

**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 2013**

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## **Company information**

### **Directors**

S. Mayet (Chairman)  
G.G. Gomwe  
N.J. Mason-Gordon  
C. Goosen  
J.G. Williams  
K.T. Kweyama

### **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 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 2013.

**Anglo Operations Proprietary Limited**  
Secretaries

A handwritten signature in black ink, appearing to read 'D. P. P.', is written over the printed name 'Company Secretary'.

*Company Secretary*

JOHANNESBURG  
11 March 2014

## **Directors' responsibility and approval of annual financial statements**

**For the year ended 31 December 2013**

### **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 2013, 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 11 March 2014 and are signed on its behalf by:



**S. Mayet**  
Chairman



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

JOHANNESBURG  
11 March 2014

## Independent Auditor's Report

To the Shareholders of Anglo American SA Finance Limited

We have audited the 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 2013, 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 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 2013, and its financial performance and 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 2013, 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**  
Per C Dippenaar  
Partner  
Registered Auditor  
11 March 2014

National Executive: LL Barn 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 2013

The Directors have pleasure in submitting the annual financial statements of the Company for the year ended 31 December 2013.

### *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 2013 in the authorised and issued share capital of the Company. Details of the Company's authorised and issued share capital at 31 December 2013 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 2013 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 2013

Rand	Note	2013	2012
Deferred tax asset	2	701 843 889	827 082 153
External loan	3	38 101 630	34 478 736
Loans to group companies	4	14 814 131 130	15 053 317 786
Other financial assets (derivatives)	16	38 454 252	174 374 008
<b>Total non-current assets</b>		<b>15 592 530 901</b>	<b>16 089 252 683</b>
Trade and other receivables	16	51 996 373	26 489 744
External loan	3	-	866 875 885
Loans to group companies	4	3 183 334 955	7 181 954 694
Amounts due by group companies	14, 16	180 412 917	197 181 329
Other current financial assets (derivatives)	16	1 608 396	131 970 424
Cash and cash equivalents	16	12 146 939 470	6 182 722 068
Current tax asset		1 847 317	1 847 317
<b>Total current assets</b>		<b>15 566 139 428</b>	<b>14 589 041 461</b>
<b>Total assets</b>		<b>31 158 670 329</b>	<b>30 678 294 144</b>
Short term external borrowings	5	1 600 000 000	2 976 693 760
Trade and other payables	17	74 648 488	148 310 302
Deposits from group companies	6	24 533 562 106	21 156 443 585
Amounts due to group companies	14,17	12 354 349	3 840 543
Other current financial liabilities (derivatives)	17	1 608 396	40 880 779
<b>Total current liabilities</b>		<b>26 222 173 339</b>	<b>24 326 168 969</b>
Long term external borrowings	5	3 224 615 394	4 959 807 225
<b>Total non-current liabilities</b>		<b>3 224 615 394</b>	<b>4 959 807 225</b>
<b>Total liabilities</b>		<b>29 446 788 733</b>	<b>29 285 976 194</b>
<b>Net assets</b>		<b>1 711 881 596</b>	<b>1 392 317 950</b>
<b>Equity</b>			
Share capital and share premium	7	2 910 000 000	2 910 000 000
Accumulated loss		(1 198 118 404)	(1 517 682 050)
<b>Equity attributable to equity shareholder of the Company</b>		<b>1 711 881 596</b>	<b>1 392 317 950</b>



**Income Statement**

for the year ended 31 December 2013

Rand	Note	2013	2012
Interest income	8	2 479 280 928	2 884 526 807
Commitment fee income		19 257 180	2 344 903
Interest expense	9	(1 956 491 206)	(2 158 697 770)
Commitment and guarantee fees expense		(72 211 313)	(71 938 318)
Net interest income		469 835 589	656 235 622
Currency loss		(3 265 969)	(3 568)
Fair value hedge adjustment		3 625 096	7 460 802
Corporate activity costs		(21 213 637)	(13 666 091)
Loss on assignment of loan		(4 179 572)	(3 428 203 092)
<b>Profit/(loss) before taxation</b>	10	<b>444 801 507</b>	<b>(2 778 176 327)</b>
Income tax	11	(125 237 861)	777 469 825
<b>Profit/(loss) for the year</b>		<b>319 563 646</b>	<b>(2 000 706 502)</b>

