ARM
African Rainbow Minerals

COMPANY ANNUAL FINANCIAL STATEMENTS 2016

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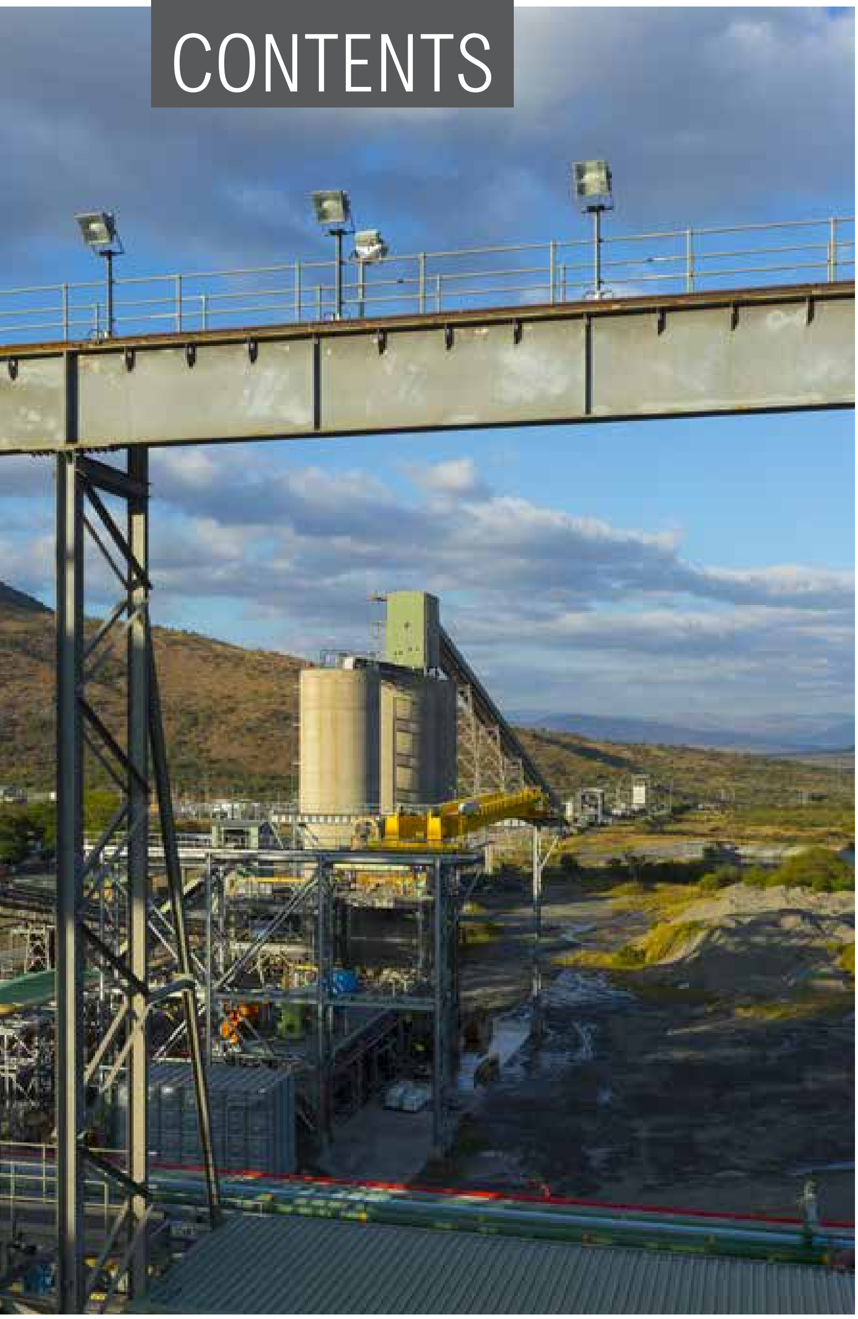

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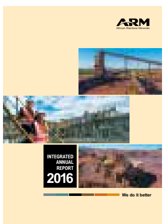
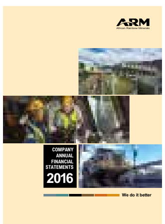


Company Annual Financial Statements



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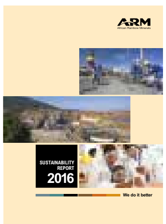

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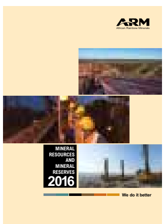

King III Checklist

REFERENCES

CF Company Annual Financial Statements 2016

IAR Integrated Annual Report 2016

www.arm.co.za

All monetary values in this report are given in South African Rands unless otherwise stated. Rounding of figures may result in computational discrepancies on management and operational review tabulations.

DIRECTORS' RESPONSIBILITY

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Directors of African Rainbow Minerals Limited (ARM or the Company) are responsible for the overall coordination of the preparation and fair presentation to shareholders of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act 71 of 2008, as amended. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Audit and Risk Committee has confirmed that effective systems of internal control and risk management are being maintained. There were no breakdowns in the functioning of the internal financial control systems during the year, which had a material impact on the Company annual financial statements. A description of the Audit and Risk Committee's functions is included in these Company Annual Financial Statements.

The Board considers that in preparing the financial statements the most appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates in accordance with IFRS. The Directors are satisfied that the annual financial statements of the Company fairly present the results of operations and the financial position for the Company at year-end and that the additional information included in these Company Annual Financial Statements is accurate and consistent with the financial statements.

The responsibility of the external auditor, Ernst & Young Inc., is to express an independent opinion on the fair presentation of the annual financial statements based on their audit of the Company. The Audit and Risk Committee has satisfied itself that the external auditor was independent.

The annual financial statements on pages 1 to 67 were approved by the Board of Directors of the Company and are signed on its behalf by:

Patrice Motsepe
Executive Chairman

Mike Schmidt
Chief Executive Officer

Johannesburg
12 October 2016

CERTIFICATE OF THE COMPANY SECRETARY

In my capacity as Company Secretary, I hereby confirm, to the best of my knowledge and belief, that in terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, for the year ended 30 June 2016, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission all such returns and notices which are required for a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Alyson D'Oyley
Company Secretary

Johannesburg
12 October 2016

REPORT OF THE AUDIT AND RISK COMMITTEE

This report is provided by the Audit and Risk Committee appointed in respect of the F2016 financial year of ARM in compliance with Section 94 of the Companies Act 71 of 2008, as amended (the Companies Act).

Information on the membership and composition of the Audit and Risk Committee, its Terms of Reference and its procedures is described more fully in the Corporate Governance Report on pages 164 to 165 of the 2016 Integrated Annual Report.

EXECUTION OF FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has executed its duties and responsibilities during the financial year in accordance with its Terms of Reference as they relate to ARM's accounting, internal auditing, internal control, risk and financial reporting practices.

