



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 2014

A member of the Anglo American plc group

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Company information

Directors

S. Mayet (Chairman)

G.G. Gomwe

Resigned 31 March 2014

N.J. Mason-Gordon

C. Goosen

J.G. Williams

K.T. Kweyama

Resigned 31 December 2014

Company Secretary

Anglo Operations Proprietary Limited

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 South African Companies Act, No. 71 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 South African Companies Act, No. 71 of 2008, and that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2014.

Anglo Operations Proprietary Limited
Secretaries

A handwritten signature in black ink, appearing to be 'D. J. van der Merwe', written over a horizontal line.

Company Secretary

JOHANNESBURG
25 February 2015

Independent Auditor's Report

To the Shareholder of Anglo American SA Finance Limited

We have audited the annual financial statements of Anglo American SA Finance Limited set out on pages 8 to 33, which comprise the balance sheet as at 31 December 2014, the income statement, the statement of comprehensive income, statement of changes in equity and cash flows statement 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Anglo American SA Finance Limited as at 31 December 2014, 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 2014, 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 the 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 Auditor
Per Vuyelwa Sangoni
Partner
26 February 2015

Directors' report

for the year ended 31 December 2014

The Directors have pleasure in submitting the annual financial statements of the Company for the year ended 31 December 2014.

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 2014 in the authorised and issued share capital of the Company. Details of the Company's authorised and issued share capital at 31 December 2014 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 2014 and the results of its operations for the year then ended.

Advisory services

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

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 2014

| Rand | Note | 2014 | 2013 |
|---|--------|-----------------------|-----------------------|
| Deferred tax assets | 2 | 551 395 573 | 701 843 889 |
| External loan | 3 | 42 241 947 | 38 101 630 |
| Loans to group companies | 4 | 14 812 799 843 | 14 814 131 130 |
| Derivative financial assets | 14 | 21 369 896 | 38 454 252 |
| Total non-current assets | | 15 427 807 259 | 15 592 530 901 |
| Trade and other receivables | 14 | 17 610 449 | 51 996 373 |
| Loans to group companies | 4 | 12 337 425 780 | 3 183 334 955 |
| Amounts due by group companies | 13, 14 | 247 217 242 | 180 412 917 |
| Derivative financial assets | 14 | 10 534 779 | 1 608 396 |
| Cash and cash equivalents | 14 | 60 056 784 | 12 146 939 470 |
| Current tax asset | | - | 1 847 317 |
| Total current assets | | 12 672 845 034 | 15 566 139 428 |
| Total assets | | 28 100 652 293 | 31 158 670 329 |
| Short term external borrowings | 5 | 1 005 551 196 | 1 600 000 000 |
| Trade and other payables | 15 | 86 431 501 | 74 648 488 |
| Deposits from group companies | 6 | 21 637 102 289 | 24 533 562 106 |
| Amounts due to group companies | 13, 15 | 4 858 853 | 12 354 349 |
| Derivative financial liabilities | 15 | 2 516 942 | 1 608 396 |
| Total current liabilities | | 22 736 460 781 | 26 222 173 339 |
| Long term external borrowings | 5 | 3 265 442 817 | 3 224 615 394 |
| Total non-current liabilities | | 3 265 442 817 | 3 224 615 394 |
| Total liabilities | | 26 001 903 598 | 29 446 788 733 |
| Net assets | | 2 098 748 695 | 1 711 881 596 |
| Equity | | | |
| Share capital and share premium | 7 | 2 910 000 000 | 2 910 000 000 |
| Accumulated deficit | | (811 251 305) | (1 198 118 404) |
| Equity attributable to equity shareholder of the Company | | 2 098 748 695 | 1 711 881 596 |

Income statement

for the year ended 31 December 2014

| Rand | Note | 2014 | 2013 |
|--|------|--------------------|--------------------|
| Interest income | 8 | 2 648 446 882 | 2 479 280 928 |
| Commitment fee income | | 25 760 000 | 19 257 180 |
| Interest expense | 9 | (2 044 255 584) | (1 956 491 206) |
| Commitment and guarantee fee expense | | (70 902 431) | (72 211 313) |
| Net interest income | | 559 048 867 | 469 835 589 |
| Currency loss | | (217 921) | (3 265 969) |
| Fair value hedge adjustment | | (2 988 658) | 3 625 096 |
| Corporate activity costs | | (13 641 352) | (21 213 637) |
| Loss on assignment of loan | | - | (4 179 572) |
| Loss on capital write down of investment | | (4 885 521) | - |
| Profit before tax | 10 | 537 315 415 | 444 801 507 |
| Income tax expense | 11 | (150 448 316) | (125 237 861) |
| Profit for the financial year | | 386 867 099 | 319 563 646 |