**Statement of comprehensive income**

for the year ended 31 December 2013

Rand	2013	2012
Profit/(loss) for the year	319 563 646	(2 000 706 502)
<b>Total comprehensive income/(loss) for the year</b>	<b>319 563 646</b>	<b>(2 000 706 502)</b>

**Statement of changes in equity**

for the year ended 31 December 2013

Rand	Share capital	Share premium	Accumulated profit/(loss)	Total
Balance at 1 January 2012	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)
<b>Balance at 31 December 2012</b>	<b>20 100</b>	<b>2 909 979 900</b>	<b>(1 517 682 050)</b>	<b>1 392 317 950</b>
Total comprehensive income for the year	-	-	319 563 646	319 563 646
<b>Balance at 31 December 2013</b>	<b>20 100</b>	<b>2 909 979 900</b>	<b>(1 198 118 404)</b>	<b>1 711 881 596</b>

**Cash flow statement**

for the year ended to 31 December 2013

Rand	Note	2013	2012
<b>Cash flows from operating activities</b>			
Cash (outflow)/inflow from operations	12	(173 336 213)	45 932 080
Interest received		2 496 049 340	2 925 357 660
Interest paid		(1 990 256 967)	(2 221 451 740)
Income tax paid	13	-	(16 350 015)
<b>Net cash inflows from operating activities</b>		<b>332 456 160</b>	<b>733 487 985</b>
<b>Cash flows from investing activities</b>			
Decrease in external loans		863 252 991	600 592 334
Decrease/(increase) in loans to group companies		4 230 360 854	(11 351 427 243)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>5 093 613 845</b>	<b>(10 750 834 909)</b>
<b>Cash flows from financing activities</b>			
Issue of share capital		-	2 700 000 000
Decrease in long term borrowings		(1 735 191 831)	(962 978 917)
(Decrease)/increase in short term borrowings		(1 334 413 790)	2 849 206 895
Increase/(decrease) in deposits from group companies		3 377 118 521	(9 444 652 527)
Decrease/(increase) in net financial assets (derivatives)		230 634 497	(70 861 571)
<b>Net cash outflow from financing activities</b>		<b>538 147 397</b>	<b>(4 929 286 120)</b>
Net increase/(decrease) in cash and cash equivalents		<b>5 964 217 402</b>	<b>(14 946 633 044)</b>
Cash and cash equivalents at start of year		6 182 722 068	21 129 355 112
<b>Cash and cash equivalents at end of year</b>		<b>12 146 939 470</b>	<b>6 182 722 068</b>

## Notes to the financial statements

31 December 2013

### 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 2013, 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 2013. 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 2013

**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 2013

**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 2013

**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 judgement 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:

The amendments to IAS 36 *Impairment of Assets*, IAS 32 *Financial Instruments – Presentation* and to IAS 39 *Financial Instruments – Recognition and Measurement* are effective for annual periods beginning on or after 1 January 2014.



**Notes to the financial statements continued**

31 December 2013

**2. Deferred tax asset**

Rand	2013	2012
At 1 January	827 082 153	49 192 780
(Charged)/credited to income statement	(125 238 264)	777 889 373
At 31 December	701 843 889	827 082 153

Deferred taxation comprises the following:

Rand	2013	2012
Fair value adjustments	-	11 838 392
Derivatives	1 138 698	12 367 350
Other temporary differences	(1 140 681)	(1 496 843)
Unutilised estimated tax losses	701 845 872	804 373 254
	701 843 889	827 082 153

**3. External loans**

Rand	2013	2012
Long term		
Pamodzi Coal Proprietary Limited	38 101 630	34 478 736
	38 101 630	34 478 736
Short term		
Main Street 333 Proprietary Limited	-	866 875 885
	-	866 875 885
	38 101 630	901 354 621

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. 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** continued

