8 Annual financial statements

Statement of responsibility by the Board of directors	128
Certificate of the Company Secretary	128
Audit and Risk Committee report	129
Directors' report	131
Independent auditors' report	135
Consolidated statement of financial position	136
Consolidated statement of comprehensive income	137
Consolidated statement of changes in equity	138
Consolidated cash flow statement	139
Summary of significant accounting policies	140
Notes to the consolidated annual financial statements	154
Company statement of financial position	174
Company statement of comprehensive income	175
Company statement of changes in equity	176
Company cash flow statement	177
Notes to the Company financial statements	178
Shareholder information	180
Notice of annual general meeting	182
Glossary of terms and acronyms	195
Administration and Company information	202
Form of proxy	203

Supervised by Chief Financial Officer, Martin Prinsloo CA(SA)

Statement of responsibility by the Board of directors

The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of the Royal Bafokeng Platinum Group. The financial statements presented on pages 131 to 181 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa and include amounts based on judgements and estimates made by management.

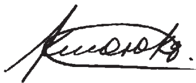
The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and International Financial Reporting Standards (IFRS) that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Group at year-end.

The directors have responsibility for ensuring that proper accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group to enable the directors to ensure that the financial statements comply with relevant legislation.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Company or any entity within the Group will not be a going concern in the foreseeable future. These financial statements support the viability of the Company and of the Group.

Board approval of financial statements

The annual financial statements for the year ended 31 December 2012 set out on pages 131 to 181. The preparation thereof was supervised by the Chief Financial Officer CA(SA) and were approved by the Board of directors on 1 March 2013 and are signed on its behalf by:



KD Moroka
Chairman

SD Phiri
Chief Executive Officer

Certificate of the Company Secretary

I, the undersigned, certify that to the best of my knowledge and in my capacity as the Company Secretary, the Company has lodged all such returns with the Companies Intellectual and Property Commission in terms of the Companies Act 71 of 2008, which came into effect on 1 May 2011.

LC Jooste
Company Secretary

1 March 2013

Audit and Risk Committee report

RBPlat's independent Audit and Risk Committee presents its report for the financial year ended 31 December 2012. The committee's duties and objectives are mandated by the Board, with specific inclusion of its responsibilities in terms of the Companies Act, 71 of 2008 and the JSE Listings Requirements which are outlined in the Corporate governance section on page 116. This allows the committee to discharge its statutory and other Board-delegated duties as outlined in this report, in keeping with the committee's terms of reference which can be found on the Company's website, www.bafokengplatinum.co.za.

Composition, meetings and assessment

The committee consists of five independent non-executive directors. The Company's three executive directors are standing invitees and attend all meetings. Closed sessions are held with key relevant parties, including internal and external audit, and private sessions of committee members only are held from time to time to ensure that confidential assessments and discussions can take place.

The committee's terms of reference prescribe that the effectiveness of the committee, its chairperson and individual members will be assessed annually. Our first evaluation, held late in 2011, was finalised early in 2012. The outcome, although positive, did highlight some areas for improvement. The key areas highlighted mainly pertained to risk and compliance, as well as the review of the Group delegation of authority framework and policy.

Our committee has made substantial progress in these areas following the results of the evaluation process, especially with the appointment of a risk and assurance executive, and the foundation has been laid for further significant progress in 2013.

Financial statements and accounting policies

The committee has assessed the integrity of the Group's accounting policies, consolidated annual financial statements and its integrated annual report for the year ended 31 December 2012 and is satisfied that they are appropriate and comply in all respects with International Financial Reporting Standards and other applicable reporting requirements. The committee supports the opinion of the Board and the external auditor with regard to the annual financial statements which have been approved by the Board and will be tabled for shareholders to approve at the next annual general meeting of the Company.

External auditor appointment and independence

The committee has satisfied itself that the external auditor was independent of the Group, which includes consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the Group and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors and the Group's non-audit services policy. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee, in consultation with executive management, agreed to the audit plan, scope and budgeted audit fees for the year under review.

The committee has nominated, for election at the annual general meeting, PricewaterhouseCoopers Inc as the external audit firm for the 2013 financial year. The committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors.

Integrated reporting and combined assurance

The committee, together with the Social and Ethics Committee, performs an oversight role with regard to the Group's integrated annual report, the reporting process and the information disclosed in the report to ensure its reasonable accuracy and consistency. The information is reviewed and ultimately interrogated by the Board at an annual workshop held in January of each year to ensure that the Board is satisfied with the integrity of the integrated annual report.

Independent assurance on the environmental, health, safety and social performance was obtained from Integrated Reporting Assurance Services (IRAS).

Governance of risk

The committee is responsible to oversee the governance of the risk management function incorporating strategic, operational, reputational, project, financial, reporting, fraud, internal control, IT governance, and legal and regulatory risks, among others. The governance of risk, as well as the necessary disclosure in this regard, is therefore one of the key responsibilities assigned to the committee by the Board. The risk management framework and policy has been revised and adopted by the Board based on the committee's recommendations and its continued implementation will be managed by the Risk and Compliance Executive, appointed in October 2012, who reports directly to the Chief Executive Officer and to the Audit and Risk Committee.

Audit and Risk Committee report (continued)

Assessment of the effectiveness of internal controls

The committee obtained assurance from the outsourced internal auditor, KPMG, that nothing has come to its attention to indicate that internal controls, including internal financial controls are not working effectively.

Internal Audit

The committee is mandated to ensure that the internal audit function is independent, properly resourced and effective within the Group. The function is outsourced to KPMG who operates within the scope of an internal audit charter and annual plan as approved by the committee. The Risk and Assurance Executive manages the day-to-day interaction with Internal Audit.

Similarly to the external audit, a non-audit services policy has been established for the internal audit providers and governs the provision of audit services outside of the internal audit scope and plan.

Evaluation of the expertise and experience of the Chief Financial Officer and the finance function

The committee has considered and satisfied itself with the appropriateness of the expertise and experience of the CFO and adequacy of resources within the finance function and with the experience of the finance team within the Group.

Going concern

Based on the results of the committee's quarterly assessment of the solvency and liquidity of the Group and the year-end going concern review, the committee is comfortable in its recommendation to the Board regarding the annual financial statements and that the Group will be a going concern for the next financial period.

Prof L de Beer

Chairman of the Audit and Risk Committee

1 March 2013

Directors' report

Principal activities and profile

Royal Bafokeng Platinum Limited (RBPlat) was incorporated in July 2008 by Royal Bafokeng Holdings (RBH), the investment arm of the Royal Bafokeng Nation (RBN).

When the Bafokeng Rasimone Platinum Mine (BRPM) Joint Venture between Royal Bafokeng Holdings and Anglo American Platinum Limited was restructured in 2009, control of the mining operations of the joint venture vested in RBPlat, which is a platinum mining vehicle for the RBN. RBPlat operates BRPM and is developing the Styldrift I Project. RBPlat's significant reserves and resources can sustain operations for at least the next 60 years.

Results and dividend

The Group's and Company's financial results are set out on pages 136 to 181. These financial statements have been prepared using appropriate accounting policies, in accordance with International Financial Reporting Standards, the Companies Act 71 of 2008 and the JSE Listings Requirements and supported by reasonable and prudent judgements where required.

In terms of the current dividend policy the directors do not intend declaring a dividend until the development of the Styldrift I Project is complete and production at that operation is at a steady state. Thereafter, a market-related dividend cover ratio is anticipated.

The dividend policy will be reviewed by the directors from time to time, in light of the prevailing business circumstances, investment decisions to be taken, working capital requirements and the available cash of the Group.

Review of the business, future developments and post statement of financial position events

The Operating context on page 8 provides details of the Group's operating environment. The Group's operational performance for 2012 is discussed on pages 34 to 55 and information on our future outlook can be found throughout the report. The Financial capital section on pages 22 to 31 and the annual financial statements (pages 131 to 181) provide a full description of our financial performance for the year.

Going concern

The directors believe that the Group has sufficient resources and expected cash flows to continue as a going concern for the next financial year.

Financial assistance

Shareholders approved the granting of financial assistance subject to the provisions of Sections 44 and 45 of the Companies Act, directly or indirectly, to present and future subsidiaries, related or interrelated parties for a period of two years commencing from the date of the resolution, passed on 3 April 2012.

Corporate governance

A report on our corporate governance and the application of the principles of King III is included on pages 108 to 125 and on our website.

Financial risk profile

RBPlat's financial risk profile and policies and its exposures to price risk, credit risk and liquidity risk are discussed on page 122 under Transparency and accountability and in Note 28 of the financial statements.

Health, safety, environment and community

Information on our health, safety and environmental performance and community participation is provided under Natural, Human and Social on pages 58 to 105.

Employee policies and involvement

The Group's policies and performance regarding employee involvement, disabled employees, labour relations and employee share schemes are provided under Remuneration on pages 118 to 119 and Human capital on pages 78 to 95.

Directors' report (continued)

Repurchase of shares

The Company has not exercised the general authority granted to it to buy back its issued ordinary shares. Shareholders will be requested to renew this authority at the next annual general meeting.

Directorate

The directors as at 31 December 2012 were:

Director	Position	First appointed	Standing for re-election	Elected or re-elected at the last AGM
Linda de Beer	Independent non-executive director	01 Jun '10		Yes
Robin Mills	Independent non-executive director	20 Sep '10	Yes	
Kgomotso Moroka	Chairman and independent non-executive director	01 Jun '10		Yes
Nico Muller	Chief Operating Officer, executive director	02 Mar '09	Yes	
David Noko	Independent non-executive director	01 Jun '10		Yes
Francis Petersen	Independent non-executive director	01 Jun '10	Yes	
Steve Phiri	Chief Executive Officer, executive director	01 Apr '10		Yes
Martin Prinsloo	Chief Financial Officer, executive director	01 Mar '09	Yes	
Mike Rogers	Non-executive director	07 Dec '09		
Matsotso Vuso	Independent non-executive director	11 Apr '11		Yes

Directors' and officers' disclosure of interests in contracts

During the period under review, no contracts were entered into in which directors and officers of the Company had an interest and which would affect the business of the Group.

Service contracts of directors and prescribed officers

The Company has not entered into any contracts other than the normal employment service contracts with executive directors and other prescribed officers.

Special resolutions

Details of the ordinary and special resolutions to be approved by shareholders at the next annual general meeting are outlined in the Notice of annual general meeting (pages 182 to 186).

Furthermore, shareholders also authorised that the Board of directors, by way of an ordinary resolution, would control all unissued ordinary shares and could allot and issue up to 5% of such shares subject to the limitations specified in the Memorandum of Incorporation (MOI) and the JSE Listings Requirements.

Subsidiary companies will also table a special resolution at their respective annual general meetings in 2013, to ensure that their revised MOIs are adopted and can be submitted for registration.

Power of the directors

Subject to RBPlat's MOI, South African legislation and to any directions given by special resolution, the business of the Group is managed by the Board which may exercise all the powers of the Group. The MOI contains specific provisions concerning the power of RBPlat to borrow money and also the power to purchase its own shares. The directors have been authorised to allot and issue ordinary shares up to a maximum of 5% of the issued share capital of the Company. These powers are exercised in terms of its MOI and resolution passed at the AGM held on 3 April 2012 and will be renewed at the AGM to be held on 17 April 2013.

Directors' emoluments and compensation

Details of directors' emoluments and related payments can be found in Note 26 of the notes to the consolidated annual financial statements on page 164.

Share capital

Full details of the authorised and issued share capital of the Company are set out in Note 13 to the consolidated annual financial statements. As at 31 December 2012, there were 165 548 067 ordinary shares in issue at a par value of R0.01 each as well as 281 957 "A1"; 281 957 "A2" and 281 957 "A3" ordinary shares also issued at R0.01 each. Treasury shares held by the Company are outlined in the notes to the annual financial statements on page 158.

Major shareholders

The following shareholders were the registered beneficial holders of 5% or more of the issued ordinary shares in the Company at 31 December 2012:

	% holding	Number of shares
Royal Bafokeng Platinum Holdings Proprietary Limited	56.57	93 653 084
Rustenburg Platinum Mines Limited	12.51	20 706 512

A table detailing an analysis of the Company's shareholding can be viewed on page 180 of the report.

Directors' interest in Royal Bafokeng Platinum Limited

	Number of shares			
	2012 Beneficial		2011 Beneficial	
	Direct	Indirect	Direct	Indirect
Nico Muller*	38 459	66 644	48 989	137 650
Steve Phiri*	148 348	87 986	99 174	144 004
Martin Prinsloo*	152 548	69 694	76 281	138 145
Total	339 355	224 324	224 444	419 799

* *Executive directors*

Share disposals

During the year under review the following directors disposed of shares on the market as follows:

	Shares	Share price	Date
Nico Muller	3 661	R59.35	11 May 2012
	339	R59.35	14 May 2012
	12 522	R51.92	28 May 2012
	12 698	R51.92	29 May 2012
	1 649	R52.27	31 May 2012
	31 000	R55.14	21 June 2012
	23 650	R54.49	22 June 2012
	28 186	R56.51	3 December 2012*
Martin Prinsloo	27 403	R56.51	3 December 2012*
Steve Phiri	50 000	R57.00	4 December 2012

Share disposals by prescribed officers and Company Secretary

	Shares	Share price	Date
Glenn Harris (General Manager BRPM)	3 000	R59.35	11 May 2012
	2 097	R51.26	29 May 2012
	26 308	R51.02	30 May 2012
Mzila Mthenjane (Executive: Business Sustainability)	1 000	R59.35	11 May 2012
	248	R59.35	21 May 2012
	5 324	R53.87	12 June 2012
Vicky Tlhabanelo (Executive: Human Resources)	11 300	R52.51	4 June 2012
Lester Jooste (Company Secretary)	700	R59.35	11 May 2012
	350	R59.35	14 May 2012
	300	R51.80	28 May 2012

* *The 28 186 and 27 403 shares sold on 3 December 2012 relate to shares awarded under the bonus share plan in 2009. Other share disposals relate to shares awarded at the time of the initial public offering*

Directors' liabilities

Directors and officers of the Group are covered by directors' and officers' liability insurance.