Statement of comprehensive income

for the year ended 31 December 2014

| Rand | 2014 | 2013 |
|--|--------------------|--------------------|
| Profit for the financial year | 386 867 099 | 319 563 646 |
| Total comprehensive income for the financial year | 386 867 099 | 319 563 646 |

Statement of changes in equity
for the year ended 31 December 2014

| Rand | Share capital | Share premium | Accumulated deficit | Total equity |
|----------------------------|---------------|----------------------|------------------------|----------------------|
| At 1 January 2013 | 20 100 | 2 909 979 900 | (1 517 682 050) | 1 392 317 950 |
| Total comprehensive income | - | - | 319 563 646 | 319 563 646 |
| At 1 January 2014 | 20 100 | 2 909 979 900 | (1 198 118 404) | 1 711 881 596 |
| Total comprehensive income | - | - | 386 867 099 | 386 867 099 |
| At 31 December 2014 | 20 100 | 2 909 979 900 | (811 251 305) | 2 098 748 695 |

Cash flow statement

for the year ended to 31 December 2014

| Rand | Note | 2014 | 2013 |
|--|------|-------------------------|-----------------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 537 315 415 | 444 801 507 |
| Net finance income | | (604 191 298) | (480 509 752) |
| Currency loss | | 217 921 | 3 265 969 |
| Amortisation of fair value adjustment | | - | (42 279 970) |
| Fair value hedge adjustment | | 2 988 658 | (3 625 096) |
| Loss on assignment of loan | | - | 4 179 572 |
| Loss on capital write down of investment | | 4 885 521 | - |
| Decrease/(increase) in operating receivables | | 34 385 924 | (25 506 629) |
| Increase/(decrease) in operating payables | | 11 783 013 | (73 661 814) |
| Cash flows from operations | | (12 614 846) | (173 336 213) |
| Interest received | | 2 577 502 240 | 2 492 426 446 |
| Interest paid | | (2 061 348 005) | (2 209 862 588) |
| Income tax received | 12 | 1 847 317 | - |
| Net cash inflows from operating activities | | 505 386 706 | 109 227 645 |
| Cash flows from investing activities | | | |
| Receipts of external loans ⁽¹⁾ | | - | 866 875 885 |
| Receipts of loans to group companies ⁽¹⁾ | | 23 695 991 | 5 332 801 028 |
| Advances of loans to group companies ⁽¹⁾ | | (9 176 455 529) | (1 102 440 174) |
| Net cash (outflow)/inflow from investing activities | | (9 152 759 538) | 5 097 236 739 |
| Cash flows from financing activities | | | |
| Receipt of long term borrowings ⁽¹⁾ | | 1 050 000 000 | - |
| Repayment of long term borrowings ⁽¹⁾ | | (2 116 556) | - |
| Repayment of short term borrowings ⁽¹⁾ | | (1 600 000 000) | (2 850 000 000) |
| Receipt of deposits from group companies ⁽¹⁾ | | 29 620 815 | 3 457 783 976 |
| Repayment of deposits from group companies ⁽¹⁾ | | (2 926 080 632) | (80 665 455) |
| Decrease in net derivative financial assets | | 9 066 519 | 230 634 497 |
| Net cash (outflow)/inflow from financing activities | | (3 439 509 854) | 757 753 018 |
| Net (decrease)/increase in cash and cash equivalents | | (12 086 882 686) | 5 964 217 402 |
| Cash and cash equivalents at start of year | | 12 146 939 470 | 6 182 722 068 |
| Cash and cash equivalents at end of year | | 60 056 784 | 12 146 939 470 |

⁽¹⁾ Cash receipts and cash payments are presented on a gross basis. Comparatives have been reclassified to align with current year presentation.

Notes to the financial statements

31 December 2014

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the requirements of the South African Companies Act, No. 71 of 2008. 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 2014, 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. A summary of the principal accounting policies is set out below.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company have 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 Directors' report.

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. 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. Significant areas of management judgment include the following:

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 assets

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

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

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 2013, except for changes arising from the adoption of new accounting pronouncements. 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.

Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred.

Notes to the financial statements

31 December 2014

1. Accounting policies continued

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.

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. Cash and cash equivalents are measured at amortised cost.

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 recognised 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 recognised at fair value, net of directly attributable transaction costs. Borrowings are subsequently carried at the proceeds received, 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 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.