During the year under review:

In respect of the external auditor and the external audit, the Audit and Risk Committee, *inter alia*:

> identified Mr L I N Tomlinson through the partner rotation and succession process to succeed Mr E A L Botha as the designated auditor and recommended to shareholders that Mr Tomlinson be appointed as the designated auditor for the financial year ended 30 June 2016;
> recommended to shareholders that Ernst & Young Inc. be re-appointed as the external auditor and that Mr L I N Tomlinson be re-appointed as the designated auditor for the financial year ending 30 June 2017;
> ensured that the appointment of the external auditor complied with the Companies Act and all applicable legal and regulatory requirements for the appointment of the external auditor. The Audit and Risk Committee confirmed that the external auditor and designated auditor are accredited by the JSE;
> approved the external audit plan and the budgeted audit fees payable to the external auditor;
> reviewed and evaluated the effectiveness of the external auditor and its independence;
> obtained and accepted an annual written statement from the auditor that its independence was not impaired;
> determined the nature and extent of all non-audit services provided by the external auditor; and
> pre-approved all permissible non-audit services provided by the external auditor in terms of its Policy on the Approval of Audit Services and the Pre-approval of Non-Audit Services.

In respect of the financial statements, the Audit and Risk Committee, *inter alia*:

> confirmed the going concern status of the Company as the basis of preparation of the interim, provisional and annual financial statements;
> examined and reviewed the interim, provisional and annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by the Board;
> ensured that the annual financial statements fairly present the financial position of the Company as at the end of the financial year and the results of operations and cash flows for the financial year of the Company, in accordance with International Financial Reporting Standards and the requirements of the Companies Act;
> considered accounting treatments, significant unusual transactions and accounting judgements;
> considered the appropriateness of the accounting policies adopted and changes thereto;
> reviewed the Independent Auditor's Report;
> in terms of the letter from the JSE Limited on the Proactive Monitoring Process dated 15 February 2016, considered the JSE's report entitled "Reporting Back on Proactive Monitoring of Financial Statements of 2015";
> considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements;
> considered management's recommendation to the Board on the dividend paid to shareholders; and
> met separately with management, the external auditor and the internal auditor.

In respect of internal control and internal audit, the Audit and Risk Committee, *inter alia*:

> reviewed and approved the annual internal audit plan and evaluated the independence, effectiveness and performance of the internal auditor;
> reviewed significant issues raised by the internal audit process and the adequacy of corrective action in response to significant internal audit findings;
> considered the reports of the internal auditor and external auditor on the Company's systems of internal control, including financial controls, business risk management and maintaining effective internal control systems:
  – the internal auditor's report on internal financial controls for the year ended 30 June 2016, based on negative assurance, delivered an assessment of "Acceptable with room for improvement." The internal auditor specifically confirmed that, based on the scope of their assignment, no material break down in internal financial controls had come to their attention; and
  – the internal auditor's report on internal controls and enterprise risk management for the year ended 30 June 2016, based on negative assurance, delivered an assessment of "Acceptable with room for improvement." Based on their scope, the internal auditor confirmed that no material breakdown in internal controls had come to their attention.
> has considered the effectiveness of the systems of internal financial controls of the Company taking into consideration reports by management and the above-mentioned reports by the internal auditor thereon and have also considered the reports by the external auditor on the annual financial statements; and

- based on the above, concluded that nothing had come to its attention that would suggest that the internal financial controls were not effective for the year ended 30 June 2016. In addition, the Audit and Risk Committee has considered the accounting practices and the annual financial statements of the Company and consider these to be fair and reasonable.

In respect of risk management, the Audit and Risk Committee, in its oversight role of the Management Risk and Compliance Committee:

- reviewed the Enterprise Risk Management Framework setting out ARM's policies and processes on risk assessment and risk management and implementation thereof throughout the Company;
- ensured that the Company has applied a Combined Assurance Model in support of a coordinated approach to all assurance activities;
- reviewed the communication of risks to stakeholders in the Integrated Annual Report; and
- considered and reviewed the findings and recommendations of the Management Risk and Compliance Committee.

In respect of legal and regulatory requirements to the extent that they may have an impact on the financial statements, the Audit and Risk Committee, *inter alia*:

- reviewed with management and, to the extent deemed necessary, internal and/or external counsel, legal matters that could have a material impact on the Company;
- discharged those statutory obligations of an audit committee as prescribed by Section 94 of the Companies Act;
- monitored complaints received via ARM's whistleblowers' hotline, including complaints or concerns regarding accounting matters, internal audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters; and
- considered reports provided by management, the internal auditor and the external auditor regarding compliance with legal and regulatory requirements.

The Audit and Risk Committee also considered the experience and expertise of the Financial Director and concluded that these were appropriate.

QUALIFICATIONS OF AUDIT AND RISK COMMITTEE MEMBERS[1]

Audit and Risk Committee member[2]	Academic qualifications	Other ARM Board Committees[3]	Date first appointed to ARM Board	Date first appointed to Audit and Risk Committee
T A Boardman (Chairman)	BCom, CA(SA)	Member of the Remuneration Committee	1 February 2011	1 February 2011
F Abbott	BCom, CA(SA), MBL	Member of the Investment Committee and the Remuneration Committee	30 April 2004	4 December 2015
Dr M M M Bakane-Tuoane	BA (Econ & Stats), MA (Econ), PhD (Econ)	Chairman of the Remuneration Committee and a member of the Nomination Committee and the Social and the Ethics Committee	30 April 2004	4 July 2008
A D Botha	BCom (Marketing), BProc, BCom (Hons), SEP (Stanford)	Member of the Investment Committee and the Remuneration Committee	1 August 2009	9 June 2010
A K Maditsi	BProc, LLB, H Dip Co Law, LLM	Lead Independent Non-executive Director, Chairman of the Nomination and the Non-executive Directors' Committee and a member of the Investment Committee, the Remuneration Committee and the Social and Ethics Committee	30 April 2004	12 July 2004
Dr R V Simelane	BA (Econ and Acc), MA, PhD (Econ), LLB	Chairman of the Social and Ethics Committee and a member of the Nomination Committee	30 April 2004	12 July 2004

1 *The curricula vitae of the Audit and Risk Committee members may be found on pages 201 to 203 of the 2016 Integrated Annual Report.*
2 *All of the current members of the Audit and Risk Committee are Independent Non-executive Directors.*
3 *All of the Audit and Risk Committee members are members of the Non-executive Directors' Committee.*

REPORT OF THE AUDIT AND RISK COMMITTEE continued

INDEPENDENCE OF EXTERNAL AUDITOR

The Audit and Risk Committee is satisfied that Ernst & Young Inc. is independent of ARM. The conclusion was arrived at, *inter alia*, after taking into account the following factors:

> representations made by Ernst & Young Inc. to the Audit and Risk Committee;

> the external auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the Company;

> the external auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor; and

> the external auditor's independence was not prejudiced as a result of any previous appointment as auditor.

Following our review of the annual financial statements for the year ended 30 June 2016, we are of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and International Financial Reporting Standards as issued by the International Accounting Standards Board, and fairly present the results of operations, cash flows, and the financial position of ARM. On this basis, the Audit and Risk Committee recommended the Company annual financial statements to the Board for approval. The Board subsequently approved the financial statements, which will be open for discussion at the forthcoming Annual General Meeting.

On behalf of the Audit and Risk Committee

T A Boardman
Chairman of the Audit and Risk Committee

12 October 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AFRICAN RAINBOW MINERALS LIMITED

We have audited the separate financial statements of African Rainbow Minerals Limited, which comprise the separate statement of financial position as at 30 June 2016, and the separate income statement, the separate statement of comprehensive income, separate statement of changes in equity and the separate statement of cash flows for the year then ended, the Directors' Report and the notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 65.