Directors' report (continued)

RBPlat subsidiary companies

The following companies are wholly owned subsidiaries of Royal Bafokeng Platinum Limited:

- Royal Bafokeng Resources Proprietary Limited (RBR)
- Royal Bafokeng Platinum Management Services Proprietary Limited (RBP MS)
- Bafokeng Rasimone Management Services Proprietary Limited (100% held indirectly via Royal Bafokeng Resources Proprietary Limited) (BRMS)
- Friedshelf 1408 Proprietary Limited (100% held indirectly via Royal Bafokeng Resources Proprietary Limited)

Creditor payment policy and practice

It is Group policy that payments are made in accordance with agreed terms and conditions of payment, provided that all trading terms and conditions have been met by the supplier.

Memorandum of Incorporation

RBPlat's Memorandum of Incorporation (MOI) is subject to amendment and a special resolution (see page 184 of the Notice of annual general meeting) will be tabled at the annual general meeting of shareholders. The Board charter and committee terms of reference were reviewed and amended during 2012 to align them with the Companies Act 71 of 2008, more specifically the Audit and Risk Committee and the Social and Ethics Committee.

Significant agreements

Amended BRPM Joint Venture Agreement

The BRPM Joint Venture Agreement was entered into on 12 August 2009 by the Royal Bafokeng Nation, Royal Bafokeng Resources (RBR) and Rustenburg Platinum Mines (RPM). It replaced the previous joint venture agreement concluded in August 2002. It sets out the terms and conditions on which the BRPM Joint Venture (JV) will operate and deals with matters such as establishment, duration and dissolution of the joint venture, the participating interests of the joint venture parties and their contributions to the joint venture, including mining infrastructure and mineral rights, management and control of the joint venture, minority protection for RPM, operational concerns such as the appointment of the operator, tailings, insurance, mine health and safety, environmental issues, how RPM's share of concentrate is dealt with, funding of the joint venture, the distribution policy, accounting and financial concerns, warranties, restrictions on disposals of participation interests and mining rights, dispute resolution and general or miscellaneous concerns.

Services Agreement

As part of the BRPM restructuring a services agreement was entered into between RBP MS, RBR and RPM on 9 September 2009 in terms of which RBP MS was appointed as operator of BRPM in place of Anglo Platinum Management Services Proprietary Limited (AMS) with effect from 4 January 2010. In terms of this agreement RBP MS was appointed to provide mining services as an independent contractor and as an agent of the joint venture parties.

Disposal of Concentrate Agreement

The Disposal of Concentrate Agreement regulates the terms on which RBR disposes of its share of the concentrate produced by the BRPM JV to RPM. The agreement provides for RBR's share of the concentrate produced by the BRPM JV to be sold to, and processed by RPM. RBR is responsible for delivery of the concentrate to RPM's smelting and refining facility situated at Rustenburg, the costs of which are borne by the BRPM JV. Risk and ownership passes to RPM once the concentrate leaves the gates of the concentrator plant.

RBR is obliged to sell and RPM is obliged to purchase 50% of the concentrate of the BRPM JV up until 11 August 2017, the optional termination date in terms of the Disposal of Concentrate Agreement. Thereafter, while RBR retains the right to sell 50% of the BRPM JV concentrate to RPM for the life of BRPM it is also entitled to terminate the relationship on 11 August 2017 by giving written notice by no later than 11 August 2015. Subsequent to this date it is also entitled to terminate the relationship by providing written notice two years prior to each fifth anniversary of 11 August 2017. In respect of 17% of RBR's 67% share of the concentrate, RPM is entitled to terminate the relationship after 11 August 2012 on the occurrence of certain events. None of these events have occurred or are expected to occur in the near term.

Impala Platinum Royalty Agreements

These agreements regulate the terms on which RBR and RPM dispose of their share of the UG2 ore mined by Impala Platinum from their 6 and 8 shafts and the UG2 and Merensky ore mined from their 20 shaft. A royalty equivalent to 15% of gross PGM, gold, nickel and copper revenue will be paid for the UG2 ore mined from the 6 and 8 shafts and 17.5% for UG2 ore and Merensky ore mined from the 20 shaft area.

We anticipate earning royalties from the 6 and 8 shafts agreement for approximately six years and from the 20 shaft agreement for approximately 30 years.

Property, plant and equipment

There were no changes in the nature of property, plant and equipment or in the policy regarding their use during the year under review. Property, plant and equipment was fair valued in November 2010 as part of the business combination. No impairment of property, plant and equipment has been recognised after considering the recoverable amount calculations.

Independent auditor's report

To the shareholders of Royal Bafokeng Platinum Limited

We have audited the consolidated and separate financial statements of Royal Bafokeng Platinum Limited set out on pages 136 to 179, which comprise the statements of financial position as at 31 December 2012, and the statements of comprehensive income, statements of changes in equity and statements 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 consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Royal Bafokeng Platinum Limited as at 31 December 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2012, we have read the Directors' report, the Audit Committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate 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 consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.
Director: AJ Rossouw

Registered Auditor
2 Eglin Road
Sunninghill
2157

1 March 2013

Consolidated statement of financial position

As at 31 December 2012

	Notes	Group 2012 R (million)	Group 2011 R (million)
Assets			
Non-current assets			
Property, plant and equipment	4	8 899.2	7 999.3
Mineral rights	5	6 645.0	6 700.5
Goodwill	6	2 275.1	2 275.1
Environmental trust deposits	7	103.1	92.4
Deferred tax asset	15	24.6	34.2
		17 947.0	17 101.5
Current assets			
Inventories	8	41.1	31.1
Trade and other receivables	9	1 202.4	995.7
Held-to-maturity investments	10	260.6	264.9
Current tax receivables	11	0.4	0.2
Cash and equivalents	12	649.9	1 099.2
		2 154.4	2 391.1
Total assets		20 101.4	19 492.6
Equity and liabilities			
Share capital	13	1.7	1.7
Share premium	13	7 789.0	7 759.9
Retained earnings		3 605.6	3 435.3
Share-based payment reserve	14	119.7	81.1
Non-controlling interest		3 964.6	3 859.2
Total equity		15 480.6	15 137.2
Non-current liabilities			
Deferred tax liability	15	4 112.6	4 054.1
Long-term provisions	16	62.5	58.1
		4 175.1	4 112.2
Current liabilities			
Trade and other payables	18	443.3	239.8
Current tax payable	11	2.4	3.4
		445.7	243.2
Total liabilities		4 620.8	4 355.4
Total equity and liabilities		20 101.4	19 492.6

The notes on pages 140 to 173 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Notes	Group 2012 R (million)	Group 2011 R (million)
Revenue	19	2 865.3	2 974.9
Cost of sales	22	(2 525.5)	(2 408.7)
Gross profit		339.8	566.2
Other income	20	66.9	54.8
Administrative expenses	22	(101.7)	(104.3)
Finance income	21	59.7	62.6
Finance cost	21	(3.4)	(4.9)
Profit before tax	22	361.3	574.4
Income tax expense	23	(85.6)	(163.6)
Net profit		275.7	410.8
Other comprehensive income		–	–
Total comprehensive income		275.7	410.8
Total comprehensive income attributable to:			
Owners of the Company		170.3	273.4
Non-controlling interest		105.4	137.4
		275.7	410.8
Basic earnings (cents per share)	30	104	167
Diluted earnings (cents per share)	30	104	167

The notes on pages 140 to 173 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2012

	Number of shares issued*	Ordinary shares*	Share premium*	Share-based payment reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interest	Total
		R (million)	R (million)	R (million)	R (million)	R (million)	R (million)	R (million)
Balance at 31 December 2011	163 677 799	1.7	7 759.9	81.1	3 435.3	11 278.0	3 859.2	15 137.2
Share-based payment charge	–	–	–	67.7	–	67.7	–	67.7
IPO shares vested in May 2012	417 416	–	25.9	(25.9)	–	–	–	–
2009 BSP shares vested in December 2012	55 589	–	3.2	(3.2)	–	–	–	–
Total comprehensive income	–	–	–	–	170.3	170.3	105.4	275.7
Balance at 31 December 2012	164 150 804	1.7	7 789.0	119.7	3 605.6	11 516.0	3 964.6	15 480.6
Balance at 31 December 2010	163 677 799	1.7	7 759.9	18.8	3 161.9	10 942.3	3 721.8	14 664.1
Share-based payment charge	–	–	–	62.3	–	62.3	–	62.3
Total comprehensive income	–	–	–	–	273.4	273.4	137.4	410.8
Balance at 31 December 2011	163 677 799	1.7	7 759.9	81.1	3 435.3	11 278.0	3 859.2	15 137.2

** The number of shares is net of 833 349 treasury shares relating to the Company's management share incentive scheme and the Mahube Trust as shares held by these special purpose vehicles are eliminated on consolidation*

The notes on pages 140 to 173 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December 2012

	Notes	Group 2012 R (million)	Group 2011 R (million)
Net cash flow generated by operating activities		732.6	1 025.1
Cash generated by operations	24	687.3	998.4
Interest received		64.0	48.6
Tax paid	11	(18.7)	(21.9)
Net cash flow utilised by investing activities		(1 181.9)	(1 151.1)
Proceeds from disposal of property, plant and equipment		–	0.3
Acquisitions of property, plant and equipment	4	(1 173.9)	(1 146.5)
Increase in environmental trust deposits	7	(8.0)	(4.9)
Net cash flow generated by financing activities		–	325.8
Settlement of RPM receivable		–	325.8
Net increase/(decrease) in cash and cash equivalents		(449.3)	199.8
Cash and cash equivalents at beginning of year		1 099.2	899.4
Cash and cash equivalents at end of year	12	649.9	1 099.2

The notes on pages 140 to 173 form an integral part of these consolidated financial statements.

Summary of the significant accounting policies

For the year ended 31 December 2012

1. General information

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

The principal accounting policies adopted in the preparation of the financial statements are set out in Note 2 below. Group in the financial statements refers to the Company, its subsidiaries, joint ventures and controlled special purpose entities.

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to the previous year presented, unless otherwise stated.

Basis of presentation

The consolidated financial statements have been prepared in accordance with IFRS of the International Accounting Standards Board (IASB), requirements of the South African Companies Act 71 of 2008, and the JSE Listings Requirements.

The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities which are measured at fair value. The fair value adjustment on business combination of non-current assets is deemed to be the cost of these assets.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period based on management and the Board's best knowledge of current events and actions. Actual results may ultimately differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Functional and presentation currency

These consolidated financial statements are presented in South African rand, which is the Company's functional currency. All financial information is presented in rand million, unless otherwise stated.

New and revised standards issued adopted that are relevant and effective

The Group has adopted all the new and revised standards issued that are relevant and effective for the accounting period on or after 2 January 2011.

The following standards were adopted without any significant impact to the financial statements:

> IAS 24 (Revised) *Related Party Disclosures* (effective for financial periods beginning on or after 1 January 2011)

> Amendment to International Financial Reporting Interpretations Committee (IFRIC) 14 *Pre-payments of a Minimum Funding Requirement* (effective 1 January 2011).

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published but are not effective and the Group has not early adopted them:

IAS 19 (Amendment) *Employee Benefits* (effective for financial periods beginning on/after 1 January 2013) – The amendment eliminates the option to defer the recognition of actuarial gains and losses, streamlines the presentation of changes in assets and liabilities arising from defined benefit plans including the requirement that remeasurements be presented in other comprehensive income, and enhances the disclosure requirements for defined benefit plans to provide better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. No impact expected.

IAS 27 (Revised) *Separate Financial Statements* (effective for financial periods beginning on/after 1 January 2013) – IFRS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate financial statements. The standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*. No impact expected.

IAS 28 (Revised) *Investments in Associates and Joint Ventures* (effective for financial periods beginning on/after 1 January 2013) – The new IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. No impact expected.

IAS 32 (Amendment) *Offsetting of Financial Assets and Financial Liabilities* (effective for financial periods beginning on/after 1 January 2014) – The application guidance of IAS 32 has been amended to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendments do not change the current offsetting model in IAS 32, but clarify that the right of set-off must be available today – that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also clarify that gross settlement mechanisms (such as through a clearing house) with features that both (i) eliminate

credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances. Master netting agreements where the legal right of offset is only enforceable on the occurrence of some future event, such as default of the counterparty, continue not to meet the offsetting requirements. No impact expected.

IFRS 1 (Amendment) *First-time Adoption of IFRS – Guidance on Government Loans* (effective for financial periods beginning on/after 1 January 2013). The amendment provides guidance on how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. No impact expected.

IFRS 7 (Amendment) *Financial Instruments: Disclosures* – IFRS 9 *Transitional Disclosures* (effective for financial periods beginning on/after 1 January 2015) – The amendment requires additional disclosure on the transition from IAS 39 to IFRS 9. This additional disclosure is only required when an entity adopts IFRS 9 for financial periods beginning on/after 1 January 2013. If an entity adopts IFRS 9 for financial periods beginning on/after 1 January 2012 and before 1 January 2013, the entity can either provide the additional disclosure or restate prior periods. The additional disclosure highlights the changes in classification of financial assets and financial liabilities upon the adoption of IFRS 9. The impact has not as yet been assessed.

IFRS 7 (Amendment) *Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities* (effective for financial periods beginning on/after 1 January 2013) – The amended disclosures will require more extensive disclosures than are currently required under IFRS. The disclosures focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. No impact expected.