Notes to the financial statements

31 December 2014

1. Accounting policies continued**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 derivative financial assets or derivative financial liabilities 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 the income statement.

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.

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 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.

Changes in the fair value of any derivative instrument that are not designated in a hedge relationship 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 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.

Impairment of financial assets

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 of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

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.

Notes to the financial statements

31 December 2014

1. Accounting policies continued

Impairment of financial assets continued

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 of financial instruments

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 the income statement. 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.

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

31 December 2014

1. Accounting policies continued

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.

New IFRS accounting standards and amendments not yet adopted

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

IFRS 9 *Financial Instruments* will replace IAS 39 *Financial Instruments: Recognition and Measurement* and addresses the following three key areas:

- *Classification and measurement*: establishes a single, principles-based approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held.
- *Impairment*: It also introduces a new expected loss impairment model requiring expected credit losses to be recognised from when financial instruments are first recognised.
- *Hedge Accounting*: aligns the accounting treatment with risk management practices of an entity.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

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

Amendments to IAS 1 *Presentation of Financial Statements: Disclosure Initiative* provides guidance on the use of judgement in presenting financial statement information, including: the application of materiality, order of notes, use of subtotals, accounting policy referencing and disaggregation of financial and non-financial information.

Amendments to IFRS 13 *Fair Value Measurement* clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial. It also clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*. The standard is effective for annual reporting periods beginning on or after 1 July 2014.

Amendments to IAS 24 *Related Party Disclosures* clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The standard is effective for annual reporting periods beginning on or after 1 June 2014.

Amendments to IAS 34 *Interim Financial Reporting* clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference. The standard is effective for annual reporting periods beginning on or after 1 January 2016.

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

31 December 2014

2. Deferred tax assets

| Rand | 2014 | 2013 |
|---------------------------------|---------------|---------------|
| At 1 January | 701 843 889 | 827 082 153 |
| Charged to the income statement | (150 448 316) | (125 238 264) |
| At 31 December | 551 395 573 | 701 843 889 |

The deferred tax recognised on the balance sheet is as follows:

| Rand | 2014 | 2013 |
|---------------------------------|-------------|-------------|
| Derivatives | 1 744 642 | 1 138 698 |
| Other temporary differences | (1 301 748) | (1 140 681) |
| Unutilised estimated tax losses | 550 952 679 | 701 845 872 |
| | 551 395 573 | 701 843 889 |

The current expectation regarding the maturity of deferred tax assets are as follows:

| Rand | 2014 | 2013 |
|-----------------------------|-------------|-------------|
| Recoverable within one year | 269 297 902 | 178 075 589 |
| Recoverable after one year | 282 097 671 | 523 768 300 |
| | 551 395 573 | 701 843 889 |

3. External loan

| Rand | 2014 | 2013 |
|----------------------------------|------------|------------|
| Long term | | |
| Pamodzi Coal Proprietary Limited | 42 241 947 | 38 101 630 |
| | 42 241 947 | 38 101 630 |

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. The interest is calculated monthly based on variable market benchmark rates and is payable according to the specific terms of the loan.

Notes to the financial statements

31 December 2014

4. Loans to group companies

| Rand | 2014 | 2013 |
|---|-----------------------|-----------------------|
| Long term | | |
| Fellow subsidiary companies | | |
| Rustenburg Platinum Mines Limited (previously Anglo Platinum Management Services Proprietary Limited) | 9 100 000 000 | 9 100 000 000 |
| Anglo American Inyosi Coal Proprietary Limited | 5 712 799 843 | 5 714 131 130 |
| | 14 812 799 843 | 14 814 131 130 |
| Short term | | |
| Fellow subsidiary companies | | |
| Rustenburg Platinum Mines Limited (previously Anglo Platinum Management Services Proprietary Limited) | 6 333 150 000 | 2 590 162 000 |
| Sishen Iron Ore Company Proprietary Limited | 5 361 000 000 | 568 000 000 |
| Anglo Operations Proprietary Limited | 640 467 529 | - |
| Other companies | 2 808 251 | 25 172 955 |
| | 12 337 425 780 | 3 183 334 955 |
| | 27 150 225 623 | 17 997 466 085 |

The long term loan to Rustenburg Platinum Mines Limited (previously 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 committed facility maturing in 2017. 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 loan to Sishen Iron Ore Company Proprietary Limited is unsecured and bears interest at a market related interest rate. 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 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