31 December 2013

**4. Loans to group companies**

Rand	2013	2012
Long term		
<b>Fellow subsidiary companies</b>		
Anglo Platinum Management Services Proprietary Limited	9 100 000 000	6 100 000 000
Sishen Iron Ore Company Proprietary Limited	-	3 200 000 000
Anglo American Inyosi Coal Proprietary Limited	5 714 131 130	5 753 317 786
	<b>14 814 131 130</b>	<b>15 053 317 786</b>
Short term		
<b>Fellow subsidiary companies</b>		
Anglo Platinum Management Services Proprietary Limited	2 590 162 000	4 500 000 000
Sishen Iron Ore Company Proprietary Limited	568 000 000	2 669 000 000
Other companies	25 172 955	12 954 694
	<b>3 183 334 955</b>	<b>7 181 954 694</b>
	<b>17 997 466 085</b>	<b>22 235 272 480</b>

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 short term 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 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 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 continued**

31 December 2013

**5. External borrowings**

Rand	2013	2012
<b>Long term</b>		
Floating rate notes with a weighted average maturity of 3.0 years (2012: 4.0 years). Interest is payable at a weighted average rate of 3 month JIBAR plus 1.16% (2012: 1.16%).	799 058 184	798 771 454
Fixed rate bonds with a weighted average maturity of 3.6 years (2012: 4.6 years). Interest is payable semi annually at a weighted average of 9.48% (2012: 9.48%).	2 425 557 210	2 561 035 771
Bank loans drawn under long term committed facilities of R7.1 billion (2012: R8.7 billion) with interest payable at a weighted average rate of JIBAR plus 1.12% (2012: 1.41%) per annum for the relative interest period.	-	1 600 000 000
	<b>3 224 615 394</b>	<b>4 959 807 225</b>
<b>Short term</b>		
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 R11.4 billion (2012: R9.8 billion) with interest payable at a weighted average rate of JIBAR plus 1.15% (2012: 0.70%) per annum for the relative interest period.	1 600 000 000	-
	<b>1 600 000 000</b>	<b>2 976 693 760</b>
	<b>4 824 615 394</b>	<b>7 936 500 985</b>

**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
Weighted average interest rate per annum	-	7.98%

*Short term committed facilities*

Weighted average maturity	0.2 years	-
Weighted average interest rate per annum	8.07%	-

**Notes to the financial statements continued**

31 December 2013

**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% (2012: 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 or loan agreements with various external parties.

In consideration for this guarantee, AASA charges the Company a guarantee fee which amounts to 0.25% (2012: 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	2013	2012
<b>Holding company</b>		
Anglo American South Africa Limited	21 750 018 166	20 368 699 929
<b>Fellow subsidiary companies</b>		
<b>Term deposits</b>		
Newshef 480 Proprietary Limited	10 817 432	10 264 734
<b>Call deposits</b>		
Anglo American Properties Limited	23 403 752	23 274 745
Anglo Operations Proprietary Limited	1 265 732 357	71 875 081
Anglo American Inyosi Coal Proprietary Limited	589 498 202	505 562 786
Anglo American EMEA Shared Services Proprietary Limited	94 902 456	56 413 483

**Notes to the financial statements** continued

31 December 2013

**6. Deposits from group companies** continued

Rand	2013	2012
Holdac Limited	18 148 977	98 158 736
Lansan Investment Holdings Limited	2 398 749	3 054 445
De Beers Group Services Proprietary Limited	757 710 985	-
Spectrem Air Limited	20 931 030	19 139 646
	2 783 543 940	787 743 656
	24 533 562 106	21 156 443 585

At 31 December 2013, the rate of interest paid on these deposits ranged between 4.80% and 5.62% (2012: 4.80% and 5.33%) per annum.

**7. Share capital and share premium**

	Number of shares 2013	Rand 2013	Number of shares 2012	Rand 2012
<b>Authorised:</b>				
Shares of R1 each	50 000	50 000	50 000	50 000
<b>Issued:</b>				
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	2013	2012
Fellow subsidiary companies	1 836 175 992	1 963 745 513
Interest and other income	643 104 936	920 781 294
	2 479 280 928	2 884 526 807