IFRS 9 *Financial Instruments* (effective for financial periods beginning on/after 1 January 2015):

- IFRS 9, published in November 2009, addresses classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The standard requires a single impairment method to be used, replacing the numerous impairment methods in IAS 39 that arose from the different classification categories. The standard also removes the requirement to separate embedded derivatives from financial asset hosts
- IFRS 9 was amended in October 2010 to incorporate financial liabilities. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 *Financial Instruments: Recognition and Measurement*, without change, except for financial liabilities that are designated at fair value through profit or loss. The amendment introduces new requirements that address the problem of volatility in profit or loss (P&L) arising from an issuer choosing to measure its own debt at fair value. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income (OCI) section of the income statement, rather than within profit and loss
- In December 2011, the effective date of IFRS 9 was delayed. The original effective date for annual periods beginning on/after 1 January 2013 has been delayed to annual periods beginning on/after 1 January 2015. The amendment also modifies the relief from restating prior periods, in that if IFRS 9 is adopted for reporting periods: beginning before 1 January 2012, comparatives do not need to be restated nor do the additional disclosure requirements of IFRS 7 need to be provided; beginning on/after 1 January 2012 and before 1 January 2013, either the additional disclosure required by IFRS 7 must be provided or the prior periods need to be restated; beginning on/after 1 January 2013, the IFRS 7 additional disclosure is required but the entity need not restate prior periods.

The impact has not as yet been assessed.

IFRS 10 *Consolidated Financial Statements* (effective for financial periods beginning on/after 1 January 2013) – IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and supersedes IAS 27 *Consolidated and Separate Financial Statements*. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. The revised definition of control focuses on the need to have both power and variable returns before control is present. The standard provides additional guidance to assist in determination of control where this is difficult to assess. No impact expected.

IFRS 11 *Joint Arrangements* (effective for financial periods beginning on/after 1 January 2013) – IFRS 11 establishes principles for financial reporting by parties to a joint arrangement and supersedes IAS 31 *Interests in Joint Venture*. IFRS 11 classifies joint arrangements into joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The focus is no longer on the legal structure. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The impact has not as yet been assessed.

IFRS 12 *Disclosure of Interest in Other Entities* (effective for financial periods beginning on/after 1 January 2013) – IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard requires entities to disclose information that helps financial statement readers to evaluate the nature, risk and financial effects associated with the entity's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Although the impact has not as yet been assessed it will only impact disclosure.

Summary of the significant accounting policies (continued)

For the year ended 31 December 2012

1. General information (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 13 *Fair Value Measurement* (effective for financial periods beginning on/after 1 January 2013) – IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value, and sets out disclosure requirements on fair value measurements. Although the impact has not been assessed it will only impact disclosure.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective for financial periods beginning on/after 1 January 2013) – The Interpretations Committee was asked to clarify when and how to account for stripping costs (the process of removing waste from a surface mine in order to gain access to mineral ore deposits) to address diversity in practice. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. No impact expected.

Annual Improvements 2009 – 2011 Cycle (effective for financial periods beginning on/after 1 January 2013) – Improvements to IFRS is a collection of amendments to International Financial Reporting Standards (IFRSs). These amendments are the result of conclusions the Board reached on proposals made in its annual improvements project. No significant impact expected.

IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* (Amendment) (effective for financial periods beginning on/after 1 January 2013, earlier application is required if the underlying standards (IFRSs 10, 11 and 12) are early-adopted) – The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition.

The key changes in the amendment are:

- If the consolidation conclusion under IFRS 10 differs from IAS 27/SIC 12 as at the date of initial application, the immediately preceding comparative period (that is, 2012 for a calendar-year entity that adopts IFRS 10 in 2013) is restated to be consistent with the accounting conclusion under IFRS 10, unless impracticable
- Any difference between IFRS 10 carrying amounts and previous carrying amounts at the beginning of the immediately preceding annual period is adjusted to equity
- Adjustments to previous accounting are not required for investees that will be consolidated under both IFRS 10 and the previous guidance in IAS 27/SIC 12 as at the date of initial application, or investees that will be unconsolidated under both sets of guidance as at the date of initial application
- Comparative disclosures will be required for IFRS 12 disclosures in relation to subsidiaries, associates and joint arrangements. However, this is limited only to the period that immediately precedes the first annual period of IFRS 12 application. Comparative disclosures are not required for interests in unconsolidated structured entities No impact expected.

Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* (effective for financial periods beginning on/after 1 January 2014) – The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 *Consolidated Financial Statements*, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information. In response to this, the *Investment Entities* amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. No impact expected.

2. Group accounting policies

Group and Company financial statements

These consolidated financial statements incorporate the Company and its subsidiaries, controlled special purpose entities and interest in joint ventures using uniform accounting policies.

2.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Goodwill is tested annually for impairment or whenever there is an impairment indicator. Goodwill is carried at cost less accumulated impairment loss. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

In the Company financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Summary of the significant accounting policies (continued)

For the year ended 31 December 2012

2. Group accounting policies (continued)

2.2 Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group's interest in jointly controlled entities is accounted for by proportionate consolidation. The Group combines its share of the joint venture's individual income and expenses, assets and liabilities, and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gain or losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures. The Group does not recognise its share of profits from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

IFRS is not prescriptive on the change in ownership in a joint venture. The Group follows guidance of IFRS 3 to revalue all assets on a change in percentage interest. When control is assumed over a business that was previously treated as a joint venture, the event is treated as a disposal of the joint venture and a business combination. Any difference in the carrying amount of the interest in the joint venture and the fair value of the interest when control is assumed is recognised in profit and loss as a re-measurement of the previously held interest.

2.3 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Pre-production expenditure, incurred to establish or expand productive capacity, to support and maintain that productive capacity incurred on mines, is capitalised to property, plant and equipment. The recognition of costs in the carrying amount of an asset ceases when the item is in the location and condition necessary to operate as intended by management. Any net income earned while the item is not yet capable of operating as intended, reduces the capitalised amount. Interest on borrowings, specifically to finance the establishment of mining assets, is capitalised during the construction phase.

The present value of decommissioning cost, which is the dismantling and removal of the asset included in the environmental rehabilitation obligation, is included in the cost of the related assets and changes in the liability resulting from changes in the estimates are accounted for as follows:

- Any decrease in the liability reduces the cost of the asset. The decrease in the asset is limited to its carrying amount and any excess is accounted for in profit or loss
- Any increase in the liability increases the carrying amount of the asset. An increase to the cost of an asset is tested for impairment when there is an indication of impairment
- These assets are depreciated over their useful lives and are expensed in profit and loss as a cost of production.

Depreciation is calculated to write off the cost of each asset to its residual values over its estimated useful lives and residual value as reassessed on an annual basis and approximates the following:

Buildings	5 – 30 years (straight-line)
Plant and machinery	5 – 30 years (straight-line)
Vehicles and equipment	6 years (straight-line)
Computer equipment and software	3 – 5 years (straight-line)
Mining assets (shaft and development)	Units of production

Depreciation rates are reassessed annually.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds on disposal with carrying amounts and are included in operating profit.

2.4 Mineral rights

Exploration and evaluation assets acquired are initially recognised at cost, and are subsequently adjusted for accumulated amortisation on a units of production basis and impairment provision when applicable. Once commercial reserves are found, exploration and evaluation assets are transferred to assets under construction. No amortisation is charged during the exploration and evaluation phase.

For purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with the existing cash-generating units of operating mines that are located in the same geographical region. Where the assets are not associated with a specific cash-generating unit, the recoverable amount is assessed using fair value less cost to sell for the specific exploration area.

All exploration and evaluation costs incurred as part of normal operations are expensed until the Board concludes that a future economic benefit is more likely than not to be realised, i.e. probable. While the criteria for concluding that expenditure should be capitalised are always the "probability" of future benefits, the information that the Board uses to make that determination depends on the level of exploration.

- Exploration and evaluation expenditure on greenfields sites, being those where the Group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a final feasibility study has been completed, after which the expenditure is capitalised within development costs, if the final feasibility study demonstrates that future economic benefits are probable
- Exploration and evaluation expenditure on brownfields sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until the Board is able to demonstrate that future economic benefits are probable through the completion of a pre-feasibility study, after which the expenditure is capitalised as a mine development cost. A 'pre-feasibility study' consists of a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating economic factors and the evaluation of other relevant factors. The pre-feasibility study, when combined with existing knowledge of the mineral property that is adjacent to mineral deposits that are already being mined or developed, allows the Board to conclude that it is more likely than not that the Group will obtain future economic benefit from the expenditures
- Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost following the completion of an economic evaluation equivalent to a pre-feasibility study. This economic evaluation is distinguished from a pre-feasibility study in that some of the information that would normally be determined in a pre-feasibility study is instead obtained from the existing mine or development. This information when combined with existing knowledge of the mineral property already being mined or developed allows the Board to conclude that more likely than not the Group will obtain future economic benefit from the expenditures.

2.5 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision made for impairment of trade receivables is established when there is objective evidence, e.g. when amounts are overdue by more than a month, that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount, being the present value of expected cash flow, discounted at the original effective interest rates. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income as an operating expense.

2.6 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank overdraft and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.7 Stores and materials

Stores and materials are valued at the lower of cost or net realisable value, on a weighted average basis. Obsolete, redundant and slow-moving stores are identified and written down to net realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Summary of the significant accounting policies (continued)

For the year ended 31 December 2012

2. Group accounting policies (continued)

2.8 Product inventory

Product inventory consists of stockpiles of ore mined for processing at a later stage. Stockpiles are stated at the lower of cost or net realisable value. Cost is determined using the weighted average cost method. The cost of stockpiles comprises directly attributable mining costs including depreciation. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of processing to concentrate as the final product and selling expenses.

2.9 Impairment of assets

2.9.1 Non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are considered to be impaired when the higher of the asset's fair value less cost to sell and its value-in-use is less than the carrying amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds the recoverable amount.

The recoverability of the long-term mining assets is based on estimates of future discounted cash flows. These estimates are subject to risks and uncertainties including future metal prices and exchange rates. It is therefore possible that changes can occur which may affect the recoverability of the mining assets. The recoverable amounts of non-mining assets are generally determined by reference to market values. Where the recoverable amount is less than the carrying amount, the impairment is charged against income to reduce the carrying amount to the recoverable amount of the asset. The revised carrying amounts are depreciated over the remaining lives of such affected assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment previously recognised will be reversed when changes in circumstances, that have an impact on estimates, occur after the impairment was recognised. The reversal of an impairment will be limited to the lower of the newly calculated recoverable amount or the carrying amount that would have existed if the impairment had not been recognised. The reversal of an impairment is recognised in profit or loss.

2.9.2 Goodwill

Goodwill is tested annually for impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The recoverable amount of the cash-generating unit to which goodwill has been allocated is based on the higher of fair value less cost-to-sell or value-in-use derived from reserve and resource ounce valuation. Impairment write-downs on goodwill may not be reversed.

2.9.3 Financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired:

- In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less previously recognised impairment loss, is recognised as an impairment loss. Any fair value loss or reversal thereof is recognised in other comprehensive income. On disposal of available-for-sale assets, previously recognised fair value adjustments are transferred to profit and loss
- A provision for impairment of loans, receivables and advances is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the asset. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default on or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate
- The carrying amount of the trade receivable and advances is reduced through the use of a provision account, and the amount of the loss is recognised as an operating expense. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs.

2.10 Revenue recognition

Income is recognised on an accrual basis when it is both probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

Revenue from sale of products and services is brought to account when the risks and rewards of ownership transfer and it is both probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably, net of value added tax (VAT) and discounts. In terms of the Group's concentrate offtake agreement revenue is therefore recognised on the delivery of concentrate to RPM. Where material is concentrated through a tolling agreement, revenue is also recognised once that concentrate is delivered to RPM.

In terms of the agreement, the commodity prices and R:US$ exchange rates used in the calculation of the concentrate payment are based on the average daily rates for the third month following the month of delivery. Payment is due on the last day of the fourth month following delivery.

The adjustment to trade debtors to reflect the actual amount to be received for concentrate sold is recognised through revenue.

Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period of maturity, when it is probable that such income will accrue to the Group.

Dividend income is brought to account as at the last day of registration in respect of listed shares and when declared in respect of unlisted shares.

2.11 Leases

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement, and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys the right to control the asset.

Leases where the lessee assumes substantially all of the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the lower of the estimated present value of the underlying lease payments and the fair value of the asset. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term and short-term payables respectively. The interest element is expensed to profit or loss, as a finance charge, over the lease period.

Leases of assets under which substantially all the benefits and risks of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are expensed to profit or loss on the straight-line basis over the life of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.12 Financial instruments

Financial assets comprise environmental trust deposit, trade and other receivables (excluding prepaid expenses and VAT refunds), cash and cash equivalents and held to maturity investments.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables as well as held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial liabilities comprise borrowings, shareholder loan, trade and other payables and bank overdraft. The Group classifies its financial liabilities in the following categories: liabilities at fair value through profit or loss and liabilities at amortised cost.

2.12.1 Financial assets and liabilities at fair value through profit or loss

Initial recognition

Financial assets and liabilities at fair value through profit or loss are financial assets and liabilities held for trading. A financial asset and liability are classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets and liabilities in this category are classified as current assets or current liabilities. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value.

Gains or losses

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other (losses)/gains, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss as part of other income when the Group's right to receive payment is established.

Subsequent measurement

Financial assets at fair value through profit and loss are subsequently measured at the quoted current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. The financial liabilities at fair value through profit or loss are subsequently measured using valuation techniques such as discounted cash flows.

Impairment

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired.

Summary of the significant accounting policies (continued)

For the year ended 31 December 2012

2. Group accounting policies (continued)

2.12 Financial instruments (continued)

2.12.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables in the statement of financial position excluding prepaid tax, prepaid expenses and VAT refund (Note 9). Environmental trust deposit and cash and cash equivalents form part of loans and receivables. Loans and receivables are initially recognised at cost.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

2.12.3 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Available-for-sale financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Gains or losses arising from changes in the fair value of the available-for-sale financial assets category are recognised in equity. Dividend income from available-for-sale financial assets is recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of finance income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.12.4 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, and are included in non-current assets, except for those with maturities within 12 months from the reporting date which are classified as current assets.