DIRECTORS' RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of African Rainbow Minerals Limited as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 1 Accounting policies under Basis of preparation, to the separate annual financial statements which states that African Rainbow Minerals Limited is the parent entity of the African Rainbow Minerals Limited Group and that the consolidated annual financial statements of African Rainbow Minerals Limited Group, prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, have been issued separately and are available on request from the company secretary at the registered office. We have audited the consolidated annual financial statements of Africa Rainbow Minerals Limited and expressed an unqualified opinion thereon in our auditor's report dated: 12 October 2016.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 30 June 2016, we have read the Audit and Risk 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 financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in the Government Gazette Number 39475 dated 4 December 2015, and subsequent guidance, we report that Ernst & Young Inc., and its predecessor firms, have been the auditor of African Rainbow Minerals Limited for 43 years.

In 2004, Ernst & Young Inc. continued as the auditor of the African Rainbow Minerals Limited group, which was created following a range of indivisible transactions involving certain interests of Anglovaal Mining Limited, African Rainbow Minerals & Exploration Investments (Pty) Ltd and Harmony Gold Mining Company Limited. Ernst & Young Inc. has been the auditor of the group for 12 years.

We confirm that we are independent in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors and other independence requirements applicable to the independent audit of African Rainbow Minerals Limited.

Ernst & Young Inc.
Director – Lance Ian Neame Tomlinson
Registered Auditor
Chartered Accountant (SA)

EY
102 Rivonia Road
Sandton
2146

12 October 2016

DIRECTORS' REPORT

The Directors have pleasure in presenting their report on the annual financial statements of African Rainbow Minerals Limited (Company) for the year ended 30 June 2016.

NATURE OF BUSINESS

ARM is a niche, diversified South African mining company with excellent long-life, low unit cost operations in key commodities. ARM, joint arrangements (which include joint operations) and associates explore, develop, operate and hold interests in the mining and minerals industry.

CORPORATE GOVERNANCE

The Board is committed to high standards of corporate governance. These standards are evident throughout the Company's systems of internal controls, practices, policies and procedures. They provide the framework for innovation while ensuring the sustainability of the business. The Board continuously reviews governance matters and control systems to ensure that these are in line with international best practices. The Board considers that, for the year under review, the Company applied the principles of King III.

For details of how the Company applies the King III principles, see the comprehensive King III checklist on ARM's corporate website: www.arm.co.za

COMPANY

The Company's largest shareholder is African Rainbow Minerals & Exploration Investments (Pty) Ltd (ARMI), holding 40.25% of the issued ordinary share capital of the Company as at 30 June 2016. The sole shareholder of ARMI is Ubuntu-Ubuntu Commercial Enterprises (Pty) Ltd, the shares of which are held by trusts all of which, except The Motsepe Foundation, own those shares for the benefit of Mr P T Motsepe and his immediate family. The Motsepe Foundation applies the benefits emanating from its indirect shareholding in ARM for philanthropic purposes.

In addition, at 30 June 2016, 0.51% of the issued share capital of ARM was held by Botho-Botho Commercial Enterprises (Pty) Ltd, all the shares of which are beneficially owned by trusts which trusts, with the exception of The Motsepe Foundation, hold those shares for the benefit of Mr Motsepe and his immediate family.

ARM is one of the largest black-controlled mineral resource companies in South Africa. ARM is committed to the spirit and objectives of the Mineral and Petroleum Resources Development Act 28 of 2002, and the Broad-Based Socio-Economic Charter for the South African Mining Industry (the Mining Charter). To this end and for the benefit of Historically Disadvantaged South Africans (HDSAs), the Company created the ARM Broad-Based Economic Empowerment Trust (ARM BBEE Trust). The beneficiaries of the ARM BBEE Trust include seven regional upliftment trusts, a women's upliftment trust, union representatives, a church group and community leaders. The ARM BBEE Trust was restructured in April 2016 to provide a more permanent and sustainable funding solution for the trust. The trust owns 15 897 412 ARM shares (30 June 2015: 28 614 740 ARM shares) which is equivalent to 7.29% of the ARM issued share capital at 30 June 2016. As part of the restructuring, the ARM BBEE Trust sold 12 717 328 ARM shares to a wholly-owned subsidiary of ARM.

FINANCIAL RESULTS

The financial statements and accounting policies appear on pages 16 to 65 of this report. The results for the year ended 30 June 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of those standards as adopted by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act 71 of 2008, as amended, and the Listings Requirements of the JSE Limited. The financial statements fairly present the state of affairs of the Company and adequate accounting records have been maintained.

BORROWINGS AND CASH

Total borrowings at 30 June 2016 amounted to R3.3 billion (F2015: R2.1 billion). The increase in borrowings is largely due to the increase in the amount owing on the ARM Corporate facility of R1 400 million at 30 June 2016. Cash and cash equivalents decreased by R959 million to R307 million as at 30 June 2016. As a result, ARM is in a net debt position of R3.0 billion (F2015: net debt position of R0.8 billion). ARM's borrowings are fully described in notes 14, 19 and 35 to the financial statements.

There are no borrowing power provisions in ARM's Memorandum of Incorporation.

GOING CONCERN

To make a determination as to whether the Company is considered to be a going concern, the Directors have considered facts and assumptions, including the Company's cash flow forecasts for the period to the end of June 2017. The Board believes that the Company has adequate resources to continue business in the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing its financial statements.

TAXATION

The latest tax assessment for the Company relates to the year ended June 2014. All tax submissions up to and including June 2015 have been submitted.

SUBSIDIARIES, JOINT ARRANGEMENTS, ASSOCIATES AND INVESTMENTS

The Company's direct and indirect interests in its principal subsidiaries, joint arrangements (which include joint ventures and joint operations), associates and investments are reflected in separate schedules presented on pages 63 to 65.

DIVIDEND

The tenth annual gross dividend of 225 cents per share declared on 8 September 2016 in respect of the year ended 30 June 2016 (F2015: 350 cents per share) amounted to a distribution of approximately R491 million. In accordance with the requirements of Section 4 of the Companies Act 71 of 2008, as amended, the Board determined that the solvency and liquidity requirements prescribed therein were met for the payment of the dividend.

The dividend was subject to Dividends Withholding Tax, introduced with effect from 1 April 2012. In accordance with paragraphs 11.17(a)(i) to (x) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- the dividend has been declared out of income reserves;
- the South African Dividends Withholding Tax (Dividends Tax) rate is 15% (fifteen percent);
- the gross local dividend amount was 225 cents per ordinary share for shareholders exempt from the Dividends Tax;
- the net local dividend amount was 191.25 cents per ordinary share for shareholders liable to pay the Dividends Tax;
- as at the date of the dividend declaration, ARM had 218 032 467 ordinary shares in issue; and
- ARM's income tax reference number is 9030/018/60/1.

CAPITAL EXPENDITURE

Capital expenditure for F2016 amounted to R432 million (F2015: R595 million).

EVENTS AFTER THE REPORTING DATE

Subsequent to the end of the reporting period, and further to the announcement dated 29 July 2016, the Dwarsrivier transaction was concluded. No other significant events have occurred subsequent to the reporting date that could materially affect the reported results.

SHARE CAPITAL

The share capital of the Company, both authorised and issued, is set out in note 13 to the annual financial statements. A specific share repurchase took place in April 2016, when the ARM BBEE TRUST was restructured as described above whereby a wholly-owned subsidiary of ARM purchased 12 717 328 ARM shares from the ARM BBEE Trust.

