low value or short-term derivative contracts where the potential mark-to-market impact on the Company's earnings is not considered material. Where derivatives have not been designated as hedges, fair value changes are recognised in the income statement in accordance with the Company's policy set out in note 1 and are classified as financing or operating depending on the nature of the associated hedged risk.

Notes to the financial statements continued

31 December 2012

18. Financial instrument risk exposure, risk management and derivatives continued*Fair value measurements recognised in the balance sheet*

The fair value of the Company's open derivative position at 31 December 2012, recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

Rand	Asset	2012 Liability	Asset	2011 Liability
Current				
Fair value hedges				
Interest rate swap	91 089 645	-	-	-
Non-hedged (Held for trading)				
Forward foreign currency contracts	40 880 779	40 880 779	107 113 685	107 113 685
Total current derivatives	131 970 424	40 880 779	107 113 685	107 113 685
Non-current				
Fair value hedges				
Interest rate swap	174 374 008	-	187 141 279	-
Total non-current derivatives	174 374 008	-	187 141 279	-

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. 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. The Company has therefore grouped all these financial instruments within level 2.

There were no transfers between the levels of the fair value hierarchy within the period.

Sensitivities

Financial instruments affected by market risk include borrowings, deposits, derivative financial instruments and trade receivables and payables. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Company's financial instruments (as at year end) to changes in market variables, being exchange rates and interest rates.

The sensitivity analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2012. As a consequence, this sensitivity analysis relates to the position as at 31 December 2012 and is not representative of the year then ended as all of these varied during the course of the year.

Notes to the financial statements continued

31 December 2012

18. Financial instrument risk exposure, risk management and derivatives continued

The following assumptions were made in calculating the sensitivity analysis:

- All income statement sensitivities also impact equity.
- The majority of debt and other deposits are carried at amortised cost and therefore carrying value does not change as interest rates move.
- No sensitivity is provided for accrued interest as accruals are based on pre-agreed interest rates and therefore are not susceptible to further rate movements
- Changes in the carrying value of derivatives (from movements in commodity prices and 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 below one year is floating rate, unless it is long term fixed rate debt in its final year.

Using the above assumptions, the effect on the income statement and equity is Rnil (2011: Rnil)

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

Capital risk management

The Company's objectives when managing capital (represented by equity in the balance sheet) are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust this capital structure, the Company may draw down on available banking facilities or obtain long term funding from stakeholders.

There were no changes to the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

19. Contingent liabilities and contingent assets

At 31 December 2012 and 31 December 2011 no contingent liabilities were secured on the assets of the Company.

There were no significant contingent assets in the Company at either 31 December 2012 or 31 December 2011.

Notes to the financial statements continued

31 December 2012

20. Directors' remuneration

Rand	
At 31 December 2012	
Director A	13 902 835
Director B	12 166 248
Director C	8 103 620
Director D	6 291 180
Director E	4 176 126
Director F	4 174 763
Director G	1 632 355
	50 447 127

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