Held-to-maturity investments are subsequently carried at amortised cost using the effective interest method less any accumulated impairment loss.

2.12.5 Borrowings (liabilities at amortised cost)

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest rate method: any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Group shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

When borrowings are utilised to fund qualifying capital expenditure, such borrowing costs that are directly attributable to the capital expenditure are capitalised from the point at which the capital expenditure and related borrowing cost are incurred until completion of construction. All other borrowing costs are charged to finance costs.

2.12.6 Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost. Metal purchase commitments are entered into as part of a financing arrangement; these commitments are accounted for, initially at fair value, and subsequently at amortised cost.

2.13 Taxation

2.13.1 Current taxation

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the statement of financial position date, and any adjustment of tax payable for previous years.

2.13.2 Deferred taxation

Deferred tax assets and liabilities are determined, using the asset and liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted before the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

2.14 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The listed market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price at reporting date.

The nominal value less estimated credit adjustments of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The carrying amounts of current financial assets and current liabilities approximate their fair values.

2.15 Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, including the share incentive trust (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Summary of the significant accounting policies (continued)

For the year ended 31 December 2012

2. Group accounting policies (continued)

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Provisions are measured using the best estimate of the expenditure required to settle the obligation i.e. the amount the Group would rationally pay to settle the obligation or transfer to a third party.

Where the effect of discounting is material, provisions are discounted to reflect the present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation. Provisions are not recognised for future operation losses.

2.18 Environmental rehabilitation obligations

These long-term obligations result from environmental disturbances associated with the Group's mining operations. Estimates are determined by independent environmental specialists in accordance with environmental regulations.

Decommissioning costs

This cost will arise from rectifying damage caused before production commences. The net present value of future decommissioning cost estimates as at year-end is recognised and provided for in full in the financial statements. The estimates are reviewed annually to take into account the effects of changes in the estimates. Estimated cash flows have been adjusted to reflect risks and timing specific to the rehabilitation liability. Discount rates that reflect the time value of money are utilised in calculating the present value.

Changes in the measurement of the liability, apart from unwinding the discount, which is recognised in profit or loss as a finance cost, are capitalised to the environmental rehabilitation asset.

Ongoing rehabilitation cost

The cost of the ongoing current programmes to prevent and control pollution is charged against income as incurred.

2.19 BRPM Environmental Rehabilitation Trust

Contributions are made to this trust fund, created in accordance with statutory requirements to provide for the estimated cost of rehabilitation during and at the end of the life of BRPM.

Deposits into the environmental trust are carried in the statement of financial position at fair value. Contributions are based on the estimated environmental obligations over the life of a mine. Interest earned on monies paid to the trust is accounted for as finance income and income earned linked to the performance of the equity linked component of the investment is included in other income. The Group has control over the trust and the special purpose entity is consolidated in the Group.

2.20 Employee benefits

Short-term employee benefits

Remuneration to employees is charged to profit or loss on an ongoing basis. Provision is made for accumulated leave, incentive bonuses and other short-term employee benefits.

Defined contribution retirement plans

Employee benefit schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations.

Employee benefits

A defined contribution plan is a pension scheme under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group operates or participates in defined contribution retirement plans for its employees. The pension plans are funded by payments from the employees and by the relevant Group companies' trustee-administered funds, and contributions to these funds are expensed as incurred. The assets of the different plans are held by independently managed trust funds. These funds are governed by the South African Pension Fund Act, 1956.

Post-employment medical obligations

The Group provides post-retirement healthcare benefits to qualifying employees and retirees. The expected costs of these benefits are accrued over the period of employment. Valuations of these obligations are carried out annually by independent qualified actuaries. Actuarial gains or losses as a result of these valuations are recognised in profit or loss as incurred.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration production and safety performance. The Group recognises a provision when contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

> Including any market performance conditions (for example, an entity's share price)
> Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, production targets and remaining an employee of the entity over a specified time period)
> Including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares or issue shares from the share incentive trust. Shares held in the share incentive trust, which is consolidated as a special purpose entity, are treated as treasury shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

For individual Company accounts, the grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2.21 Foreign exchange transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in income under other income.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

Summary of the significant accounting policies (continued)

For the year ended 31 December 2012

3. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Goodwill (Note 6)

Goodwill was calculated as the difference between the purchase consideration for the 67% interest in the BRPM joint venture and the Group's share of net assets acquired when the Group assumed control over BRPM upon listing on 8 November 2010. No goodwill was attributed to non-controlling shareholders' interest.

Goodwill is allocated to BRPM. The recoverability of goodwill was assessed using the fair value less cost to sell methodology based on the in situ value for 4E resource ounces outside the life of mine plan and the net present value of the current life of mine plan using the following assumptions:

For mineral rights included in life of mine plan and mining assets the following key real long-term life of mine prices were used:

- Platinum US$1 850 per ounce (2011: US$1 611 per ounce)
- Palladium US$994 per ounce (2011: US$671 per ounce)
- A long-term real rand/US dollar exchange rate of R8.76/US$1 (2011: R8.43/US$1)
- A real discount rate of 7.5% was used (2011: 8.3%)
- Life of mine of 30 years (2011: 30 years)

If all assumptions remain unchanged then a decrease of 7.0% (2011: 1.5%) in the sales prices will result in a break-even position. Alternatively if all assumptions remain unchanged a 2% increase in the discount rate result in a break-even position. As can be expected the margin is small as the assets were fair valued in 2010.

Mineral rights outside the life of mine plan

For in situ inferred 4E resource ounces a value of US$10 per 4E ounce (2011: US$10 per 4E ounce) was used. This was based on independent experts' view of the value of these resources at the time of the listing of the Company. Subsequent improvement in the quality of resources would have improved this value.

The recoverable amount of goodwill is based on fair value less costs to sell.

Mineral Reserves

The estimation of reserves impacts the depreciation of property, plant and equipment, the recoverable amount of property, plant and equipment and the timing of rehabilitation expenditure.

Factors impacting the determination of proved and probable reserves are:

- The grade of mineral reserves may vary significantly from time to time (i.e. differences between actual grades mined and resource model grades)
- Differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues at mine sites
- Changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates.

Carrying value of property, plant and equipment (Note 4)

The estimated useful lives of property, plant and equipment are based on the historical performance as well as expectations about the future use and therefore require a significant degree of judgement to be applied by management. The depreciation rates represent management's current best estimates of the useful lives of the assets. Residual values of the property, plant and equipment are reviewed at least annually. Adjustment will affect the depreciation charge for the reporting period.

Environmental rehabilitation obligations (Note 16)

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred and actual timing thereof in future periods can differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates can affect the carrying amount of this provision.

Estimated long-term environmental provisions, comprising pollution control, rehabilitation and mine closure, are based on the Group's environmental policy taking into account current technological, environmental and regulatory requirements. Provisions for future rehabilitation costs have been determined, based on calculations which require the use of estimates.

Key assumptions used were:

	2012	2011
Current cost estimate (R million)	164.3	156.3
Real pre-tax risk free discount rate (%)	4	4

Share-based payments

The Group has various share-based payment plans in place. All share-based payment schemes are treated as equity-settled and therefore measured on grant date.

Bonus share plan

The Company has established a bonus share plan (BSP) for its executive directors and senior managers, which is linked to the employee's annual cash bonus. The Remuneration Committee of the Company is responsible for operating the BSP.

Following the announcement of the Company's annual results, employees participating in the BSP are awarded a number of bonus shares, which constitute a specified percentage of the employee's annual cash bonus (dependent on job category). Such bonus shares are held on the employee's behalf by an escrow agent for a period of three years after their award.

Shares issued in terms of this scheme are accounted for as equity-settled share-based payments.

2010 share option plan

Certain directors and senior managers of the Company (including all of the current executive directors of the Company) have been granted options to acquire shares. The options were granted at an initial price which was linked to the J153 Platinum Index when hired. The strike price of the options was adjusted on listing in accordance with a specified formula and was linked to the Company's share price. The share options vest from year three to five from when they were granted in three equal tranches.

Mahube Trust share scheme

The Royal Bafokeng Platinum Mahube Trust (Mahube Trust) has been implemented to replace the value forfeited by qualifying BRMS employees as a result of no longer qualifying as beneficiaries of the Anglo Platinum Group Employee Share Participation Scheme (Kotula).

Permanent employees of the BRPM are employed by BRMS. Prior to the listing, BRMS was a wholly owned subsidiary of RPM and qualifying BRMS employees were beneficiaries of Kotula. In terms of the rules of Kotula and as a result of the listing, qualifying BRMS employees forfeited all their benefits under Kotula once ownership of BRMS was transferred from RPM to RBR since BRMS was no longer a member of the Anglo American Platinum group of companies. The Group created the Mahube Trust, an employee share ownership scheme for the benefit of qualifying BRMS employees to replicate the terms and structure, to the extent possible, of Kotula. The final capital distribution will take place on or about 31 March 2015 and the Mahube Trust will terminate on 31 March 2016.

Initial public offering bonus shares

The Company invited each of the executive directors and certain other employees of the Company to participate in the share offer on listing, on the basis that for each share that they subscribe for, the Company will issue them with an additional share free of charge (with the Company paying for the par value of such shares). The additional shares issued by the Company vest 18 months after the listing. The maximum number of shares for which each director and employee could subscribe to benefit from this scheme was limited based on the specific job grade.

The value of the various share-based payment schemes was calculated using the following inputs:

	2012 Bonus share plan	2011 Bonus share plan	2010 Bonus share plan	2012 Share option plan	2011 Share option plan	2010 Share option plan	Mahube Trust share scheme	Initial public offering bonus shares
Weighted average option value on grant date (Rand)	60.71	64.12	65.20	29.07	–	32.27	44.67	64.90
Weighted average share price on grant date (Rand)	57.47	64.12	65.20	57.47	–	60.25	65.12	64.90
Weighted average exercise price (Rand)	–	–	–	–	–	60.25	48.11	–
Volatility (%)	n/a	n/a	n/a	49.5 to 47.8	–	40.3 to 48.2	39.8 to 47.8	47.9
Dividend yield	–	–	–	–	–	–	–	–
Risk-free interest rate (%)	6.19	6.19	6.19	7.18 to 8.01	–	7.59 to 8.46	7.75 to 7.83	7.52
Vesting years	2015	2014	2013	2015 – 2017	2014 – 2016	2013 – 2015	2014 – 2016	8 May 2012

Refer to Note 26 for outstanding shares.

Income taxes and mining royalties

Significant judgement is required in determining the provision for income taxes and mining royalties. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determinations are made.

Notes to the consolidated annual financial statements

For the year ended 31 December 2012

4. Property, plant and equipment

	Buildings	Furniture and fittings and computer ware	Mining assets (including decommissioning asset)	Capital work in progress	Plant and machinery	Vehicles and equipment	Total
	R (million)	R (million)	R (million)	R (million)	R (million)	R (million)	R (million)
2012							
At 1 January 2012	69.5	37.8	4 679.8	2 032.2	1 166.6	13.4	7 999.3
Additions	–	0.5	–	1 173.2	–	0.2	1 173.9
Disposals and scrapping	–	–	–	–	–	–	–
Change in estimates of decommissioning asset	–	–	(0.7)	–	–	–	(0.7)
Depreciation	(4.5)	(13.1)	(136.4)	–	(112.4)	(6.9)	(273.3)
Transfers	5.9	29.6	467.2	(611.8)	102.0	7.1	–
At 31 December 2012	70.9	54.8	5 009.9	2 593.6	1 156.2	13.8	8 899.2
Cost	80.7	84.1	5 553.9	2 593.6	1 394.8	28.4	9 735.5
Accumulated depreciation	(9.8)	(29.3)	(544.0)	–	(238.6)	(14.6)	(836.3)
At 31 December 2012	70.9	54.8	5 009.9	2 593.6	1 156.2	13.8	8 899.2
2011							
At 1 January 2011	72.3	36.2	3 889.9	2 128.9	1 193.3	17.3	7 337.9
Additions	–	4.9	–	1 111.9	29.7	–	1 146.5
Disposals and scrapping	–	(0.6)	–	–	–	–	(0.6)
Change in estimates of decommissioning asset	–	–	(21.9)	–	–	–	(21.9)
Depreciation	(4.4)	(13.9)	(328.5)	–	(109.1)	(6.7)	(462.6)
Transfers	1.6	11.2	1 140.3	(1 208.6)	52.7	2.8	–
At 31 December 2011	69.5	37.8	4 679.8	2 032.2	1 166.6	13.4	7 999.3
Cost	74.8	54	5 087.4	2 032.2	1 292.8	21.1	8 562.3
Accumulated depreciation	(5.3)	(16.2)	(407.6)	–	(126.2)	(7.7)	(563.0)
At 31 December 2011	69.5	37.8	4 679.8	2 032.2	1 166.6	13.4	7 999.3

The Company has the life of mine right to use, but not ownership of assets with carrying amount of R1 244 947 580 (2011: R1 383 275 089) which is included in balances above.

Exploration and evaluation costs relating to Styldrift II incurred in the current year and included in capital WIP additions were R7.7 million (2011: R4.8 million).

5. Mineral rights

	Group	
	2012	2011
	R (million)	R (million)
Opening balance at 1 January	6 700.5	6 756.7
Amortisation (included in cost of sales)	(55.5)	(56.2)
Closing balance at 31 December	6 645.0	6 700.5
Cost	6 767.0	6 767.0
Accumulated amortisation	(122.0)	(66.5)
Closing balance at 31 December	6 645.0	6 700.5

In terms of the joint venture agreement between RPM and RBR, RPM contributed its Boschkoppie mining right and the Frischgewaagd prospecting right whilst RBR contributed its Styldrift mining right to the BRPM JV for the full BRPM life of mine. RBR therefore has an undivided 67% participation interest in these rights whilst RPM has an undivided 33% participation interest in these rights.