**Notes to the financial statements continued**

31 December 2013

**9. Interest expense**

Rand	2013	2012
Committed facilities	127 672 241	136 578 150
Bonds	277 838 022	242 702 514
Term loan	290 878 651	319 214 225
Amortisation of fair value adjustments	(42 279 970)	(42 513 133)
Net settlement on debt related interest rate swaps	(144 300 127)	(130 517 795)
	<b>509 808 817</b>	<b>525 463 961</b>
Holding company	979 817 552	1 161 416 451
Fellow subsidiary companies	466 864 837	471 817 358
	<b>1 446 682 389</b>	<b>1 633 233 809</b>
	<b>1 956 491 206</b>	<b>2 158 697 770</b>

**10. Profit/(loss) before taxation**

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

Rand	2013	2012
Auditor's remuneration		
- Audit fees current year	746 806	590 382
- Other services	42 408	158 015
Fees for services		
- Administration fees to Anglo Operations Proprietary Limited	9 401 510	10 189 433
Interest rate hedging		
- Fair value movement on interest rate swaps	217 252 529	(66 332 803)
- Fair value movement on hedged interest rate risk	(220 877 625)	58 872 001
Foreign exchange forward contracts		
- Fair value through profit or loss	3 265 969	3 568

**Notes to the financial statements continued**

31 December 2013

**11. Income tax expense**

Rand	2013	2012
South African normal taxation		
Current taxation		
- Current Year	-	-
- Prior Year Adjustment	403	(419 548)
Deferred taxation (note 2)	(125 238 264)	777 889 373
<b>Total income tax (charge)/credit</b>	<b>(125 237 861)</b>	<b>777 469 825</b>

**Tax rate reconciliation**

Percentage	2013	2012
South African tax at normal rate	28.00	28.00
Prior year tax adjustment	-	-
<b>Effective tax rate</b>	<b>28.00</b>	<b>28.00</b>

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

Rand	2013	2012
Profit/(Loss) before taxation	444 801 507	(2 778 176 327)
Interest income	(2 479 280 928)	(2 884 526 807)
Interest expense	1 998 771 176	2 201 210 902
Currency loss	3 265 969	3 568
Amortisation of fair value adjustment	(42 279 970)	(42 513 133)
Fair value hedge adjustment	(3 625 096)	(7 460 802)
Loss on assignment of loan	4 179 572	3 428 203 092
(Increase) /decrease in operating receivables	(25 506 629)	45 221 955
(Decrease)/increase in operating payables	(73 661 814)	83 969 632
<b>Cash (outflow)/inflow from operations</b>	<b>(173 336 213)</b>	<b>45 932 080</b>

**13. Income tax paid**

Rand	2013	2012
Balance at start of year	1 847 317	(14 083 149)
Income tax – current taxation charge (note 11)	-	(419 549)
Balance at end of year	(1 847 317)	(1 847 317)
	-	(16 350 015)

**Notes to the financial statements continued**

31 December 2013

**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 R7 365 883 (2012: R8 144 753), was due to Anglo American South Africa Limited in respect of the year under review. As at 31 December 2013 an amount of R1 290 699 (2012: R2 047 315) was outstanding and is included in "Amounts due to group companies" on the balance sheet.

A guarantee fee, amounting to R15 400 000 (2012: R12 998 877), was due to Anglo American plc in respect of the year under review. As at 31 December 2013 an amount of R3 629 589 (2012: 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 is disclosed in note 10.

A commitment fee, amounting to R248 646 (2012: Rnil), was earned from Anglo Platinum Management Services Proprietary Limited in respect of the year under review. As at 31 December 2013 an amount of R82 663 (2012: Rnil) was outstanding and is included in "Trade and other receivables" on the balance sheet.

A commitment fee, amounting to R11 627 871 (2012: Rnil), was earned from De Beers Group Services Proprietary Limited in respect of the year under review. As at 31 December 2013 an amount of Rnil (2012: Rnil) was outstanding.