SHAREHOLDER ANALYSIS

A comprehensive analysis of shareholders together with a list of shareholders beneficially holding, directly or indirectly, in excess of 5% of the ordinary shares of the Company at 30 June 2016, is set out in the shareholder analysis on pages 66 and 67 of these financial statements.

DIRECTORATE

The composition of the Board is set out on page 159 of the 2016 Integrated Annual Report. *Curricula vitae* of the Directors may be found on pages 200 to 203 of the 2016 Integrated Annual Report.

Mr W M Gule, formerly an Executive Director of the Company, became a Non-executive Director on 1 July 2013. With effect from 1 August 2016, Mr Gule became an Independent Non-executive Director.

The Memorandum of Incorporation provides for one-third of the previously elected Non-executive Directors to retire by rotation. The Non-executive Directors affected by this requirement are Messrs F Abbott, T A Boardman and W M Gule, each of whom is available for re-election at the forthcoming Annual General Meeting.

INTERESTS OF DIRECTORS

The direct and indirect beneficial and non-beneficial interests of the Directors of the Company in the issued share capital of the Company were as follows:

	30 June 2016				30 June 2015			
	Direct		**Indirect**		Direct		Indirect	
	Beneficial	**Non-beneficial**	**Beneficial**	**Non-beneficial**	Beneficial	Non-beneficial	Beneficial	Non-beneficial
P T Motsepe	**84 651[1]**	**–**	**88 862 749**	**–**	292 404[2]	–	88 570 345	–
M Arnold	**36 782**	**–**	**–**	**–**	17 964	–	–	–
A D Botha	**–**	**–**	**22 450**	**–**	–	–	22 450	–
M P Schmidt	**–**	**–**	**66 548**	**–**	–	–	18 726	–
R V Simelane, Dr	**1 350**	**–**	**–**	**–**	–	–	–	–
H L Mkatshana	**15 969**	**–**	**–**	**–**	–	–	–	–
A J Wilkens	**–**	**–**	**408 532**	**–**	–	–	331 604	–
	138 752	**–**	**89 360 279**	**–**	310 368	–	88 943 125	–

1 *These shares were acquired by subscription and were transferred to African Rainbow Minerals & Exploration Investments (Pty) Ltd ("ARMI") after 30 June 2016. All the shares of ARMI are held and beneficially owned by trusts, which trusts, except with the exception of The Motsepe Foundation, hold those shares for the benefit of Mr P T Motsepe and his immediate family. The Motsepe Foundation applies the benefits emanating from its shareholding in ARMI for philanthropic purposes.*

2 *These shares were transferred to Botho-Botho Commercial Enterprises (Pty) Ltd during F2016.*

No other Directors acquired a direct or indirect beneficial or non-beneficial interest in the issued share capital of the Company between 30 June 2016 and the date of this report.

DIRECTORS' REPORT continued

REMUNERATION REPORT: PART II

Part I of the Remuneration Report may be found on pages 187 to 196 of the Corporate Governance Report included in 2016 Integrated Annual Report.

DIRECTORS' REMUNERATION: EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

The remuneration of Executive Directors consists of base salaries, benefits, short-term (annual cash) incentives, and long-term (share-based) incentives. Executive Directors do not receive Directors' fees. Additional information regarding the fixed and variable components of Executive Directors' remuneration packages is detailed in Part I of the Remuneration Report found on pages 187 to 196 of the 2016 Integrated Annual Report.

The table below sets out the emoluments paid to Executive Directors and Prescribed Officers during the years ended 30 June 2016 and 30 June 2015.

The Board has determined the Prescribed Officers of the Company in terms of Section 66(10) of the Companies Act 71 of 2008, as amended, and as further described in Section 38 of the Regulations thereto.

EMOLUMENTS PAID TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

All figures in R000	Salary F2016	Pension scheme contri-butions F2016	Allowances F2016	Total gross annual package F2016[5]	Accrued bonus F2016[6]	Total F2016	Total gross annual package F2015	Accrued bonus F2015[7]	Total F2015
Executive Directors									
P T Motsepe[1]	8 558	–	2	**8 560**	–	8 560	**8 320**	–	8 320
M P Schmidt	6 378	526	163	**7 067**	3 851	10 918	**6 795**	–	6 795
M Arnold	4 669	442	122	**5 233**	2 566	7 799	**5 031**	–	5 031
H L Mkatshana[2]	3 216	356	76	**3 648**	1 788	5 436	**1 373**	–	1 373
D V Simelane[3]	–	–	–	**–**	–	–	**2 113**	–	2 113
A J Wilkens	6 830	–	127	**6 957**	3 339	10 296	**6 688**	–	6 688
Total for Executive Directors	29 651	1 324	490	**31 465**	11 544	43 009	**30 320**	–	30 320
Prescribed Officers[4]									
A Joubert	3 602	404	167	**4 173**	2 063	6 236	**4 038**	–	4 038
J C Steenkamp	5 738	621	450	**6 809**	3 369	10 178	**6 551**	–	6 551
F A Uys	3 260	326	62	**3 648**	1 739	5 387	**3 507**	–	3 507
Total for Prescribed Officers	12 600	1 351	679	**14 630**	7 171	21 801	**14 096**	–	14 096
Total for Executive Directors and Prescribed Officers	42 251	2 675	1 169	**46 095**	18 715	64 810	**44 416**	–	44 416

1 See the paragraph below the table for additional information about accrued bonus.
2 Mr H L Mkatshana was appointed as an Executive Director with effect from 7 February 2015.
3 Mr D V Simelane resigned as an Executive Director on 6 February 2015.
4 Prescribed Officers are disclosed in terms of the Companies Act, Section 30(4)(a).
5 Total gross annual package before bonus.
6 See pages 190 and 191 in the 2016 Integrated Annual Report for additional information about cash bonuses payable in respect of F2016.
7 All Executive Directors and Prescribed Officers waived 100% of any cash bonuses payable in respect of F2015. Bonus shares and a matching equivalent number of performance shares were awarded in F2016. See pages 190 to 191 and 193 of the 2016 Integrated Annual Report.

The Board approved a salary increase of 4% in F2017 for Executive Directors and Prescribed Officers, as more fully described in Part I of the Remuneration Report on pages 185 and 189 of the 2016 Integrated Annual Report.

The Company enters into employment agreements with Executive Directors and senior executives on a total cost-to-company basis. Executive Directors and senior executives structure their total salary packages to allow for pension contributions, medical aid contributions, travel allowances and other benefits in accordance with their individual requirements.

As discussed in greater detail in Part I of the Remuneration Report on pages 185, 186 and 193 of the 2016 Integrated Annual Report, prior to the Board, upon the recommendation of the Remuneration Committee, approving accrued bonuses for senior executives for F2016, the Executive Chairman waived his F2016 bonus.

Performance against bonus targets for F2016 were as follows:

(i) Profitability targets (on a profit before interest and tax basis) were exceeded for ARM Ferrous, whereas ARM Platinum, ARM Coal and ARM Copper did not achieve their profitability targets.

(ii) Unit cost targets were exceeded for most operations. The Black Rock Manganese, Modikwa Platinum and Lubambe Copper operations did not achieve targets, but were close to their targets.

(iii) Safety targets were met by each division.

More information regarding the pay mix for Executive Directors and Prescribed Officers may be found in the Remuneration Report on page 194 of the 2016 Integrated Annual Report.