6. Goodwill

	Group 2012 R (million)	Group 2011 R (million)
Goodwill at cost less impairment	2 275.1	2 275.1

The goodwill originated from the deferred tax provided on the fair value of the assets over carrying amount on the obtaining of control of BRPM on date of listing of the Company (8 November 2010). Goodwill was allocated entirely to the Group's mining operation, its only segment.

Refer Note 3 for the assumptions and sensitivity thereof used in assessing the recoverable amount of goodwill.

There was no impairment of goodwill in the current financial year.

7. Environmental trust deposits

	Group 2012 R (million)	Group 2011 R (million)
Environmental trust deposit held in Standard Bank account		
Opening balance at 1 January	92.4	87.5
Interest earned on the environmental trust deposit	2.3	2.4
Increase in cash deposit during the year	4.7	2.5
Transfer to Nedbank equity linked deposit account	(97.2)	–
Closing balance at 31 December	2.2	92.4
Environmental trust deposit held in Nedbank equity linked deposit account		
Opening balance at 1 January	–	–
Transfer from Standard Bank account	97.2	–
Interest earned on the Nedbank equity linked deposit (refer Note 21)	1.0	
Fair value adjustment of the Nedbank equity linked deposit (refer Note 20)	2.7	–
Fair value at 31 December	100.9	–
Total	103.1	92.4

The Group contributes to the BRPM Environmental Rehabilitation Trust annually. The trust was created to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the mine. Contributions are determined on the basis of the estimated environmental obligation over the life of a mine. Contributions made are reflected as an environmental trust deposit. Refer Note 16 for the environmental rehabilitation provision created.

During 2012, R97.2 million of the environmental trust deposit held in a Standard Bank account was transferred to a Nedbank equity linked deposit account in order to maximise the return on this investment for the BRPM Environmental Rehabilitation Trust. According to the terms of the Nedbank equity linked deposit, the deposit amount is guaranteed and will earn a guaranteed 3% per annum (naca) interest. In addition, there is a variable return component of which R58.3 million of the R97.2 million deposit is linked to the Bettabeta CIS BGreen portfolio exchange traded fund performance and the remaining R38.9 million is linked to the FTSE/JSE Shareholder Weighted Top 40 Index performance. The Nedbank equity linked deposits have been invested for a one-year/two year/three-year/four-year/five-year period to ensure flexibility for when the cash will be required for rehabilitation. As no rehabilitation is expected to be incurred in 2013, all amounts have been included as non-current assets.

The Nedbank equity linked deposits are fair valued every month and the fair value adjustment is taken through the statement of comprehensive income as an adjustment to other income.

8. Inventories

	Group 2012 R (million)	Group 2011 R (million)
Consumables	29.5	23.3
Stockpiles	11.6	7.8
Closing balance at 31 December	41.1	31.1

All inventories are carried at cost. There is no inventory write down to net realisable value.

Notes to the consolidated annual financial statements (continued)

For the year ended 31 December 2012

9. Trade and other receivables

	Group 2012 R (million)	Group 2011 R (million)
Trade receivables (RPM concentrate debtors – refer Note 25)	1 059.9	941.8
Other receivables	62.0	53.2
VAT receivable	80.5	0.6
RPM receivable (refer Note 25)	–	0.1
Closing balance at 31 December	1 202.4	995.7

RBR entered into a disposal of concentrate agreement with RPM during 2002 in terms of which RBR's share of the concentrate of the PGMs produced by BRPM JV will be treated by RPM.

In terms of the disposal of concentrate agreement, the commodity prices and R:US$ exchange rates used in the calculation of the concentrate payment are based on the average daily rates for the third month following the month of delivery. Payment is due on the last day of the fourth month following delivery (refer Note 28 for sensitivity analysis).

Concentrate debtors are remeasured every month following delivery of the concentrate until the price is fixed at the end of the third month following delivery. In line with industry practice the remeasurement is taken through the statement of comprehensive income as an adjustment to revenue.

10. Held-to-maturity investments

	Group 2012 R (million)	Group 2011 R (million)
Investment in vested rights of the NED Investment Trust	250.0	250.0
Accrued dividends	10.6	14.9
Closing balance at 31 December	260.6	264.9

The investment in Nedbank preference shares is made through the acquisition of the vested rights in the NED Investment Trust.

RBPlat invested R250 million on 9 December 2010 on 180-day notice period earning the following dividend yield:

- R200 million earning 62% of prime nominal annual compounded semi-annually; and
- R50 million earning 61.57% of prime nominal annual compounded quarterly.

The effective rate at year-end was 5.45% (2011: 5.58%) and 5.46% (2011: 5.54%) for the two respectively. For the year ended 31 December 2012 dividends of R13.6 million (2011: R14.0 million) were earned on the Nedbank preference shares.

Notice has been given on 25 September 2012 for the R250 million investment in vested rights of the NED Investment Trust to be released on 25 March 2013.

11. Current tax payable/(receivable)

	Group 2012 R (million)	Group 2011 R (million)
The movement in the balance can be explained as follows:		
Opening balance at 1 January	3.2	(4.8)
Income tax charge	17.5	29.9
Tax refund received	–	4.8
Payment made	(18.7)	(26.7)
Closing balance at 31 December	2.0	3.2
Current tax payable/(receivable) comprises:		
Current tax receivable	(0.4)	(0.2)
Current tax payable	2.4	3.4
Closing balance at 31 December	2.0	3.2

12. Cash and cash equivalents

	Group 2012 R (million)	Group 2011 R (million)
Cash at bank and on hand	428.3	524.0
Short-term bank deposits	221.6	575.2
Closing balance at 31 December	649.9	1 099.2
The cash and cash equivalents above are split as follows:		
Cash and cash equivalents – 100% BRPM JV	311.1	383.2
Cash and cash equivalents at RBPlat – corporate office	338.8	716.0
Closing balance at 31 December	649.9	1 099.2

Facilities

Royal Bafokeng Resources (RBR) entered into a R500 million revolving credit facility (RCF) with Nedbank Capital on 8 January 2010. During 2012 the interest on the facility was renegotiated from JIBAR plus a margin of 2.85% to JIBAR plus a margin of 2.45% nominal annual compounded quarterly in arrears. The repayment date of the RCF was also extended from 31 December 2013 to 31 December 2015. In addition, the commitment fee payable by RBR was renegotiated from 0.75% of the unutilised portion of the facility to 0.625%. To date, nothing is drawn from the R500 million RCF.

The security provided in connection with the RCF includes first ranking mortgage bonds registered by RBR over its Styldrift mining right, a limited guarantee by the Company in favour of Nedbank Capital, a cession and pledge of the Company's shares in and claims against RBR as security for its obligations under the limited guarantee and a subordination by the Company of its claims against RBR in favour of Nedbank Capital. RBR also provides a cession in security pursuant to which it cedes and pledges its rights, title and interest in respect of, or connected with, BRPM and the Joint Venture Agreement. RBR can voluntarily prepay and cancel the facility at any time without penalty.

RBR may also not, without the prior written approval of Nedbank Capital, *inter alia*:

- encumber any of its assets
- make any substantial change to the nature of its business
- dispose of any assets or enter into an amalgamation, demerger, merger or corporate reconstruction (other than certain permitted disposals)
- enter into a transaction or acquisition classified as a Category 1 transaction under the JSE Listings Requirements, and
- amend any material term of a material contract including the Joint Venture Agreement and the Disposal of Concentrate Agreement although in the latter three cases Nedbank Capital's consent may not be unreasonably withheld.

If RBR undertakes any of these actions without Nedbank's prior written consent, it is obliged, if Nedbank so requires, to immediately repay the RCF.

In addition, RBR entered into a R250 million, RBPlat a R3 million and RBPlat MS a R5 million working capital facility with Nedbank Capital in September 2010. Similarly to the RCF, the terms of the working capital facilities were renegotiated and the repayment date extended to December 2015. Interest on these facilities is based on a three-month JIBAR plus a margin of 2.45% nominal annual interest compounded monthly in arrears. There are commitment fees payable on these facilities of 0.625% of the unutilised portion of the facilities. The working capital facilities will share in the same security as the R500 million RCF with the same restrictions.

At year-end RBR utilised R149.9 million (2011: R149.9 million) of its working capital facility for guarantees and RBP MS utilised R0.4 million (2011: R0.4 million) for guarantees. Refer Note 17.1 for further details.

Notes to the consolidated annual financial statements (continued)

For the year ended 31 December 2012

	Group	
	2012	2011
13. Share capital and share premium		
Authorised share capital		
250 000 000 (2011: 250 000 000) ordinary shares with a par value of R0.01 each	2 500 000	2 500 000
1 500 000 (2011: 1 500 000) "A1" ordinary shares with a par value of R0.01 each	15 000	15 000
1 500 000 (2011: 1 500 000) "A2" ordinary shares with a par value of R0.01 each	15 000	15 000
1 500 000 (2011: 1 500 000) "A3" ordinary shares with a par value of R0.01 each	15 000	15 000
Total authorised share capital	2 545 000	2 545 000
	R	R
Issued ordinary share capital		
The movement in the issued share capital of the Company is as follows:		
Opening balance 163 677 799 (2011: 163 677 799) ordinary shares with a par value of R0.01	1 636 778	1 636 778
424 985 (2011: 330 521) ordinary shares issued as part of management share incentive scheme	4 250	3 305
417 416 IPO shares vested in May 2012	4 174	–
55 589 BSP shares vested in December 2012	–	–
Less: Treasury shares		
424 985 (2011: 330 521) ordinary shares issued as part of the management share incentive scheme	(4 250)	(3 305)
Total 164 150 804 (2011: 163 677 799) ordinary shares	1 640 952	1 636 778
Issued "A1", "A2", "A3" ordinary share capital		
Opening balance 845 871 (2011: 845 871) "A" ordinary shares issued to the Mahube Trust	8 459	8 459
"A1" and "A2" and "A3" ordinary shares issued on equal parts of 281 957 each		
Less: Treasury shares		
845 871 "A" ordinary shares issued to the Mahube Trust	(8 459)	(8 459)
Total 845 871 (2011: 845 871) "A" ordinary shares	–	–
	R (million)	R (million)
Share premium		
Opening balance	7 759.9	7 759.9
424 985 (2011: 330 521) ordinary shares issued as part of the Company's management share incentive scheme	24.6	21.5
IPO shares vested in May 2012	25.9	–
BSP shares vested in December 2012	3.2	–
Less: Treasury shares		
424 985 (2011: 330 521) ordinary shares issued as part of the management share incentive scheme	(24.6)	(21.5)
Total share premium	7 789.0	7 759.9

The "A" ordinary shares were issued to the Mahube Trust as part of the Company's employee share ownership plan and these "A" ordinary shares are not listed.

The "A" ordinary shares are treated as treasury shares as the Mahube Trust is consolidated as a special purpose vehicle.

During the year 424 985 (2011: 330 521) ordinary shares were issued as part of the Company's management staff incentive scheme.

	Group	
	2012	2011
	R (million)	R (million)

14. Share-based payment reserve

The movement on the other reserves can be attributed to the following:

	2012 R (million)	2011 R (million)
Opening balance at 1 January	81.1	18.8
Share-based payment charge	67.7	62.3
IPO shares vested in May 2012	(25.9)	–
BSP shares vested in Nov 2012	(3.2)	–
Closing balance at 31 December	119.7	81.1

Refer Note 3 for critical accounting estimates and assumptions used for the RBPlat share schemes.

15. Deferred tax

Deferred income tax is calculated in full on the temporary differences under the liability method using the principal tax rate of 28%. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against the tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	Group	
	2012	2011
	R (million)	R (million)
Deferred tax comprises:		
Deferred tax asset	(24.6)	(34.2)
Deferred tax liability	4 112.6	4 054.1
Closing balance at 31 December	4 088.0	4 019.9

The movement on the deferred tax is as follows:

	Mineral rights	Property, plant and equipment	Provisions	Other	Total
	R (million)	R (million)	R (million)	R (million)	R (million)
2012					
At 1 January 2012	1 876.1	2 168.3	(33.9)	9.4	4 019.9
Charged to statement of comprehensive income	(15.5)	72.3	2.9	8.4	68.1
At 31 December 2012	1 860.6	2 240.6	(31.0)	17.8	4 088.0
2011					
At 1 January 2011	1 892.5	2 005.0	(35.5)	24.2	3 886.2
Charged to statement of comprehensive income	(16.4)	163.3	1.6	(14.8)	133.7
At 31 December 2011	1 876.1	2 168.3	(33.9)	9.4	4 019.9

Tax losses, included in RBP MS not recognised as deferred tax assets, amount to R45.7 million (2011: Rnil).

Of the above, approximately R3 742.5 million (2011: R3 661.1 million) will realise after 12 months.

Notes to the consolidated annual financial statements (continued)

For the year ended 31 December 2012

	Group	
	2012	2011
	R (million)	R (million)
16. Long-term provisions		
Restoration and rehabilitation opening balance at 1 January	57.2	72.5
Unwinding of discount	3.4	4.9
Change in estimate of provision taken to statement of comprehensive income	1.7	(6.2)
Change in estimate of provision taken to decommissioning asset	(0.7)	(14.0)
Restoration and rehabilitation closing balance at 31 December	61.6	57.2
Other provisions	0.9	0.9
Closing balance at 31 December	62.5	58.1
Current cost estimate of restoration and rehabilitation	164.3	156.3

Refer Note 3 for critical accounting estimates and assumptions used in the environmental rehabilitation obligation calculation.
Refer Note 7 for the environmental trust deposits made to fund this estimate and Note 17.1 for guarantees issued to fund the remainder.