31 December 2014

5. External borrowings

| Rand | 2014 | 2013 |
|---|----------------------|----------------------|
| Long term | | |
| Floating rate notes with a weighted average maturity of 3.4 years (2013: 3.0 years). Interest is payable at a weighted average rate of 3 month JIBAR plus 1.26% (2013: 1.16%). | 1 198 614 195 | 799 058 184 |
| Fixed rate bonds with a weighted average maturity of 4.9 years (2013: 3.6 years). Interest is payable semi annually at a weighted average rate of 9.34% (2013: 9.48%). | 2 066 828 622 | 2 425 557 210 |
| Bank loans drawn under long term committed facilities of R9.3 billion (2013: R7.1 billion) with interest payable at a weighted average rate of JIBAR plus 1.14% (2013: 1.12%) per annum for the relative interest period. | - | - |
| | 3 265 442 817 | 3 224 615 394 |
| Short term | | |
| Fixed rate bond maturing within 12 months. Interest is payable semi-annually at a rate of 9.77%. | 1 005 551 196 | - |
| Bank loans drawn under short term committed facilities of R7.6 billion (2013: R11.4 billion) with interest payable at a weighted average rate of JIBAR plus 0.94% (2013: 1.15%) per annum for the relative interest period. | - | 1 600 000 000 |
| | 1 005 551 196 | 1 600 000 000 |
| | 4 270 994 013 | 4 824 615 394 |
| Committed and uncommitted facilities | | |
| The maturity and interest rate profiles for the drawings under facilities at 31 December are as follows: | | |
| <i>Long term committed facilities</i> | | |
| Weighted average maturity | - | - |
| Weighted average interest rate per annum | - | - |
| <i>Short term committed facilities</i> | | |
| Weighted average maturity | - | 0.2 years |
| Weighted average interest rate per annum | - | 8.07% |

Notes to the financial statements

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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% (2013: 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 or loan agreements with various external parties. In consideration for this guarantee, AASA charges the Company a guarantee fee which amounts to 0.25% (2013: 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).

6. Deposits from group companies

| Rand | 2014 | 2013 |
|---|-----------------------|-----------------------|
| Holding company | | |
| Call deposits | | |
| Anglo American South Africa Limited | 21 104 501 322 | 21 750 018 166 |
| Fellow subsidiary companies | | |
| Term deposits | | |
| Newshelf 480 Proprietary Limited | 10 528 330 | 9 927 757 |
| Call deposits | | |
| Newshelf 480 Proprietary Limited | 939 923 | 889 675 |
| Anglo American Properties Limited | 22 849 639 | 23 403 752 |
| Anglo Operations Proprietary Limited | - | 1 265 732 357 |
| Anglo American Inyosi Coal Proprietary Limited | 320 047 919 | 589 498 202 |
| Anglo American EMEA Shared Services Proprietary Limited | 93 644 523 | 94 902 456 |
| Holdac Limited | 30 735 731 | 18 148 977 |
| Lansan Investment Holdings Proprietary Limited | 18 781 990 | 2 398 749 |
| De Beers Group Services Proprietary Limited | 15 523 000 | 757 710 985 |
| Spectrem Air Proprietary Limited | 19 549 912 | 20 931 030 |
| | 21 637 102 289 | 24 533 562 106 |

At 31 December 2014, the rate of interest paid on these deposits ranged between 5.55% and 6.66% (2013: 4.80% and 5.62%) per annum. Call deposits are reflected as current liabilities and are available on demand.

Notes to the financial statements

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7. Share capital and share premium

| | Number of shares 2014 | Rand 2014 | Number of shares 2013 | Rand 2013 |
|--------------------|-----------------------------|---------------|-----------------------------|---------------|
| Authorised: | | | | |
| Shares of R1 each | 50 000 | 50 000 | 50 000 | 50 000 |
| Issued: | | | | |
| 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 |

8. Interest income

| Rand | 2014 | 2013 |
|-----------------------------|---------------|---------------|
| Fellow subsidiary companies | 2 096 595 839 | 1 836 175 992 |
| Interest and other income | 551 851 043 | 643 104 936 |
| | 2 648 446 882 | 2 479 280 928 |

9. Interest expense

| Rand | 2014 | 2013 |
|--|---------------|---------------|
| Committed facilities | 22 278 181 | 127 672 241 |
| Bonds | 347 763 931 | 277 838 022 |
| Term loan | - | 290 878 651 |
| Amortisation of fair value adjustments | - | (42 279 970) |
| Net settlement on debt related interest rate swaps | (54 077 076) | (144 300 127) |
| Other interest expense | 2 072 420 | - |
| | 318 037 456 | 509 808 817 |
| Holding company | 1 192 096 220 | 979 817 552 |
| Fellow subsidiary companies | 534 121 908 | 466 864 837 |
| | 1 726 218 128 | 1 446 682 389 |
| | 2 044 255 584 | 1 956 491 206 |