IAR

PERFORMANCE SHARES

Conditional awards of full value ARM shares are made to eligible participants pursuant to The African Rainbow Minerals Limited 2008 Share Plan (the Share Plan). Performance shares are settled after three or four years, subject to the Company's achievement of prescribed performance criteria over this period. Refer to Part I of the Remuneration Report on pages 191 and 192 included in the 2016 Integrated Annual Report for additional information about the performance criteria and to page 12 of Part II of the Remuneration Report for the vesting dates.

The total number of performance shares awarded in November 2015 and May 2016 was 1 150 506. During the year under review, 299 694 performance shares vested and were settled, including 6 880 performance shares, held by employees who retired, were retrenched or deceased during the year; and 100 942 performance shares were forfeited. The total number of performance shares as at 30 June 2016 was 3 062 420.

Between 30 June 2016 and the date of this report, 32 648 performance shares were settled and 67 500 forfeited.

The number of performance shares awarded to Executive Directors and Prescribed Officers is summarised below.

PERFORMANCE SHARES

	Executive Directors		
	P T Motsepe	M Arnold	H L Mkatshana[3]
	Number of shares		
Opening balance as at 1 July 2015	372 864	145 945	93 508
Performance shares awarded 25 November 2015[1]	71 570	38 617	31 814
Performance shares settled[2]	(40 132)	(10 125)	(14 729)
Closing balance as at 30 June 2016[4]	**404 302**	**174 437**	**110 593**

1 Performance shares awarded in terms of the Company's waived bonus method.
2 Based on the annual performance criteria assessment by an independent third party, the targeted (1x) number of performance shares were settled. Refer to Part I of the Remuneration Report on page 191 and 192 of the 2016 Integrated Annual Report for additional information.
3 Mr H L Mkatshana was appointed an Executive Director with effect from 7 February 2015.
4 No performance shares were awarded or settled between 30 June 2016 and the date of this report.

	Executive Directors	
	M P Schmidt	A J Wilkens
	Number of shares	
Opening balance as at 1 July 2015	284 471	210 911
Performance shares awarded 25 November 2015[1]	57 953	50 247
Performance shares settled[2]	(31 510)	(39 047)
Closing balance as at 30 June 2016[3]	**310 914**	**222 111**

1 Performance shares awarded in terms of the Company's waived bonus method.
2 Based on the annual performance criteria assessment by an independent third party, the targeted (1x) number of performance shares were settled. Refer to Part I of the Remuneration Report on page 191 and 192 of the 2016 Integrated Annual Report for additional information.
3 No performance shares were awarded or settled between 30 June 2016 and the date of this report.

	Prescribed Officers		
	A Joubert	J C Steenkamp	F A Uys
	Number of shares		
Opening balance as at 1 July 2015	123 859	163 331	85 371
Performance shares awarded 25 November 2015[1]	37 319	60 958	19 360
Performance shares settled[2]	(15 842)	(18 184)	–
Closing balance as at 30 June 2016[3]	**145 336**	**206 105**	**104 731**

1 Performance shares awarded in terms of the Company's waived bonus method.
2 Based on the annual performance criteria assessment by an independent third party, the targeted (1x) number of performance shares were settled. Refer to Part I of the Remuneration Report on page 191 and 192 of the 2016 Integrated Annual Report for additional information.
3 No performance shares were awarded or settled between 30 June 2016 and the date of this report.

DIRECTORS' REPORT continued

BONUS SHARES

Pursuant to the Share Plan, eligible participants receive grants of full value ARM shares that match, according to a specified ratio, a portion of the annual cash incentive accruing to them. Bonus shares are only settled to participants after three or four years, as the case may be, conditional on continued employment.

The total number of bonus shares granted in November 2015 was 390 169. During the year under review, 232 017 bonus shares vested and were settled, including 9 499 bonus shares held by employees who retired, were retrenched or deceased during the year, and 18 012 bonus shares were forfeited. The total number of bonus shares as at 30 June 2016 was 1 073 206.

Following a 2015 benchmarking study by PwC, the Company's remuneration consultants, which recommended that in accordance with international good practice shares be awarded in terms of established performance criteria, the Board agreed in 2015 that bonus shares would, no longer be granted in the annual allocations. Deferred bonus and waived bonus shares would however, be still granted.

Between 30 June 2016 and the date of this report, 26 693 bonus shares were settled and 3 642 were forfeited. The number of bonus shares granted to Executive Directors and Prescribed Officers is summarised below.

BONUS SHARES

	Executive Directors		
	P T Motsepe	M Arnold	H L Mkatshana[2]
	Number of shares		
Opening balance as at 1 July 2015	166 553	35 713	15 523
Bonus shares granted 25 November 2015[1]	71 570	38 617	31 814
Bonus shares settled	(44 519)	(8 693)	(1 240)
Closing balance as at 30 June 2016[2]	**193 604**	**65 637**	**46 097**

1 Bonus shares granted in terms of the Company's waived bonus method.
2 Mr H L Mkatshana was appointed an Executive Director with effect from 7 February 2015.
3 No bonus shares were granted or settled between 30 June 2016 and the date of this report.

	Executive Directors	
	M P Schmidt	A J Wilkens
	Number of shares	
Opening balance as at 1 July 2015	86 864	104 708
Bonus shares granted 25 November 2015[1]	57 953	50 247
Bonus shares settled	(16 312)	(37 881)
Closing balance as at 30 June 2016[2]	**128 505**	**117 074**

1 Bonus shares granted in terms of the Company's waived bonus method.
2 No bonus shares were granted or settled between 30 June 2016 and the date of this report.

	Prescribed Officers		
	A Joubert	J C Steenkamp	F A Uys
	Number of shares		
Opening balance as at 1 July 2015	60 967	57 484	15 539
Bonus shares granted 25 November 2015[1]	37 319	60 958	19 360
Bonus shares settled	(15 213)	(16 778)	–
Closing balance as at 30 June 2016[2]	**83 073**	**101 664**	**34 899**

1 Bonus shares granted in terms of the Company's waived bonus method.
2 No bonus shares were granted or settled between 30 June 2016 and the date of this report.

SHARE OPTION SCHEME

Between 2008 and 2013 the annual allocations of share options in terms of The African Rainbow Minerals Share Incentive Scheme (the Scheme) were made to eligible participants, but at a much reduced scale following the adoption of the Share Plan. Share options have not been allocated to Executive Directors and Prescribed Officers since October 2013. Schedules of share option awards accruing to Executive Directors and Prescribed Officers and the transactions that occurred during the year to 30 June 2016 are set out below.

SCHEDULE OF SHARE OPTION AWARDS

	Executive Directors					
	P T Motsepe		M Arnold		H L Mkatshana[2]	
	No of options	Avg price R	No of options	Avg price R	No of options	Avg price R
Opening balance as at 1 July 2015	175 238	152.23	77 485	166.50	22 874	183.62
Options exercised	–		–		–	
Options lapsed/forfeited[1]	(85 880)	139.73	(25 512)	161.17	–	
Closing balance as at 30 June 2016	**89 358**	**164.25**	**51 973**	**169.11**	**22 874**	**183.62**
Grant date of options						
5 December 2008	16 068	96.20	6 397	96.20	–	–
15 October 2009	10 707	155.20	5 316	155.20	–	–
15 October 2010	–	–	6 287	178.49	–	–
9 November 2011	19 396	182.67	9 959	182.67	–	–
3 April 2012	–	–	–	–	6 861	182.19
15 October 2012	22 964	168.37	12 769	168.37	8 167	168.37
29 October 2013	20 223	200.75	11 245	200.75	7 846	200.75

1 Lapsed and forfeited due to unfavourable market conditions.
2 Mr H L Mkatshana was appointed an Executive Director with effect from 7 February 2015.