	Group	
	2012	2011
	R (million)	R (million)
17. Contingencies and commitments		
17.1 Guarantees issued		
Royal Bafokeng Resources Proprietary Limited, a wholly owned subsidiary of RBPlat, granted the following guarantees:		
Eskom to secure power supply for Styldrift project development (performance guarantee 30823102)	17.1	17.1
Eskom early termination guarantee for Styldrift (performance guarantee 31160603)	17.5	17.5
Eskom connection charges guarantee for Styldrift (performance guarantee 31173918)	40.0	40.0
Anglo American Platinum for the rehabilitation of land disturbed by mining activities at BRPM (financial guarantee 31247601)	75.3	75.3
Security guarantee in favour of Nedbank Capital in respect of the funding facility. Refer Note 12 for further details	–	–
Royal Bafokeng Platinum Management Services Proprietary Limited, a wholly owned subsidiary of RBPlat, granted the following guarantees:		
Tsogo Sun guarantee arising from lease agreement (financial guarantee 31101003)	0.3	0.3
Tsogo Sun guarantee arising from lease agreement (financial guarantee 31100309)	0.1	0.1
Total guarantees issued at 31 December	150.3	150.3
17.2 Guarantees received from Anglo American Platinum		
For Anglo American Platinum's 33% of the Eskom guarantee to secure power supply for Styldrift project development (performance guarantee M523084)	(5.6)	(5.6)
For Anglo American Platinum's 33% of Eskom early termination guarantee for Styldrift (performance guarantee M529349)	(5.8)	(5.8)
For Anglo American Platinum's 33% of the Eskom connection charges guarantee for Styldrift (performance guarantee M529350)	(13.2)	(13.2)
Total guarantees received at 31 December	(24.6)	(24.6)

Refer to Note 16 for rehabilitation provision relating to guarantee to DMR.

	2012	2011
17.3 Capital commitment in respect of property, plant and equipment		
Commitments contracted for	499.0	771.9
Approved expenditure not yet contracted for	7 903.9	8 737.9
Total	8 402.9	9 509.8

The commitments reflect 100% of the BRPM JV project commitments. Effectively RBR must fund 67% thereof and RPM the remaining 33%. Should either party elect not to fund their share, the participation interest in BRPM JV will be diluted according to the terms reflected in the BRPM JV agreement.

17. Contingencies and commitments (continued)

17.4 Operating commitments

The Group leases offices for its corporate office in Johannesburg and for BRPM's finance function in Rustenburg under operating lease agreements. The corporate office lease term is five years and it is renewable at the end of the lease period at market rates. The finance office lease in Rustenburg is renewable year-on-year at market rates.

The future aggregate lease payments under these operating leases are as follows:

	Group	
	2012	2011
	R (million)	R (million)
No later than one year	1.6	1.7
Later than one year and no later than five years	4.9	6.5
Total	6.5	8.2

17.5 Tax contingency

On 31 January 2013 Royal Bafokeng Resources Proprietary Limited (RBR) received notice from the South African Revenue Services (SARS) that they have completed an audit of RBR's 2008 to 2010 tax assessments and that they intend re-opening these assessments to effect certain proposed adjustments. These proposed adjustments primarily relate to SARS intending to disallow interest on shareholder's loans amounting to R586 million previously deducted by RBR and allowed by SARS in the 2008 and 2009 income tax assessments. RBR has enlisted independent advice regarding this matter and, based upon the consultation to date, remains confident that it would be successful in defending this matter.

	Group	
	2012	2011
	R (million)	R (million)
18. Trade and other payables		
Trade and other payables	443.3	238.0
VAT payable	–	1.8
Total	443.3	239.8
19. Revenue		
Revenue from concentrate sales – production from BRPM concentrator	2 720.9	2 846.6
Revenue from UG2 toll concentrate	144.4	128.3
Total	2 865.3	2 974.9

Revenue and concentrate debtors are fair valued every month following the month of delivery of concentrate to Rustenburg Platinum Mines Limited (RPM) until the price is fixed in the third month following delivery. In line with industry practice the fair value adjustment is recognised in revenue.

This means that revenue reflected for the financial years above includes the revaluation of the October, November and December concentrate deliveries of the previous year and the current year's October, November and December concentrate deliveries are remeasured at year-end at the average prices for December. The realised prices for a specific financial year will only be finalised in January, February and March of the following financial year as the prices for deliveries for the last three months of the financial year are then fixed.

	Group	
	2012	2011
	R (million)	R (million)
20. Other income		
Net income from settlement of intercompany balances with RPM	–	28.9
Impala royalty (Group resources mined by Impala Platinum Limited)	61.8	24.9
Fair value adjustment of the Nedbank equity linked deposit (refer Note 7)	2.7	–
Other income	2.4	1.0
Total	66.9	54.8

Notes to the consolidated annual financial statements (continued)

For the year ended 31 December 2012

	Group	
	2012	2011
	R (million)	R (million)
21. Net finance income		
The net finance income consists of the following:		
Interest received on environment trust deposit (refer Note 7)	3.3	2.4
Interest received on bank accounts	42.8	46.2
Dividend income	13.6	14.0
Total finance income	59.7	62.6
Unwinding of discount on decommissioning and restoration provision	(3.4)	(4.9)
Total finance cost	(3.4)	(4.9)
Net finance income	56.3	57.7
22. Profit before tax		
Included in the profit before taxation are the following items:		
On-mine costs:		
– Labour	753.1	673.9
– Utilities	171.1	144.5
– Contractor costs	478.4	377.0
– Movement in inventories	(3.9)	23.3
– Materials and other mining costs	648.0	614.8
– Elimination of intergroup management fee	(33.3)	(31.5)
State royalties	9.6	14.1
Depreciation – Property, plant and equipment	272.1	462.1
Amortisation – Mineral rights	55.5	56.2
Share-based payment expenses	43.6	33.1
Social and labour plan expenditure	126.9	35.8
Other	4.4	5.4
Total cost of sales	2 525.5	2 408.7
Administration expenses consists of the following corporate office expenses:		
Advisory fees	4.9	5.7
Legal fees	0.9	1.2
Loss on sales and scrapping of fixed assets	–	0.3
Employee costs (including directors' emoluments)	56.4	43.1
Mahube Trust expenditure	1.1	1.1
Depreciation of RBP MS non-current assets	1.2	0.5
Nedbank revolving credit facility commitment fee	1.6	3.3
Fees for guarantees	2.0	1.4
Share-based payment expense	24.1	29.2
Directors' and officers' liability insurance – general	0.7	0.4
Industry membership contributions	1.6	0.5
Rent for corporate office	2.0	1.7
Other	5.2	15.9
Total administration expenses	101.7	104.3
External and internal audit fees for the Group		
External and internal audit fees included in profit before tax		
External audit fees		
– Fees for audit	1.6	2.1
– Other fees	0.3	0.1
	1.9	2.2
Internal audit fees	1.0	0.9

	Group	
	2012	2011
	R (million)	R (million)

23. Income tax expense

	2012 R (million)	2011 R (million)
Income tax	(17.5)	(29.9)
Deferred tax		
– Current tax	(68.1)	(133.7)
	(85.6)	(163.6)
Tax rate reconciliation:		
Profit before tax	361.3	574.4
Tax calculated at a tax rate of 28%	(101.2)	(160.8)
Non-deductible expenses	–	(6.9)
Non-taxable income	10.8	4.1
Prior year's adjustment	14.4	–
Tax loss not recognised	(9.6)	–
	(85.6)	(163.6)
Effective tax rate (%)	23.7	28.44

An unredeemed capital allowance of R640.2 million (2011: R281.5 million) is carried over to 2013.

24. Cash generated by operations

Cash generated by operations is calculated as follows:

	2012 R (million)	2011 R (million)
Profit before tax	361.3	574.4
Adjustment for:		
Depreciation	273.3	462.6
Amortisation	55.5	56.2
Share-based payment	67.7	62.3
Equity linked return on the environmental trust deposit	(2.7)	–
Finance cost	3.4	4.9
Finance income	(59.7)	(62.6)
Increase in rehabilitation provision	1.7	1.7
Loss on sales and scrapping of fixed assets	–	0.3
	700.5	1 099.8
Changes in working capital	(13.2)	(101.4)
(Increase)/decrease in inventories	(10.0)	17.3
(Increase)/decrease in trade and other receivables	(206.7)	63.0
Increase/(decrease) in trade and payables	203.5	(181.7)
Cash generated by operations	687.3	998.4

25. Related party transactions

The Group is controlled by Royal Bafokeng Platinum Holdings Proprietary Limited (incorporated in South Africa), which owns 56.57% of RBPlat's shares. Rustenburg Platinum Mines Limited (RPM) owns 12.51% of RBPlat's shares and the remaining 30.92% of the shares are widely held. RPM also holds the remaining 33% participation interest in the BRPM JV. The Group's ultimate parent is Royal Bafokeng Holdings Proprietary Limited (incorporated in South Africa) (RBH). RBH is an investment holding company with a large number of subsidiaries. At present, RBR sells its 67% share of the concentrate produced by BRPM JV to RPM for further processing by RPM. Refer to the Directors' report for further details of significant contracts with RPM.

Investments in subsidiaries and the BRPM Joint Venture and the degree of control exercised by the Company are:

	Issued capital amount		Interest in capital	
	R	R	%	%
Name	2012	2011	2012	2011
Direct investment				
Royal Bafokeng Platinum Management Services Proprietary Limited	1 000	1 000	100	100
Royal Bafokeng Resources Proprietary Limited	320	320	100	100
Indirect investment via Royal Bafokeng Resources Proprietary Limited				
Bafokeng Rasimone Management Services Proprietary Limited	1 000	1 000	100	100
BRPM JV – participation interest	–	–	67	67
Friedshelf 1408 Proprietary Limited	100	–	100	–

Transactions between the Company, its subsidiaries and joint venture are eliminated on consolidation. Refer Note 17.1 and 17.2 for related party guarantees.

Notes to the consolidated annual financial statements (continued)

For the year ended 31 December 2012

25. Related party transactions (continued)

The following transactions were carried out with related parties:

	Group	
	2012	2011
	R (million)	R (million)
BRPM Joint Venture balances at 31 December:		
Amount owing by RPM for concentrate sales (Refer Note 9)	1 059.9	941.8
Amount owing to RPM for contribution to BRPM JV (working capital nature)	223.1	37.5
Amount owing to RPM in respect of service level agreements with RPM (Refer Note 9)	–	0.1
There were no balances with other related parties.		
BRPM Joint Venture transactions:		
Concentrate sales to RPM (Refer Note 19 and Directors' report)	2 865.3	2 974.9
Fellow subsidiary transactions:		
Transactions with Fraser Alexander for rental of mining equipment, maintenance of tailings dam and operation of sewage plant (a subsidiary of RBH)	20.6	15.6
Impala Platinum Limited for royalty income (an associate of RBH) (Refer Directors' report)	61.8	24.9
Geoserve Exploration Drilling Company for exploration drilling on Boschkoppie and Styldrift (a subsidiary of RBH)	15.6	15.5
Trident South Africa Proprietary Limited for steel supplies (a subsidiary of RBH)	5.7	–
Tarsus Technologies for electronic equipment purchases (a subsidiary of RBH)	3.5	0.8
Zurich Insurance Company of SA for underwriting a portion of BRPM insurance (was an associate of RBH)	–	0.7
Royal Marang Hotel for accommodation and conferences (a subsidiary of RBH)	0.3	0.5

Details relating to key management emoluments (prescribed officers), share options and shareholdings in the Company are disclosed in Note 26.

26. Emoluments and compensation

Directors' emoluments and related payments for 2012

	Date appointed	Directors' fee	Basic salary	Retirement benefits	Other benefits	Discretionary performance bonuses	Total
		R	R	R	R	R	R
2012							
Executive directors							
Steve Phiri	1 Apr '10	–	2 768 860	586 627	95 433	2 502 600	5 953 520
Martin Prinsloo	1 Mar '09	–	2 338 071	212 298	103 355	2 042 375	4 696 099
Nico Muller	2 Mar '09	–	2 194 994	312 598	97 392	1 898 960	4 503 944
Non-executive directors*							
Kgomotso Moroka	1 Jun '10	1 249 798	–	–	–	–	1 249 798
Linda de Beer	1 Jun '10	433 753	–	–	–	–	433 753
Robin Mills	20 Sep '10	439 465	–	–	–	–	439 465
David Noko	1 Jun '10	565 495	–	–	34 200**	–	599 695
Francis Petersen	1 Jun '10	415 000	–	–	–	–	415 000
Mike Rogers	7 Dec '09	468 531	–	–	30 000**	–	498 531
Matsotso Vuso	11 Apr '11	344 065	–	–	–	–	344 065
Total		3 916 107	7 301 925	1 111 523	296 180	6 443 935	19 069 670

* *Non-executive director fees are paid on a quarterly basis and their fees accrued for the year was approved at the annual general meeting held on 3 April 2012*

** *Fee paid for ad hoc meetings where specialised services were rendered by the respective directors*

26. Emoluments and compensation (continued)

Senior management emoluments and related payments for 2012

	Date appointed	Basic salary	Retirement benefits	Other benefits	Discretionary performance bonuses*	Retention bonus	Total
		R	R	R	R	R	R
2012							
Senior management							
Vicky Tlhabanelo	1 Apr '10	1 731 078	359 056	21 960	1 244 358	–	3 356 452
Mzila Mthenjane	1 Apr '09	1 855 571	151 367	105 157	1 201 132	–	3 313 227
Glenn Harris	4 Jan '10	1 950 788	248 190	23 086	1 308 016	–	3 530 080
Neil Carr	1 Dec '10	1 712 860	376 715	126 395	1 060 009	–	3 275 979
Velile Nhlapo	1 Feb '12	1 862 610	150 845	15 000	–	–	2 028 455
Reg Haman	1 Oct '12	438 758	49 000	12 242	–	–	500 000
Total		9 551 665	1 335 173	303 840	4 813 515	–	16 004 193