A commitment fee, amounting to R7 380 663 (2012: R2 344 903), was earned from Sishen Iron Ore Company Proprietary Limited in respect of the year under review. As at 31 December 2013 an amount of Rnil (2012: R1 613 979) 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 2013:

Rand	Interest income	Interest expense	Amounts due by group companies	Amounts due to group companies
<b>Holding company</b>				
Anglo American South Africa Limited	-	979 817 552	-	1 290 699
<b>Fellow subsidiaries</b>				
Newsheff 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 Limited	-	517 279	-	-
Spectrem Air Limited	-	942 185	-	90 230
Longmeadow Home Farm 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	-	-	-
<b>Total – Fellow subsidiaries</b>	<b>1 836 175 992</b>	<b>466 864 837</b>	<b>180 412 917</b>	<b>11 063 650</b>
<b>Total</b>	<b>1 836 175 992</b>	<b>1 446 682 389</b>	<b>180 412 917</b>	<b>12 354 349</b>

**Notes to the financial statements continued**

31 December 2013

**14. Related party transactions continued**

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
<b>Holding company</b>				
Anglo American South Africa Limited	-	1 161 416 451	-	2 047 315
<b>Fellow subsidiaries</b>				
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	-	-	-
<b>Total – Fellow subsidiaries</b>	<b>1 963 745 513</b>	<b>471 817 358</b>	<b>197 181 329</b>	<b>1 793 228</b>
<b>Total</b>	<b>1 963 745 513</b>	<b>1 633 233 809</b>	<b>197 181 329</b>	<b>3 840 543</b>

**15. Events occurring after end of year**

No significant events occurred after year ended 31 December 2013 up to the date of the report.



**Notes to the financial statements continued**

31 December 2013

**16. Financial assets**

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

Rand	2013		2012	
	Estimated Fair Values	Carrying amounts	Estimated Fair values	Carrying amounts
Loans and receivables				
Trade and other receivables	51 996 373	51 996 373	26 489 744	26 489 744
Cash and cash equivalents	12 146 939 470	12 146 939 470	6 182 722 068	6 182 722 068
Financial asset investments - external	38 101 630	38 101 630	901 354 621	901 354 621
Loans to group companies	17 997 466 085	17 997 466 085	22 235 272 480	22 235 272 480
Amounts due by group companies	180 412 917	180 412 917	197 181 329	197 181 329
At fair value through profit and loss				
Other financial assets (derivatives) <sup>(1)</sup>	40 062 648	40 062 648	306 344 432	306 344 432
<b>Total</b>	<b>30 454 979 123</b>	<b>30 454 979 123</b>	<b>29 849 364 674</b>	<b>29 849 364 674</b>

<sup>(1)</sup> Other financial assets (derivatives) comprise short term derivatives of R1 608 396 (2012: R131 970 424) and long term derivatives of R38 454 252 (2012: R174 374 008).

**17. Financial liabilities**

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

Rand	2013		2012	
	Estimated Fair Values	Carrying amounts	Estimated Fair values	Carrying amounts
Financial liabilities at amortised cost				
Trade and other payables	74 648 488	74 648 488	148 310 302	148 310 302
Current borrowings <sup>(1)</sup>	26 145 916 455	26 145 916 455	24 147 551 681	24 136 977 888
Other non-current borrowings	3 289 879 604	3 224 615 394	4 958 085 014	4 959 807 225
At fair value through profit and loss				
Other financial liabilities (derivatives) <sup>(2)</sup>	1 608 396	1 608 396	40 880 779	40 880 779
<b>Total</b>	<b>29 512 052 943</b>	<b>29 446 788 733</b>	<b>29 294 827 776</b>	<b>29 285 976 194</b>

<sup>(1)</sup> Current borrowings comprise short term borrowings of R1 600 000 000 (2012: R2 976 693 760), deposits from group companies of R24 533 562 106 (2012: R21 156 443 585) and amounts due to group companies of R12 354 349 (2012: R3 840 543).

<sup>(2)</sup> Other financial liabilities (derivatives) comprise short term derivatives of R1 608 396 (2012: R40 880 779).