Notes to the financial statements

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10. Profit before tax

The following items have been included in arriving at profit before tax:

| Rand | 2014 | 2013 |
|---|-------------|---------------|
| Auditor's remuneration | | |
| Audit fees | 757 196 | 746 806 |
| Non-audit fees | 42 408 | 42 408 |
| Fees for services | | |
| Administration fees to Anglo Operations Proprietary Limited | 11 401 506 | 9 401 510 |
| Interest rate hedging | | |
| Fair value movement on interest rate swaps | 6 034 800 | 217 252 529 |
| Fair value movement on hedged interest rate risk | (3 046 142) | (220 877 625) |
| Foreign exchange forward contracts | | |
| Fair value through profit or loss | 217 921 | 3 265 969 |

11. Income tax expense

| Rand | 2014 | 2013 |
|----------------------------------|----------------------|----------------------|
| Income tax | | |
| Current year charge | - | - |
| Prior year adjustment | - | 403 |
| Deferred tax | | |
| Deferred tax | (149 623 744) | (125 238 264) |
| Prior year adjustment | (824 572) | - |
| Income tax expense | (150 448 316) | (125 237 861) |
| Tax rate reconciliation | | |
| Percentage | 2014 | 2013 |
| South African tax at normal rate | 28.00 | 28.00 |
| Effective tax rate | 28.00 | 28.00 |

Notes to the financial statements

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12. Income tax received

| Rand | 2014 | 2013 |
|--|-----------|-------------|
| Balance at start of year | 1 847 317 | 1 847 317 |
| Income tax – current year charge (note 11) | - | - |
| Balance at end of year | - | (1 847 317) |
| | 1 847 317 | - |

13. 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 Rnil (2013: R7 365 883), was due to Anglo American South Africa Limited in respect of the year under review. As at 31 December 2014 an amount of Rnil (2013: R1 290 699) was outstanding.

A guarantee fee, amounting to R12 680 959 (2013: R15 400 000), was due to Anglo American plc in respect of the year under review. As at 31 December 2014 an amount of R3 213 698 (2013: R3 629 589) 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 are disclosed in note 10.

A commitment fee, amounting to Rnil (2013: R248 646), was earned from Rustenburg Platinum Mines Limited (previously Anglo Platinum Management Services Proprietary Limited) in respect of the year under review. As at 31 December 2014 an amount of Rnil (2013: R82 663) was outstanding.

A commitment fee, amounting to R25 760 000 (2013: R11 627 871), was earned from De Beers Group Services Proprietary Limited in respect of the year under review. As at 31 December 2014 an amount of Rnil (2013: Rnil) was outstanding.

A commitment fee, amounting to Rnil (2013: R7 380 663), was earned from Sishen Iron Ore Company Proprietary Limited in respect of the year under review. As at 31 December 2014 an amount of Rnil (2013: Rnil) was outstanding.

Directors' remuneration is disclosed in note 19.

Notes to the financial statements

31 December 2014

13. Related party transactions continued

The Company had the following material related party transactions during the year and balances as at 31 December 2014:

| Rand | Interest income | Interest expense | Amounts due by group companies | Amounts due to group companies |
|---|----------------------|----------------------|--------------------------------|--------------------------------|
| Holding company | | | | |
| Anglo American South Africa Limited | - | 1 192 096 220 | - | - |
| Fellow subsidiaries | | | | |
| Newshelf 480 Proprietary Limited | 202 684 | 662 283 | - | 56 493 |
| Anglo American Properties Limited | - | 1 269 611 | - | - |
| Anglo Operations Proprietary Limited | 482 225 615 | 359 948 991 | - | - |
| Anglo American Inyosi Coal Proprietary Limited | 514 070 630 | 32 699 035 | 131 394 396 | 1 789 702 |
| Anglo American EMEA Shared Services Proprietary Limited | - | 4 842 491 | - | - |
| Sishen Iron Ore Company Proprietary Limited | 134 245 321 | 27 637 546 | 20 085 028 | - |
| Holdac Limited | - | 848 902 | - | - |
| Lansan Investment Holdings Proprietary Limited | - | 125 544 | - | - |
| Spectrem Air Proprietary Limited | - | 1 083 786 | - | 81 928 |
| Longmeadow Home Farm Proprietary Limited | 537 881 | - | - | - |
| Rustenburg Platinum Mines Limited (previously Anglo Platinum Management Services Proprietary Limited) | 964 932 330 | - | 95 737 818 | - |
| De Beers Group Services Proprietary Limited | - | 105 003 719 | - | 2 930 730 |
| Haggie Rand Zimbabwe (Pvt) Limited | 381 378 | - | - | - |
| Total – Fellow subsidiaries | 2 096 595 839 | 534 121 908 | 247 217 242 | 4 858 853 |
| Total | 2 096 595 839 | 1 726 218 128 | 247 217 242 | 4 858 853 |