** Discretionary performance bonuses were considered when the 2011 financial results were finalised in February 2012*

Directors' emoluments and related payments for 2011

	Date appointed	Directors' fee	Basic salary	Retirement benefits	Other benefits	Discretionary performance bonuses	Total
		R	R	R	R	R	R
2011							
Executive directors							
Steve Phiri	1 Apr '10	–	2 636 080	518 313	94 243	3 000 000	6 248 636
Martin Prinsloo	1 Mar '09	–	2 180 246	194 949	113 810	2 307 084	4 796 089
Nico Muller	2 Mar '09	–	2 077 496	256 711	116 062	2 268 432	4 718 701
Non-executive directors*							
Kgomotso Moroka	1 Jun '10	1 190 000	–	–	–	–	1 190 000
Linda de Beer	1 Jun '10	413 000	–	–	–	–	413 000
Robin Mills	20 Sep '10	415 000	–	–	–	–	415 000
David Noko	1 Jun '10	535 000	–	–	–	–	535 000
Francis Petersen	1 Jun '10	415 000	–	–	–	–	415 000
Mike Rogers	7 Dec '09	445 000	–	–	–	–	445 000
Matsotso Vuso	11 Apr '11	234 821	–	–	–	–	234 821
Total		3 647 821	6 893 822	969 973	324 115	7 575 516	19 411 247

** Non-executive director fees are paid on a quarterly basis*

Senior management emoluments and related payments for 2011

	Date appointed	Basic salary	Retirement benefits	Other benefits	Discretionary performance bonuses	Retention bonus	Total
		R	R	R	R	R	R
2011							
Senior management							
Vicky Tlhabanelo	1 Apr '10	1 673 560	273 594	39 241	1 836 204	–	3 822 599
Mzila Mthenjane	1 Apr '09	1 720 703	155 159	105 103	1 836 204	–	3 817 169
Glenn Harris	4 Jan '10	1 825 312	231 953	15 240	521 136	2 071 000	4 664 641
Neil Carr	1 Dec '10	1 490 606	303 256	134 217	–	–	1 928 079
Total		6 710 181	963 962	293 801	4 193 544	2 071 000	14 232 488

Notes to the consolidated annual financial statements (continued)

For the year ended 31 December 2012

26. Emoluments and compensation (continued)

Interest in RBPlat share schemes for directors, officers, senior executives and managers

	Share options awarded**	Award date	Strike price	Award value	Vesting dates	Vesting amount
			R	R		%
As of 31 December 2012						
Executive and non-executive directors						
Steve Phiri	297 521	1 Apr '10	60.50	18 000 021	1 Apr '13, '14, '15	33
Martin Prinsloo	241 047	1 Mar '09	36.30	8 750 006	1 Mar '12, '13, '14	33
Nico Muller	224 544	1 Jan '09	40.08	8 999 724	1 Jan '12, '13, '14	33
Senior management						
Vicky Tlhabanelo	72 727	1 Apr '10	60.50	4 399 984	1 Apr '13, '14, '15	33
Mzila Mthenjane	132 696	1 Apr '09	46.13	6 121 266	1 Apr '12, '13, '14	33
Glenn Harris	59 525	4 Jan '10	60.50	3 601 263	4 Jan '13, '14, '15	33
Velile Nhlapo	164 725	1 Feb '12	57.09	9 404 150	1 Feb '15, '16, '17	33
Neil Carr*	72 519	1 Dec '10	65.50	4 749 995	1 Dec '13, '14, '15	33
Reg Haman	163 599	1 Oct '12	48.90	7 999 991	1 Oct '15, '16, '17	33
Lester Jooste (Company Secretary)	40 756	1 Jul '10	55.21	2 250 139	1 Jul '13, '14, '15	33

** Share options topped up by 14 504 to adjust for equitable pay of officer as a consequence of the implementation of the approved remuneration policy*
*** Share options are issued to eligible employees at the date of joining the Company at the applicable market valuation or market share price*

	Bonus scheme shares	Award date	Issue price	Award value	Vesting dates	Vesting amount
			R	R		%
As of 31 December 2012						
Executive and non-executive directors						
Steve Phiri	44 830	18 Feb '11	66.92	3 000 024	18 Feb'14	100
	43 156	1 Apr '12	57.99	2 502 616	1 Apr '15	100
Martin Prinsloo	34 475	18 Feb '11	66.92	2 307 067	18 Feb '14	100
	35 219	1 Apr '12	57.99	2 042 350	1 Apr '15	100
Nico Muller	33 898	18 Feb '11	66.92	2 268 454	18 Feb '14	100
	32 746	1 Apr '12	57.99	1 898 940	1 Apr '15	100
Senior management						
Vicky Tlhabanelo	27 439	18 Feb ' 11	66.92	1 836 218	18 Feb '14	100
	26 823	1 Apr '12	57.99	1 555 465	1 Apr '15	100
Mzila Mthenjane	27 439	18 Feb '11	66.92	1 836 218	18 Feb '14	100
	24 368	1 Apr '12	57.99	1 413 100	1 Apr '15	100
Glenn Harris	15 096	1 Apr '11	62.95	950 293	1 Apr '14	100
	22 556	1 Apr '12	57.99	1 308 022	1 Apr '15	100
Neil Carr	22 849	1 Apr '12	57.99	1 325 014	1 Apr '15	100
Lester Jooste (Company Secretary)	10 385	3 Dec '10	60.50	628 293	3 Dec '13	100
	11 548	1 Apr '12	57.99	669 669	1 Apr '15	100

26. Emoluments and compensation (continued)

	IPO scheme shares matched by the Company at par value	Award date	Issue price	Award value	Shares sold	Balance	Value of balance of shares
			R	R			R
As of 31 December 2012							
Executive directors							
Steve Phiri	99 174	8 Nov '10	60.50	6 000 027	25 000	74 174	4 487 527
Martin Prinsloo	76 276	8 Nov '10	60.50	4 614 698	–	76 276	4 614 698
Nico Muller	74 989	8 Nov '10	60.50	4 536 835	74 989	–	–
Senior management							
Vicky Tlhabanelo	27 273	8 Nov '10	60.50	1 650 017	11 300	15 973	966 636
Mzila Mthenjane	16 529	8 Nov '10	60.50	1 000 005	6 572	9 957	602 398
Glenn Harris	31 405	8 Nov '10	60.50	1 900 003	31 405	–	–
Lester Jooste (Company Secretary)	11 901	8 Nov '10	60.50	720 011	1 350	10 551	638 336

For details of each sale please see page 133 and for previous year's sales please see the 2011 integrated annual report.

Total share incentive scheme shares issued to date

	Opening balance	Closing balance	Total number of "A1", "A2" and "A3" ordinary shares	Deemed strike price	Issue dates	Vested	Vesting dates	Vesting amount
				R				%
IPO scheme shares	417 416	–	–	60.50	8 Nov '10	417 416	8 May '12	100
Share options issued to date	2 015 028	3 295 986	–	*	*	254 753	*	33 over three years
Bonus scheme shares								
2009 allocations	–	55 589	–	57.48	3 Dec '09	55 589	3 Dec '12	100
2010 allocations	55 589	133 432	–	65.00	1 Dec '10	–	1 Dec '13	100
2011 allocations	133 432	463 953	–	66.92	18 Feb '11 and		18 Feb 2014 and	100
				62.95	1 Apr '11	–	1 April '14	100
2012 allocations	463 953	888 938	–	57.99	1 Apr '12	–	1 Apr '15	100
Mahube share incentive scheme shares	563 914	563 914	845 871	65.12	27 Jan '10	–	**	**

* *Share options are issued to eligible employees at the date of joining the Company at the applicable market valuation (historically) or market share price and therefore range from R36.30 to R70.00 from January 2009 to December 2012. The options vest at a rate of one third after the third, fourth and fifth anniversary dates*

** *See page 166*

In terms of the shareholders' approval obtained on 3 September 2010, the Company was authorised to issue in terms of its share plans the following shares:

- Up to 750 000 ordinary shares in respect of the IPO scheme
- Up to 3 000 000 ordinary shares in respect of the share option scheme
- Up to 3 250 000 in respect of the bonus share plan
- Up to 650 000 ordinary shares in respect of the Mahube Trust. In addition to the ordinary shares to be issued by the Mahube Trust, the 1 500 000 "A1", 1 500 000 "A2", 1 500 000 "A3" ordinary shares have been set aside specifically for this scheme.

The share option scheme limits have been reached and an ordinary resolution will be tabled at the annual general meeting to authorise the Company and allow it to use up to 6% of the current issued share capital for all share plans operated by the Company, which equates to 9 932 884 ordinary shares.

Furthermore, a new scheme is being introduced for executive and general management, the salient features of which can be found on page 83. The scheme is being introduced to align the share plan with King III recommendations in terms of linking such long-term incentives to performance. Similarly, following the Board's approval and the JSE Limited's approval in respect thereof, another ordinary resolution will be tabled for shareholders to approve such scheme.

Notes to the consolidated annual financial statements (continued)

For the year ended 31 December 2012

27. Dividends

No dividends have been declared or proposed in the current year (2011: nil).

28. Financial risk management

28.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out in terms of policies approved by the Audit and Risk Committee and the Board of directors, which set guidelines to identify, evaluate and hedge financial risks in close cooperation with the Group's operating unit. The Audit and Risk Committee and the Board provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative instruments, and investment of excess liquidity.

Categories of financial instruments and fair value

The following table represents the Group's assets and liabilities that are measured at fair value (all financial instruments are carried at amortised cost except for the environmental trust deposit which is carried at fair value):

		Carrying amount		Fair values	
		2012	2011	2012	2011
	Notes	R (million)	R (million)	R (million)	R (million)
Financial assets					
Environmental trust deposit	7	103.1	92.4	103.1	92.4
Trade and other receivables	9	1 121.9	995.1	1 121.9	995.1
Held-to-maturity investments	10	260.6	264.9	260.6	264.9
Cash and cash equivalents	12	649.9	1 099.2	649.9	1 099.2
Total financial assets		2 135.5	2 451.6	2 135.5	2 451.6
Financial liabilities					
Trade and other payables	18	443.3	238.0	443.3	238.0
Total financial liabilities		443.3	238.0	443.3	238.0

28. Financial risk management (continued)

28.1 Financial risk factors (continued)

28.1.1 Market risk

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar as the BRPM JV concentrate revenue is impacted by the R:US$ exchange rate. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. It is anticipated that foreign currency purchases of mining equipment for the Styldrift project will increase significantly in 2013 and 2014.

Royal Bafokeng Resources entered into a disposal of concentrate agreement with RPM during 2002 in terms of which RBR's 67% share of the concentrate of the PGMs produced by the BRPM JV will be treated by RPM.

In terms of the agreement, the commodity prices and R:US$ exchange rates used in the calculation of the concentrate payment are based on the average daily rates for the third month following the month of delivery. Payment is due on the last day of the fourth month following the month of delivery.

Revenue and concentrate debtors are remeasured every month following the month of delivery until the price is fixed in the third month. In line with industry practice the remeasurement is recognised in revenue.

Sensitivity analysis

Foreign exchange risk sensitivity analysis presents the effect of a 10% change in the year-end exchange rate on financial instruments in the statement of financial position, statement of comprehensive income and therefore equity.

		Statement of financial position		Statement of comprehensive income	
		2012	2011	2012	2011
	Notes	R (million)	R (million)	R (million)	R (million)
Financial assets					
Trade and other receivables still subject to price fluctuations		791.9	647.0	±79.2	±64.7
Trade and other receivables not subject to price fluctuations		268.0	294.8	–	–
Total	9	1 059.9	941.8	±79.2	±64.7

Notes to the consolidated annual financial statements (continued)

For the year ended 31 December 2012

28. Financial risk management (continued)

28.1 Financial risk factors (continued)

28.1.1 Market risk (continued)

Commodity price risk

Commodity price risk refers to the risk of changes in fair value or cash flows of financial instruments as a result of the changes in commodity prices. It is specifically applicable to the concentrate debtor (RPM).

In terms of the disposal of concentrate agreement between RBR and RPM the commodity prices and R:US$ exchange rates used in the calculation of the concentrate payment are based on the average daily rates applicable for the third month following the month of delivery, leaving the Group exposed to the commodity price and exchange rate fluctuations until the price is fixed in the third month following the delivery month. Payment is due on the last day of the fourth month following the delivery month.

Revenue and concentrate debtors are remeasured every month following the delivery month until prices are fixed in the third month. In line with industry practice, the remeasurement is recognised in revenue.

Sensitivity analysis

Commodity price risk sensitivity analysis presents the effect of a 10% change in the year-end commodity price on financial instruments in the statement of financial position, statement of comprehensive income and therefore equity.

		Statement of financial position		Statement of comprehensive income	
		2012	2011	2012	2011
	Note	R (million)	R (million)	R (million)	R (million)
Financial assets					
Trade and other receivables still subject to price fluctuations		791.9	647.0	±79.2	±64.7
Trade and other receivables not subject to price fluctuations		268.0	294.8	–	–
Total	9	1 059.9	941.8	±79.2	±64.7

Cash flow and fair value interest rate risk

The Group is exposed to cash flow interest rate risk in respect of its floating rate financial assets and liabilities. The Group monitors its exposure to fluctuating interest rates. Cash and cash equivalents are primarily invested with short-term maturity dates, which expose the Group to cash flow interest rate risk. The Group does not have any fixed rate financial instruments which could expose it to fair value interest rate risk.

Sensitivity analysis

Interest rate risk sensitivity analysis presents the effect of 100 basis points up and down in the interest rate in financial instruments in the statement of comprehensive income.

		Statement of financial position		Statement of comprehensive income	
		2012	2011	2012	2011
	Note	R (million)	R (million)	R (million)	R (million)
Financial assets					
Environmental trust deposits	7	103.1	92.4	±1.0	±1.0

28.1.2 Credit risk

Credit risk arises from the risk that the financial asset counterpart may default or not meet its obligations timeously. The maximum exposure to the credit risk is represented by the carrying amount of all the financial assets. The potential concentration of credit risk could arise in cash and cash equivalents, trade receivables and other financial assets.