	Executive Directors			
	M P Schmidt		A J Wilkens	
	No of options	Avg price R	No of options	Avg price R
Opening balance as at 1 July 2015	100 404	160.92	162 273	152.65
Options exercised	–		–	
Options lapsed/forfeited[1]	(35 464)	139.73	(66 557)	139.73
Closing balance as at 30 June 2016	**64 940**	**172.49**	**95 716**	**161.63**
Grant date of options				
5 December 2008	6 397	96.20	19 011	96.20
15 October 2009	4 262	155.20	12 668	155.20
15 October 2010	4 863	178.49	12 072	178.49
9 November 2011	15 328	182.67	19 124	182.67
15 October 2012	18 127	168.37	17 463	168.37
29 October 2013	15 963	200.75	15 378	200.75

1 Lapsed and forfeited due to unfavourable market conditions.

DIRECTORS' REPORT continued

	Prescribed Officers					
	A Joubert		J C Steenkamp		F A Uys	
	No of options	Avg price R	No of options	Avg price R	No of options	Avg price R
Opening balance as at 1 July 2015	38 069	178.91	128 178	155.68	16 702	184.34
Options exercised	–		–		–	
Options lapsed/forfeited[1]	–		(51 020)	139.73	–	
Closing balance as at 30 June 2016	**38 069**	**178.91**	**77 158**	**166.22**	**16 702**	**184.34**
Grant date of options						
5 December 2008	–	–	12 006	96.20	–	–
15 October 2009	5 103	155.20	8 000	155.20	–	–
15 October 2010	4 863	178.49	9 408	178.49	–	–
9 November 2011	7 997	182.67	14 903	182.67	–	–
15 October 2012	10 691	168.37	17 463	168.37	8 464	168.37
29 October 2013	9 415	200.75	15 378	200.75	8 238	200.75

1 Lapsed and forfeited due to unfavourable market conditions.

VESTING DATES

PERFORMANCE SHARES

Annual Allocations

All performance shares conditionally awarded prior to 1 November 2011: Performance shares vest and are settled after a performance period of three years, subject to the achievement of predetermined performance criteria.

Performance shares conditionally awarded to participants other than senior executives after 1 November 2011: Performance shares vest and are settled after a performance period of three years, subject to the achievement of predetermined performance criteria.

Performance shares conditionally awarded to senior executives after 1 November 2011: Performance shares vest and are settled after a performance period of four years, subject to the achievement of predetermined performance criteria.

Performance shares conditionally awarded to senior executives after 1 November 2014: Performance shares vest and are settled after a performance period of three years, subject to the achievement of predetermined performance criteria. For performance shares awarded after 5 December 2014, retirement does not accelerate the vesting period.

Deferred Bonus/Co-Investment Scheme

Matching performance shares conditionally awarded in terms of the Deferred Bonus/Co-Investment scheme vest and are settled after a performance period of three years, subject to the achievement of predetermined performance criteria.

Waived Bonus Method

Matching performance shares conditionally awarded in terms of the Waived Bonus Method vest and are settled after a performance period of three years, subject to the achievement of predetermined performance criteria.

The schedule of vesting dates may be found below.

SCHEDULE OF PERFORMANCE SHARE VESTING DATES

	Number of shares
Performance shares outstanding at 30 June 2016	**3 062 420**
Vesting on	
16 October 2016	172 623
29 October 2016	83 589
30 October 2016	58 472
22 May 2017	9 900
30 October 2017	187 647
18 November 2017	499 723
22 November 2017	56 997
25 April 2018	14 489
15 October 2018	851 889
26 November 2018	1 095 959
19 May 2019	31 132

BONUS SHARES

Annual Allocations

Bonus shares granted prior to 1 November 2011: Bonus shares vest and are settled after three years, subject to continued employment.

Bonus shares granted to participants other than senior executives after 1 November 2011: Bonus shares vest and are settled after three years, subject to continued employment.

Bonus shares granted to senior executives after 1 November 2011: Bonus shares vest and are settled after four years, subject to continued employment.

Bonus shares granted to senior executives after 1 November 2014: Bonus shares vest and are settled after three years, subject to continued employment. For bonus shares granted after 5 December 2014, retirement does not accelerate the vesting period. Annual allocations are no longer made.

Deferred Bonus/Co-Investment Scheme

Bonus shares granted in terms of the Deferred Bonus/Co-Investment Scheme vest and are settled after three years.

Waived Bonus Method

Bonus shares granted in terms of the waived bonus method vest and are settled after three years.

The schedule of vesting dates may be found below.

SCHEDULE OF BONUS SHARE VESTING DATES

	Number of shares
Bonus shares outstanding at 30 June 2016	**1 073 206**
Vesting on	
16 October 2016	107 076
29 October 2016	87 391
30 October 2016	71 748
30 October 2017	143 635
18 November 2017	212 836
22 November 2017	60 351
26 November 2018	390 169

SHARE OPTIONS

Options granted before 1 December 2008: No options may be exercised prior to the first anniversary of the issue date relative to such options. Up to a third of such options may be exercised each year until the third anniversary of the issue date.

Options granted after 1 December 2008: No options may be exercised prior to the third anniversary of the issue date relative to such options.

Options granted to senior executives between 1 November 2011 and 30 June 2014: No options may be exercised prior to the fourth anniversary of the issue date relative to such options.

Options may not be exercised later than the eighth anniversary of the issue date, after which such options lapse.

The schedule of vesting dates may be found below.

SCHEDULE OF OPTION VESTING DATES

	Number of options	Average issue price per option
Options outstanding at 30 June 2016	**1 268 254**	**R173.36**
Vested		
6 December 2011	111 469	R96.20
16 October 2012	99 120	R155.20
27 April 2013	4 808	R195.60
16 October 2013	145 452	R178.49
2 April 2014	6 857	R223.00
10 November 2014	117 846	R182.67
3 April 2015[1]	13 360	R182.19
16 October 2015	158 509	R168.37
10 November 2015	127 778	R182.67
3 April 2016	6 861	R182.19
27 April 2016[1]	4 615	R181.00
Vesting on		
16 October 2016	163 737	R168.37
30 October 2016	148 461	R200.75
22 May 2017[1]	12 199	R191.14
30 October 2017	147 182	R200.75

1 *Share options granted to management other than senior executives.*

DIRECTORS' REPORT continued

SHARE INCENTIVE MOVEMENTS

	Options		Performance shares[1]		Bonus shares[1]	
	F2016	F2015	**F2016**	F2015	**F2016**	F2015
Opening balance as at 1 July 2015	**1 736 232**	2 263 792	**2 312 550**	1 044 082	**933 066**	825 111
Exercised	**–**	(405 063)	**–**	–	**–**	–
Settled	**–**	–	**(299 694)**	(177 875)	**(232 017)**	(159 488)
Granted/awarded	**–**	–	**1 150 506**	1 518 619	**390 169**	295 753
Forfeited/cancelled/lapsed	**(467 978)**	(122 497)	**(100 942)**	(72 276)	**(18 012)**	(28 310)
Closing balance as at 30 June 2016	**1 268 254**	**1 736 232**	**3 062 420**	**2 312 550**	**1 073 206**	**933 066**
Subsequent to year-end:						
Exercised/settled	**–**	–	**(32 648)**	–	**(26 693)**	–
Forfeited/cancelled/lapsed	**(42 717)**	–	**(67 500)**	–	**(3 642)**	–
Balance as at the date of this report	**1 225 537**	1 736 232	**2 962 272**	2 312 550	**1 042 871**	933 066

1 *Conditional.*

DIRECTORS' REMUNERATION: NON-EXECUTIVE DIRECTORS

The remuneration of Non-executive Directors consists of Directors' fees. Board and Committee retainers and attendance fees are paid quarterly and in arrears.