The Company had the following material related party transactions during the year and balances as at 31 December 2013:

| Rand | Interest income | Interest expense | Amounts due by group companies | Amounts due to group companies |
|---|----------------------|----------------------|--------------------------------|--------------------------------|
| Holding company | | | | |
| Anglo American South Africa Limited | - | 979 817 552 | - | 1 290 699 |
| Fellow subsidiaries | | | | |
| Newshelf 480 Proprietary Limited | 169 563 | 556 824 | - | 45 031 |
| Anglo American Properties Limited | - | 1 129 006 | - | - |
| Anglo Operations Proprietary Limited | 465 266 114 | 303 012 704 | - | - |
| Anglo American Inyosi Coal Proprietary Limited | 460 978 924 | 21 330 162 | 115 992 478 | 2 062 278 |
| Anglo American EMEA Shared Services Proprietary Limited | - | 3 231 952 | - | - |
| Sishen Iron Ore Company Proprietary Limited | 204 321 293 | 95 552 450 | 480 774 | 4 603 861 |
| Holdac Limited | - | 3 775 903 | - | - |
| Lansan Investment Holdings Proprietary Limited | - | 517 279 | - | - |
| Spectrem Air Proprietary Limited | - | 942 185 | - | 90 230 |
| Longmeadow Home Farm Proprietary Limited | 731 560 | - | - | - |
| Anglo Platinum Management Services Proprietary Limited | 703 950 110 | - | 63 939 665 | - |
| De Beers Group Services Proprietary Limited | - | 36 816 372 | - | 4 262 250 |
| Haggie Rand Zimbabwe (Pvt) Limited | 758 428 | - | - | - |
| Total – Fellow subsidiaries | 1 836 175 992 | 466 864 837 | 180 412 917 | 11 063 650 |
| Total | 1 836 175 992 | 1 446 682 389 | 180 412 917 | 12 354 349 |

Notes to the financial statements

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14. Financial assets

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

| Rand | 2014 | | 2013 | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | Estimated Fair Values | Carrying amounts | Estimated Fair Values | Carrying amounts |
| Loans and receivables | | | | |
| Trade and other receivables | 17 610 449 | 17 610 449 | 51 996 373 | 51 996 373 |
| Cash and cash equivalents | 60 056 784 | 60 056 784 | 12 146 939 470 | 12 146 939 470 |
| Financial asset investments - external | 42 241 947 | 42 241 947 | 38 101 630 | 38 101 630 |
| Loans to group companies | 27 150 225 623 | 27 150 225 623 | 17 997 466 085 | 17 997 466 085 |
| Amounts due by group companies | 247 217 242 | 247 217 242 | 180 412 917 | 180 412 917 |
| At fair value through profit and loss | | | | |
| Derivative financial assets ⁽¹⁾ | 31 904 675 | 31 904 675 | 40 062 648 | 40 062 648 |
| Total | 27 549 256 720 | 27 549 256 720 | 30 454 979 123 | 30 454 979 123 |

(1) Derivative financial assets comprise short term derivatives of R10 534 779 (2013: R1 608 396) and long term derivatives of R21 369 896 (2013: R38 454 252).

15. Financial liabilities

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

| Rand | 2014 | | 2013 | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | Estimated Fair Values | Carrying amounts | Estimated Fair Values | Carrying amounts |
| Financial liabilities at amortised cost | | | | |
| Trade and other payables | 86 431 501 | 86 431 501 | 74 648 488 | 74 648 488 |
| Current borrowings ⁽¹⁾ | 22 651 260 542 | 22 647 512 338 | 26 145 916 455 | 26 145 916 455 |
| Other non-current borrowings | 3 306 063 175 | 3 265 442 817 | 3 289 879 604 | 3 224 615 394 |
| At fair value through profit and loss | | | | |
| Derivative financial liabilities ⁽²⁾ | 2 516 942 | 2 516 942 | 1 608 396 | 1 608 396 |
| Total | 26 046 272 160 | 26 001 903 598 | 29 512 052 943 | 29 446 788 733 |

(1) Current borrowings comprise short term borrowings of R1 005 551 196 (2013: R1 600 000 000), deposits from group companies of R21 637 102 289 (2013: R24 533 562 106) and amounts due to group companies of R4 858 853 (2013: R12 354 349).