The Group's trade debtor credit risk is limited to one customer as all metals in concentrate are sold to Rustenburg Platinum Mines Limited (RPM). RPM has never defaulted on meeting its obligation. The value of the receivable at year-end was R1 059.9 million (2011: R941.8 million). The credit risk relates to overall risk of the Anglo American Platinum Group, the world's largest platinum producer.

With regard to the cash resources, the Group is exposed to the credit risk of the Nedbank Group, Standard Bank and FirstRand Bank Limited. At year-end, the Group invested R250 million (2011: R250 million) in Nedbank preference shares and had R115.3 million (2011: R235.2 million) on call with Nedbank, R120.5 million (2011: R474.6 million) on call with FirstRand Bank Limited and R311 million (2011: R383 million) on call with Standard Bank. All these banks have a credit rating of at least AA- (zaf).

Default for reporting purposes is measured as payments outstanding for more than four months. Interest is charged at prime rate on late payments.

No financial assets were past due for the current or the comparative periods under review. No terms relating to financial assets have been renegotiated resulting in assets not being past due.

28.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Board aims to maintain flexibility in funding by keeping committed and uncommitted credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash investments) (Notes 10 and 12) on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within one year equal their carrying amount as the impact of discounting is insignificant.

		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	Notes	R (million)	R (million)	R (million)	R (million)
2012					
Trade and other payables (excluding VAT)	18	443.3	–	–	–
2011					
Trade and other payables (excluding VAT)	18	238.0	–	–	–

28.1.4 Capital risk management

The Group defines total capital as 'equity' in the statement of financial position plus debt. At present no debt is included as the Group has not drawn down on its external debt facilities. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

28.1.5 Fair value determination

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs (level 3).

The only financial asset or liability carried at fair value is the equity linked component of the BRPM Environmental Trust deposit. This was valued using the level 2 fair values which are directly derived from the Shareholders Weighted Top 40 Index (SWIX 40) on the JSE and the Bettabeta CIS BGreen portfolio exchange traded fund.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012.

	Notes	Level 1	Level 2	Level 3
2012				
Environmental trust deposits	7	–	103.1	–
2011				
Environmental trust deposits	7	–	–	–

Notes to the consolidated annual financial statements (continued)

For the year ended 31 December 2012

29. Segmental reporting

The Group is currently operating one mine with two decline shafts and the Styldrift I Project. The BRPM operation is treated as one operating segment.

The Executive Committee of the Company is regarded as the chief operating decision-maker.

	BRPM	
	2012	2011
	R (million)	R (million)
Concentrate sales	2 865.3	2 974.9
Cash cost of sales	(2 050.6)	(1 802.4)
Depreciation	(170.9)	(357.1)
Other operating income	64.9	29.0
Share-based payment expenses (non-cash)	(43.6)	(33.1)
Other operating expenditure	(127.5)	(68.6)
Net finance income	10.3	5.2
Segmental profit before tax	547.9	747.9
Additional depreciation on purchase price allocation (PPA) adjustment and amortisation	(156.7)	(161.2)
Overheads of corporate office and royalties	(111.3)	(104.3)
Consolidation adjustments	33.9	10
Other income and net finance income	47.5	82
Finance cost	–	–
Profit before tax per the statement of comprehensive income	361.3	574.4
Taxation	(85.6)	(163.6)
Non-controlling interest	(105.4)	(137.4)
Contribution to basic earnings	170.3	273.4
Contribution to headline earnings	170.3	273.7
Segment assets	7 109.1	6 626.8
PPA adjustment to carrying amount of PPE (includes mineral rights)	9 268.4	9 407.1
Corporate assets and consolidation adjustments (includes goodwill)	3 723.9	3 458.7
Total assets per the statement of financial position	20 101.4	19 492.6
Segment liabilities	249.3	245.1
Corporate liabilities and consolidation adjustments	256.6	52.8
Unallocated liabilities (tax and deferred tax)	4 115.0	4 057.5
Total liabilities per the statement of financial position	4 620.9	4 355.4
Capital expenditure	1 173.9	1 146.5

30. Earnings per share

The weighted average number of ordinary shares in issue outside the Group for the purposes of basic earnings per share and the weighted average number of ordinary shares for diluted earnings per share are calculated as follows:

	GROUP	
	2012	2011
	R (million)	R (million)
Number of shares issued	165 548 067	165 123 082
Mahube Trust	(563 914)	(563 914)
Management incentive scheme	(1 306 354)	(881 369)
Number of shares issued outside the Group	163 677 799	163 677 799
Adjusted for weighted shares issued during the year	282 910	–
Weighted average number of ordinary shares in issue for earnings per share	163 960 709	163 677 799
Management incentive scheme	139 362	462 537
Weighted average number of ordinary shares in issue for diluted earnings per share	164 100 070	164 140 336
Profit attributable to owners of the Company R (million)	170.3	273.4
Basic earnings per share (cents/share)	104	167
Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the year by the weighted average number of ordinary shares in issue for earnings per share		
Diluted earnings per share (cents/share)	104	167
Diluted earnings per share is calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all diluted potential ordinary shares		
Headline earnings		
Profit attributable to owners of the Company is adjusted as follows:		
Profit attributable to owners of the Company R (million)	170.3	273.4
Adjustment net of tax:	–	–
Loss on disposal of property, plant and equipment R (million)	–	0.3
Headline earnings R (million)	170.3	273.7
Basic headline earnings (cents per share)	104	167
Diluted headline earnings (cents per share)	104	166

Company statement of financial position

As at 31 December 2012

		Company	
		2012	2011
	Notes	R (million)	R (million)
Assets			
Non-current assets			
Investment in subsidiaries	2	6 819.2	6 819.2
Current assets			
Held-to-maturity investments	3	260.6	264.9
Prepayments		3.1	0.9
Intercompany loans		537.9	227.7
Current tax receivable	4	0.3	0.2
Cash and cash equivalents		324.8	580.1
		1 126.7	1 073.8
Total assets		7 945.9	7 893.0
Equity and liabilities			
Share capital	5	1.7	1.7
Share premium	5	7 848.9	7 819.8
Share-based payment reserve		35.8	40.8
Retained earnings		59.5	30.0
		7 945.9	7 892.3
Current liabilities			
Accruals		–	0.7
Total equity and liabilities		7 945.9	7 893.0

The notes on pages 178 to 179 form an integral part of these financial statements.

Company statement of comprehensive income

For the year ended 31 December 2012

	Notes	Company 2012 R (million)	Company 2011 R (million)
Dividend income		13.6	14.0
Finance income		28.4	32.0
Other income		2.0	0.7
Administration expenses		(9.0)	(7.8)
Profit before tax		35.0	38.9
Income tax expense	6	(5.5)	(6.9)
Profit for the year		29.5	32.0
Other comprehensive income		–	–
Total comprehensive income		29.5	32.0

The notes on pages 178 to 179 form an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2012

	Number of shares issued	Ordinary shares	"A" ordinary shares	Share premium	Share-based payment reserve	Retained earnings	Total
		R (million)	R (million)	R (million)	R (million)	R (million)	R (million)
Balance at 31 December 2011	165 087 584	1.7	–	7 819.8	40.8	30.0	7 892.3
Share-based payment charge	–	–	–	–	24.1	–	24.1
IPO shares vested May 2012	417 416	–	–	25.9	(25.9)	–	–
2009 BSP vested in December 2012	55 589	–	–	3.2	(3.2)	–	–
Total comprehensive income for the year	–	–	–	–	–	29.5	29.5
Balance at 31 December 2012	165 560 589	1.7	–	7 848.9	35.8	59.5	7 945.9
Balance at 31 December 2010	165 087 584	1.7	–	7 819.8	11.6	(2.0)	7 831.1
Share-based payment charge	–	–	–	–	29.2	–	29.2
Total comprehensive income for the year	–	–	–	–	–	32.0	32.0
Balance at 31 December 2011	165 087 584	1.7	–	7 819.8	40.8	30.0	7 892.3

The notes on pages 178 to 179 form an integral part of these financial statements.

Company cash flow statement

For the year ended 31 December 2012

	Notes	Company 2012 R (million)	Company 2011 R (million)
Cash generated by operations	7	14.2	9.6
Finance income		28.4	32.0
Dividends received		17.9	
Income tax paid		(5.6)	(6.8)
Net cash flow utilised by operating activities		54.9	34.8
Increase in held-to-maturity investments		–	–
Net cash flow generated by investing activities		–	–
Related party loans granted		(310.2)	(53.5)
Net cash flow (utilised)/generated by financing activities		(310.2)	(53.5)
Net decrease in cash and cash equivalents		(255.3)	(18.7)
Cash and cash equivalents at beginning of year		580.1	598.8
Cash and cash equivalents at end of year		324.8	580.1

The notes on pages 178 to 179 form an integral part of these financial statements.

Notes to Company financial statements

For the year ended 31 December 2012

1. General information, basis of preparation and accounting policies

The general information, basis of preparation and accounting policies are disclosed on pages 140 to 153 and the Directors' report.

	Company	
	2012	2011
	R (million)	R (million)
2. Investment in subsidiaries		
Investment in subsidiaries		
Investment in subsidiaries is accounted for at cost less any impairment provision in the Company's financial statements.		
Investments in unlisted companies at cost:		
Direct investment in subsidiaries consists of:		
1 000 ordinary shares with a par value of R1 each in Royal Bafokeng Platinum Management Services Proprietary Limited (100% interest)	–	–
320 ordinary shares with a par value of R1 each in Royal Bafokeng Resources Proprietary Limited (100% interest)	6 819.2	6 819.2
	6 819.2	6 819.2
Indirect investment in subsidiaries consists of:		
Bafokeng Rasimone Management Services Proprietary Limited (100%)		
All subsidiaries are incorporated in South Africa.		
The 67% participation interest in the BRPM Joint Venture is held by Royal Bafokeng Resources Proprietary Limited.		
3. Held-to-maturity investments		
Investment in vested rights of the NED investment Trust	250.0	250.0
Accrued dividends	10.6	14.9
	260.6	264.9

The investment in Nedbank preference shares is made through the acquisition of the vested rights in the NED Investment Trust.

RBPlat invested R250 million on 9 December 2010 on a 180-day notice period earning the following dividend yield:

> R200 million earning 62% of prime nominal annual compound semi-annually

> R50 million earning 61.57% of prime nominal annual compound quarterly.

For the year ended 31 December 2012 dividends of R13.6 million (2011: R14.0 million) was earned on the Nedbank preference shares.

Notice has been given on 25 September 2012 for the R250 million investment in vested rights of the NED Investment Trust to be released on 25 March 2013.

4. Current tax receivable

The movement in the balance can be explained as follows:

	2012 R (million)	2011 R (million)
Opening balance at 1 January	(0.2)	(0.3)
Income tax charge	5.5	6.9
Tax refund received	–	0.3
Payment made	(5.6)	(7.1)
Closing balance at 31 December	(0.3)	(0.2)

	Company	
	2012	2011

5. Share capital and share premium

The authorised and issued share capital of the Company is as follows:

	2012	2011
Authorised share capital		
250 000 000 (2011: 250 000 000) ordinary shares with a par value of R0.01 each	2 500 000	2 500 000
1 500 000 (2011: 1 500 000) "A1" ordinary shares with a par value of R0.01 each	15 000	15 000
1 500 000 (2011: 1 500 000) "A2" ordinary shares with a par value of R0.01 each	15 000	15 000
1 500 000 (2011: 1 500 000) "A3" ordinary shares with a par value of R0.01 each	15 000	15 000
Total authorised share capital	2 545 000	2 545 000
Issued ordinary share capital	R	R
Opening balance 164 241 713 (2011: 164 241 713) ordinary shares with a par value of R0.01 each	1 642 417	1 642 417
424 985 (2011: 330 521) ordinary shares issued as part of the management share incentive scheme	4 250	3 305
417 416 IPO shares vested in May 2012	4 174	–
55 589 BSP shares vested in December 2012	556	–
Less: Treasury shares		
424 985 (2011: 330 521) ordinary shares issued as part of the management share incentive scheme	(4 250)	(3 305)
Total 164 714 718 (2011: 164 241 713) ordinary shares	1 647 147	1 642 417
Issued "A1", "A2", "A3" ordinary shares		
Opening balance 845 871 (2011: 845 871) "A1", "A2", "A3" ordinary shares with a par value of R0.01 each	8 459	8 459
Total 845 871 (2011:845 871) "A1", "A2", "A3" ordinary shares	8 459	8 459
Share premium	R (million)	R (million)
Opening balance	7 819.8	7 819.8
424 985 (2011: 330 521) ordinary shares issued as part of the management share incentive scheme	24.6	21.5
IPO shares vested in May 2012	25.9	–
BSP shares vested in December 2012	3.2	–
Less: Treasury shares		
424 985 (2011: 330 521) ordinary shares issued as part of the management share incentive scheme	(24.6)	(21.5)
Total	7 848.9	7 819.8

The "A" ordinary shares were issued to the Mahube Trust as part of the employee share ownership plan and these "A" ordinary shares are not listed.

424 985 ordinary shares were issued on 1 April 2012 (2011: 330 521) as part of the Company's management incentive scheme.

6. Income tax expense

	2012	2011
Income tax	5.5	6.9
Tax rate reconciliation:		
Profit before tax	35.0	38.9
Tax calculated at a tax rate of 28%	(9.8)	(10.9)
Non-deductible expenses	–	–
Non-taxable income	4.3	4.0
	(5.5)	(6.9)
Effective tax rate (%)	15.7	17.7

7. Cash generated by operations

	2012	2011
Profit before tax	35.0	38.9
Finance income	(42.0)	(46.0)
Share-based payment expenses	24.1	29.2
(Decrease) in accruals	(0.7)	(11.6)
Increase in prepayments	(2.2)	(0.9)
Cash generated by operations	14.2	9.6