Additional information regarding Board and Committee fees may be found in the Remuneration Report on pages 195 to 196 included in the 2016 Integrated Annual Report.

IAR

In line with increases made to salaries of the Executive Directors and Prescribed Officers, the Board has agreed to recommend a below-inflation increase in Non-executive Directors' fees, effective from 1 July 2016. In terms of the 2015 benchmarking study conducted by the Company's remuneration consultants, the fees remain competitive. Shareholders will be requested to approve the increase in Non-executive Directors' fees as set out in the Notice of Annual General Meeting included in the 2016 Integrated Annual Report.

The table below sets out the emoluments paid to Non-executive Directors during the years ended 30 June 2016 and 30 June 2015.

All figures in R000	Board and Committee fees	Other[2]	**Total F2016**	Total F2015
Non-executive Directors[1]				
Dr M M M Bakane-Tuoane	1 108		**1 108**	1 266
F Abbott	740		**740**	587
T A Boardman	1 298		**1 298**	1 254
A D Botha	916		**916**	892
J A Chissano	490	581	**1 071**	1 092
W M Gule	462	120	**582**	624
A K Maditsi	1 232		**1 232**	1 250
Dr R V Simelane	1 044		**1 044**	1 100
Z B Swanepoel	578		**578**	556
Total for Non-executive Directors	7 868	701	**8 569**	8 621

1 *Payments for the reimbursement of out-of-pocket expenses have been excluded.*
2 *Fees in terms of service contracts. See page 196 in Part I of the Remuneration Report included in the 2016 Integrated Annual Report for more information.*

EXTERNAL AUDITOR

Ernst & Young Inc. (EY) continued in office as the external auditor for the Company. At the Annual General Meeting, shareholder approval will be sought for the re-appointment of EY as ARM's external auditor for the 2017 financial year. The 30 June 2016 year-end is the first year that Mr L I N Tomlinson signed off an audit opinion on ARM's financial statements. In terms of the partner rotation and succession plan, Mr L I N Tomlinson was appointed through the auditor rotation process in 2015 as the succeeding partner and as the individual registered auditor.

COMPANY SECRETARY

Ms A N D'Oyley is the Company Secretary of ARM. Her business and postal addresses appear on the inside back cover of this report.

Additional information regarding the office of the Company Secretary during the year are set out on page 163 of the 2016 Integrated Annual Report.

IAR

LISTINGS

The Company's shares are listed on the JSE Limited (JSE) under General Mining under the JSE share code: ARI.

A sponsored Level 1 American Depositary Receipt (ADR) programme is also available to investors for over-the-counter or private transactions under the ticker symbol AFRBY.

STRATE (SHARE TRANSACTIONS TOTALLY ELECTRONIC)

The Company's shares were dematerialised on 5 November 2001. Should shareholders wish to trade certificated ARM (previously Avmin) shares on the JSE they are urged to deposit them with a CSDP (Central Securities Depository Participant) or qualifying stockbroker, as soon as possible. Trading in the Company's shares on the JSE is only possible if they exist in electronic format in the Strate environment. If members have any queries, they should contact the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, whose details are reflected on the inside back cover of this report.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	Notes	F2016 Rm	F2015 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	3	**3 929**	3 994
Intangible assets	4	**137**	149
Deferred tax assets	15	**151**	564
Loans and long-term receivables	5	**805**	813
Investment in associate	6	**841**	841
Investment in joint venture	7	**259**	259
Other investments	8	**8 101**	5 078
		14 223	11 698
Current assets			
Inventories	9	**250**	308
Trade and other receivables	10	**637**	842
Cash and cash equivalents	11	**307**	1 266
		1 194	2 416
Asset held for sale	12	**3**	–
Total assets		**15 420**	14 114
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	13	**11**	11
Share premium	13	**4 217**	4 183
Other reserves		**3 118**	1 027
Retained earnings		**3 091**	4 706
Total equity		**10 437**	9 927
Non-current liabilities			
Long-term borrowings	14	**2 846**	1 474
Deferred tax liabilities	15	**710**	979
Long-term provisions	16	**335**	396
		3 891	2 849
Current liabilities			
Trade and other payables	17	**485**	551
Short-term provisions	18	**134**	125
Taxation	31	**37**	48
Overdrafts and short-term borrowings – interest-bearing	19	**182**	356
– non-interest-bearing	19	**254**	258
		1 092	1 338
Total equity and liabilities		**15 420**	14 114

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	F2016 Rm	F2015 Rm
Revenue	22	**5 241**	6 418
Sales	22	**3 042**	3 711
Cost of sales	23	**(3 208)**	(3 142)
Gross (loss)/profit		**(166)**	569
Other operating income	24	**1 021**	1 084
Other operating expenses	25	**(933)**	(1 093)
(Loss)/profit from operations before special items		**(78)**	560
Income from investments	26	**1 630**	2 067
Finance costs	27	**(204)**	(123)
Profit before taxation and special items		**1 348**	2 504
Special items before tax	28	**(2 433)**	(2 531)
Loss before taxation		**(1 085)**	(27)
Taxation	29	**231**	(117)
Loss for the year		**(854)**	(144)

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Available-for-sale reserve Rm	Other Rm	Retained earnings Rm	Total Rm
For the year ended 30 June 2015					
Loss for the year to 30 June 2015		–	–	(144)	(144)
Other comprehensive income that may be reclassified to the income statement in subsequent periods					
Revaluation of listed investment	8	(990)	–	–	(990)
Deferred tax on above		184	–	–	184
Reclassification to income statement	8	656	–	–	656
Deferred tax on above		(122)	–	–	(122)
Net impact of revaluation of listed investment		(272)	–	–	(272)
Foreign currency translation reserve movement		–	124	–	124
Total other comprehensive (loss)/income		(272)	124	–	(148)
Total comprehensive (loss)/income for the year		(272)	124	(144)	(292)
For the year ended 30 June 2016					
Loss for the year to 30 June 2016		**–**	**–**	**(854)**	**(854)**
Other comprehensive income that may be reclassified to the income statement in subsequent periods					
Revaluation of listed investment	8	**2 347**	**–**	**–**	**2 347**
Deferred tax on above		**(448)**	**–**	**–**	**(448)**
Deferred tax rate change		**35**	**–**	**–**	**35**
Net impact of revaluation of listed investment		**1 934**	**–**	**–**	**1 934**
Total other comprehensive income		**1 934**	**–**	**–**	**1 934**
Total comprehensive income/(loss) for the year		**1 934**	**–**	**(854)**	**1 080**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Share capital and premium Rm	Available-for – sale reserve Rm	Other* Rm	Retained earnings Rm	Total
Balance at 30 June 2014		4 119	272	755	6 152	11 298
Loss for the year to 30 June 2015		–	–	–	(144)	(144)
Other comprehensive (loss)/income		–	(272)	124	–	(148)
Total comprehensive (loss)/income for the year		–	(272)	124	(144)	(292)
Bonus and performance shares issued to employees	13	45	–	(45)	–	–
Dividend paid	13	–	–	–	(1 302)	(1 302)
Share-based payments		–	–	193	–	193
Share options exercised	13	30	–	–	–	30
Balance at 30 June 2015		**4 194**	**–**	**1 027**	**4 706**	**9 927**
Loss for the year to 30 June 2016		**–**	**–**	**–**	**(854)**	**(854)**
Other comprehensive income		**–**	**1 934**	**–**	**–**	**1 934**
Total comprehensive income/(loss) for the year		**–**	**1 934**	**–**	**(854)**	**1 080**
Bonus and performance shares issued to employees	13	**34**	**–**	**(34)**	**–**	**–**
Dividend paid	13	**–**	**–**	**–**	**(761)**	**(761)**
Share-based payments		**–**	**–**	**191**	**–**	**191**
Balance at 30 June 2016		**4 228**	**1 934**	**1 184**	**3 091**	**10 437**