(2) Derivative financial liabilities comprise short term derivatives of R2 516 942 (2013: R1 608 396).

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15. 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 2014 borrowings are presented on an unhedged basis. The fair value of associated derivatives is recorded separately within 'derivative financial assets' and 'derivative financial liabilities', refer note 16.

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 2014 | | | | | |
| Unsecured | | | | | |
| Bank loans | - | - | - | - | - |
| Bonds | 1 005 551 196 | 199 898 219 | 2 004 807 556 | 1 060 737 042 | 4 270 994 013 |
| Other loans | 21 641 961 142 | - | - | - | 21 641 961 142 |
| Total borrowings | 22 647 512 338 | 199 898 219 | 2 004 807 556 | 1 060 737 042 | 25 912 955 155 |
| At 31 December 2013 | | | | | |
| Unsecured | | | | | |
| Bank loans | 1 600 000 000 | - | - | - | 1 600 000 000 |
| Bonds | - | 1 028 392 077 | 799 058 184 | 1 397 165 133 | 3 224 615 394 |
| Other loans | 24 545 916 455 | - | - | - | 24 545 916 455 |
| Total borrowings | 26 145 916 455 | 1 028 392 077 | 799 058 184 | 1 397 165 133 | 29 370 531 849 |

16. 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 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 reviews the concentration of credit risk on an ongoing basis.

Notes to the financial statements

31 December 2014

16. Financial instrument risk exposure, risk management and derivatives continued**Credit risk 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 | |
|--|----------------------|-------------------------|----------------------|------------------------|
| | Interest | Capital Repayment | Interest | Capital Repayment |
| At 31 December 2014 | | | | |
| Bank loans and overdrafts | - | - | - | - |
| Bonds | (328 577 000) | (1 000 000 000) | (269 789 500) | (200 000 000) |
| Other loans | (5 162 381) | (21 637 102 289) | - | - |
| Other non-interest bearing liabilities | - | (86 431 501) | - | - |
| Net settled derivatives | 29 827 076 | - | 12 184 452 | - |
| | (303 912 305) | (22 723 533 790) | (257 605 048) | (200 000 000) |
| At 31 December 2013 | | | | |
| Bank loans and overdrafts | (31 825 973) | (1 600 000 000) | - | - |
| Bonds | (278 496 000) | - | (229 646 000) | (1 000 000 000) |
| Other loans | (11 300 584) | (24 533 562 107) | - | - |
| Other non-interest bearing liabilities | - | (15 599 508) | - | - |
| Net settled derivatives | 52 123 110 | - | 22 390 207 | - |
| | (269 499 447) | (26 149 161 615) | (207 255 793) | (1 000 000 000) |
| Rand | 2-5 years | | + 5 years | |
| | Interest | Capital Repayment | Interest | Capital Repayment |
| At 31 December 2014 | | | | |
| Bonds | (611 253 000) | (2 000 000 000) | (137 797 500) | (1 050 000 000) |
| Net settled derivatives | (9 704 381) | - | (5 678 302) | - |
| | (620 957 381) | (2 000 000 000) | (143 475 802) | (1 050 000 000) |
| At 31 December 2013 | | | | |
| Bonds | (441 676 000) | (800 000 000) | (64 890 000) | (1 400 000 000) |
| Net settled derivatives | (35 227 285) | - | (9 768 540) | - |
| | (476 903 285) | (800 000 000) | (74 658 540) | (1 400 000 000) |

Notes to the financial statements

31 December 2014

16. Financial instrument risk exposure, risk management and derivatives continued**Liquidity risk continued**

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

| Rand Expiry date | 2014 | 2013 |
|--|----------------|----------------|
| Within one year | 7 582 000 000 | 9 782 000 000 |
| Greater than one year, less than two years | 1 818 000 000 | - |
| Greater than two years | 7 500 000 000 | 7 118 000 000 |
| | 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 2014 | | | | |
| SA rand | 27 517 352 045 | - | 31 904 675 | 27 549 256 720 |
| Total | 27 517 352 045 | - | 31 904 675 | 27 549 256 720 |

| | | | | |
|----------------------------|----------------|---|------------|----------------|
| At 31 December 2013 | | | | |
| SA rand | 30 414 916 475 | - | 40 062 648 | 30 454 979 123 |
| Total | 30 414 916 475 | - | 40 062 648 | 30 454 979 123 |