**Notes to the financial statements continued**

31 December 2013

**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 2013 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
<b>At 31 December 2013</b>					
Unsecured					
Bank loans	1 600 000 000	-	-	-	1 600 000 000
Other loans	24 545 916 455	1 028 392 077	799 058 184	1 397 165 133	27 770 531 849
<b>Total borrowings</b>	<b>26 145 916 455</b>	<b>1 028 392 077</b>	<b>799 058 184</b>	<b>1 397 165 133</b>	<b>29 370 531 849</b>
<b>At 31 December 2012</b>					
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
<b>Total borrowings</b>	<b>24 136 977 888</b>	<b>1 600 000 000</b>	<b>1 862 667 650</b>	<b>1 497 139 575</b>	<b>29 096 785 113</b>

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

## Notes to the financial statements continued

31 December 2013

## 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:

	Within 1 year			1-2 years		
Rand	Fixed Interest	Floating Interest	Capital Repayment	Fixed Interest	Floating Interest	Capital Repayment
At 31 December 2013						
Bank loans and overdrafts	-	(31 825 973)	(1 600 000 000)	-	-	-
Other loans	(277 480 000)	(62 316 584)	(30 404 697 468)	(178 630 000)	(51 016 000)	(1 000 000 000)
Other non-interest bearing liabilities	-	-	(15 599 508)	-	-	-
Net settled derivatives	277 480 000	(175 356 890)	-	178 630 000	(156 239 793)	-
	-	(269 499 447)	(32 020 296 976)	-	(207 255 793)	(1 000 000 000)
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)
2-5 years						
	Fixed Interest	Floating Interest	Capital Repayment	Fixed Interest	+ 5 years Floating Interest	Capital Repayment
At 31 December 2013						
Bank loans and overdrafts	-	-	-	-	-	-
Other loans	(389 340 000)	(52 336 000)	(800 000 000)	(64 890 000)	-	(1 400 000 000)
Net settled derivatives	389 340 000	(424 567 285)	-	64 890 000	(74 658 540)	-
	-	(476 903 285)	(800 000 000)	-	(74 658 540)	(1 400 000 000)
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)

## Notes to the financial statements continued

31 December 2013

## 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	2013	2012
In one year or less	9 782 000 000	11 282 000 000
Between 1 and 2 years	-	1 818 000 000
In more than two years	7 118 000 000	3 800 000 000
	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
<b>At 31 December 2013</b>				
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

<b>At 31 December 2012</b>				
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

Rand	Financial liabilities (excluding derivatives)	Impact of currency derivatives	Derivative liabilities	Total financial liabilities exposure to currency risk
<b>At 31 December 2013</b>				
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

<b>At 31 December 2012</b>				
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

**Notes to the financial statements** continued

31 December 2013

**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
<b>At 31 December 2013</b>			
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
<b>At 31 December 2012</b>			
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

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 2013

**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:

<b>Rand</b>	<b>Floating rate borrowings</b>	<b>Fixed rate borrowings</b>	<b>Non-interest bearing borrowings</b>
<b>At 31 December 2013</b>			
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
<b>Financial exposure to interest rate risk</b>	<b>29 370 531 849</b>	<b>-</b>	<b>76 256 884</b>
<b>At 31 December 2012</b>			
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
<b>Financial exposure to interest rate risk</b>	<b>29 054 505 232</b>	<b>42 279 881</b>	<b>189 191 081</b>

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 2013

**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 2013, recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

Rand	2013		2012	
	Asset	Liability	Asset	Liability
Current				
Fair value hedges				
Interest rate swap	-	-	91 089 645	-
Non-hedged (Held for trading)				
Forward foreign currency contracts	1 608 396	1 608 396	40 880 779	40 880 779
<b>Total current derivatives</b>	<b>1 608 396</b>	<b>1 608 396</b>	<b>131 970 424</b>	<b>40 880 779</b>
Non-current				
Fair value hedges				
Interest rate swap	38 454 252	-	174 374 008	-
<b>Total non-current derivatives</b>	<b>38 454 252</b>	<b>-</b>	<b>174 374 008</b>	<b>-</b>

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 2013. As a consequence, this sensitivity analysis relates to the position as at 31 December 2013 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 2013

**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 (2012: 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 2013 and 31 December 2012 no contingent liabilities were secured on the assets of the Company.

There were no significant contingent assets in the Company at either 31 December 2013 or 31 December 2012.



**Notes to the financial statements** continued

31 December 2013

**20. Directors' remuneration**

Rand	2013
<b>At 31 December 2013</b>	
Director A	10 991 561
Director B	8 320 592
Director C	6 668 524
Director D	5 901 972
Director E	4 141 041
Director F	3 995 011
	<b>40 018 701</b>

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