| Rand | Financial liabilities (excluding derivatives) | Impact of currency derivatives | Derivative liabilities | Total financial liabilities exposure to currency risk |
|----------------------------|--|--------------------------------------|---------------------------|---|
| At 31 December 2014 | | | | |
| SA rand | 25 999 386 656 | - | 2 516 942 | 26 001 903 598 |
| Total | 25 999 386 656 | - | 2 516 942 | 26 001 903 598 |

| | | | | |
|----------------------------|----------------|---|-----------|----------------|
| At 31 December 2013 | | | | |
| SA rand | 29 445 180 337 | - | 1 608 396 | 29 446 788 733 |
| Total | 29 445 180 337 | - | 1 608 396 | 29 446 788 733 |

Notes to the financial statements

31 December 2014

16. Financial instrument risk exposure, risk management and derivatives continued**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's exposure to interest rate risk is particularly with reference to changes in South African interest rates.

The Company's policy is to borrow funds at floating rates of interest as, over the longer term, this is considered by management 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. In certain circumstances, the Company uses interest rate swap contracts to manage its exposure to interest rate movements on a portion of its existing debt. Strategic hedging using fixed rate debt may also 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 maintain cash reserves 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 2014 | | | |
| Financial assets (excluding derivatives) | 27 499 741 596 | - | 17 610 449 |
| Derivative assets | 29 387 733 | - | 2 516 942 |
| Financial exposure to interest rate risk | 27 529 129 329 | - | 20 127 391 |
| At 31 December 2013 | | | |
| Financial assets (excluding derivatives) | 30 362 920 102 | - | 51 996 373 |
| Derivative assets | 38 454 252 | - | 1 608 396 |
| Financial exposure to interest rate risk | 30 401 374 354 | - | 53 604 769 |

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

31 December 2014

16. Financial instrument risk exposure, risk management and derivatives continued**Interest rate risk 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 2014 | | | |
| Financial liabilities (excluding derivatives) | 22 840 575 337 | 3 072 379 818 | 86 431 501 |
| Effect of interest rate swaps | 3 072 379 818 | (3 072 379 818) | - |
| Derivative liabilities | - | - | 2 516 942 |
| Financial exposure to interest rate risk | 25 912 955 155 | - | 88 948 443 |
| At 31 December 2013 | | | |
| Financial liabilities (excluding derivatives) | 26 944 974 639 | 2 425 557 210 | 74 648 488 |
| Effect of interest rate swaps | 2 425 557 210 | (2 425 557 210) | - |
| Derivative liabilities | - | - | 1 608 396 |
| Financial exposure to interest rate risk | 29 370 531 849 | - | 76 256 884 |

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

31 December 2014

16. 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 2014, recorded within derivative financial assets and derivative financial liabilities is as follows:

| Rand | 2014 | | 2013 | |
|------------------------------------|------------|-----------|------------|-----------|
| | Asset | Liability | Asset | Liability |
| Current | | | | |
| Fair value hedge | | | | |
| Interest rate swap | 8 017 837 | - | - | - |
| Non-hedged (Held for trading) | | | | |
| Forward foreign currency contracts | 2 516 942 | 2 516 942 | 1 608 396 | 1 608 396 |
| Total current derivatives | 10 534 779 | 2 516 942 | 1 608 396 | 1 608 396 |
| Non-current | | | | |
| Fair value hedge | | | | |
| Interest rate swap | 21 369 896 | - | 38 454 252 | - |
| Total non-current derivatives | 21 369 896 | - | 38 454 252 | - |

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. 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 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 components 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 2014. As a consequence, this sensitivity analysis relates to the position as at 31 December 2014 and is not representative of the year then ended as all of these varied during the course of the year.

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31 December 2014

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

Sensitivities continued

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 less than 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 R6 827 110 (2013: R4 246 530).

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 the 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.

17. Contingent liabilities and contingent assets

At 31 December 2014 and 31 December 2013 no contingent liabilities were secured on the assets of the Company.

There were no significant contingent assets in the Company at either 31 December 2014 or 31 December 2013.

18. Events occurring after end of year

There have been no material reportable events since 31 December 2014 up to the date of the report.

Notes to the financial statements

31 December 2014

19. Directors' remuneration

| Rand | 2014 |
|----------------------------|-------------------|
| At 31 December 2014 | |
| Director A | 16 306 574 |
| Director B | 9 051 087 |
| Director C | 8 778 636 |
| Director D | 5 572 759 |
| Director E | 4 456 481 |
| Director F | 4 154 763 |
| | 48 320 300 |

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