* Other reserves consist of the following:

	F2016 Rm	F2015 Rm	F2014 Rm
General reserve	**35**	35	35
Foreign currency translation reserve	**319**	319	195
Share-based payments	**830**	673	525
Total	**1 184**	1 027	755

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	F2016 Rm	F2015 Rm
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		**3 927**	5 216
Cash paid to suppliers and employees		**(3 602)**	(3 930)
Cash generated from operations	30	**325**	1 286
Interest received		**43**	73
Interest paid		**(50)**	(4)
Dividends received	41	**480**	335
Dividends received from joint venture	41	**875**	1 500
Dividend paid	13	**(761)**	(1 302)
Taxation paid	31	**(49)**	(132)
Net cash inflow from operating activities		**863**	1 756
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment to maintain operations		**(441)**	(415)
Additions to property, plant and equipment to expand operations		**(31)**	(49)
Proceeds on disposal of property, plant and equipment		**4**	–
Investment in RBCT		**(10)**	(26)
Investment in subsidiary	32	**(651)**	(400)
Investment in insurance cell		**–**	(25)
Increase in loans and receivables		**(1 003)**	(958)
Loan to ARM BBEE Trust	32	**(800)**	–
Net cash outflow from investing activities		**(2 932)**	(1 873)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds on exercise of share options		**–**	30
Long-term borrowings raised		**1 463**	–
Long-term borrowings repaid		**(71)**	(41)
Short-term borrowings repaid		**(19)**	–
Net cash inflow/(outflow) from financing activities		**1 373**	(11)
Net decrease in cash and cash equivalents		**(696)**	(128)
Cash and cash equivalents at beginning of year		**956**	1 084
Cash and cash equivalents at end of year	11	**260**	956

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The Company annual financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and contains the information required by IAS 34 – Interim Financial Reporting, requirements of South African Companies Act 71 of 2008 and the Listing Requirements of the JSE Limited.

IMPACT OF NEW STANDARDS

During the current financial year, no new or revised accounting standards were adopted.

BASIS OF PREPARATION

The Company financial statements for the year have been prepared under the supervision of the financial director, Mr M Arnold CA(SA). The principal accounting policies as set out below are consistent in all material aspects with those applied in the previous years, except for the above-mentioned new and revised standards, and comply with IFRS.

The Company financial statements have been prepared on the historical cost basis except for certain financial instruments that are carried at fair value.

The financial statements are presented in South African Rand and all values are rounded to the nearest million (Rm) unless otherwise indicated.

This year, the consolidated and separate annual financial statements of the Company are issued separately.

This set is the separate annual financial statements for African Rainbow Minerals Limited.

The consolidated annual financial statements of African Rainbow Minerals Limited, prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008 of South Africa, have been issued separately and are available on request from the company secretary at the registered office.

The auditor, Ernst & Young Inc, has audited the consolidated annual financial statements of African Rainbow Minerals Limited and expressed an unqualified opinion thereon in the auditor's report dated 12 October 2016.

BASIS OF CONSOLIDATION

The financial statements comprise the financial statements of African Rainbow Minerals Limited (Company) at 30 June each year.

Inter-company transactions and balances

Consolidation principles relating to the elimination of inter-company transactions and balances and adjustments for unrealised inter-company profits are applied in all intra-company dealings.

Subsidiary companies

Investments in subsidiaries are accounted for at cost less impairment.

JOINT OPERATIONS

Joint operations are a type of joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. The Company accounts for joint operations, its assets, liabilities, income, expenses and cash flows and/or share thereof.

Unincorporated joint operations are recognised in the financial statements on the same basis as above.

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Investments in associates or joint ventures are accounted for at cost less impairment.

CURRENT TAXATION

The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that have been enacted or substantively enacted at reporting date that are applicable to the taxable income. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, or in other comprehensive income in which case the tax amounts are recognised directly in equity or in other comprehensive income.

DEFERRED TAXATION

A deferred tax asset is the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits.

A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised.

Three-year business plans, the first year of which is approved by the Board and the content of the next two years being noted, are used to determine whether deferred tax assets will be utilised from taxable income in the future. These plans use many assumptions and estimates and will be adjusted every year as more information becomes available.

A deferred tax liability is the amount of income taxes payable in future periods in respect of taxable temporary differences.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

Temporary differences are differences between the carrying amount of an asset or liability and its tax base. The tax base of an asset is the amount that is deductible for tax purposes if the economic benefits from the asset are taxable or the carrying amount of the asset if the economic benefits are not taxable. The tax base of a liability is the carrying amount of the liability less the amount deductible in respect of that liability in future periods. The tax base of revenue received in advance is the carrying amount less any amount of the revenue that will not be taxed in future periods.

Deferred tax is recognised for all temporary differences, unless specifically exempt, at the tax rates that have been enacted or substantively enacted at the reporting date and is not discounted.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

VALUE ADDED TAX (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except for (a) where the VAT incurred on a purchase of an asset or service cannot be recovered from the taxation authorities; and (b) receivables and payables that are stated with the VAT included. The net amount of VAT recoverable or payable is included under receivables or payables in the statement of financial position.

PROVISIONS

Provisions are recognised when the following conditions have been met:

> a present legal or constructive obligation to transfer economic benefits as a result of past events exists; and

> a reasonable estimate of the obligation can be made.

A present obligation is considered to exist when there is no realistic alternative but to make the transfer of economic benefits. The amount recognised as a provision is the best estimate at the reporting date of the expenditure required to settle the obligation. Only expenditure related to the purpose for which the provision is raised is charged against the provision. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

ENVIRONMENTAL REHABILITATION OBLIGATIONS

The estimated cost of rehabilitation, comprising liabilities for decommissioning and restoration, is based on current legal requirements and existing technology and is reassessed annually. Cost estimates are not reduced by the potential proceeds from the sale of assets.

Decommissioning

The present value of estimated decommissioning obligations, being the cost to dismantle all structures and rehabilitate the land on which it is located that arose through establishing the mine, is included in long-term provisions. The unwinding of the obligation is included in the income statement under finance cost. The initial related decommissioning asset is recognised in property, plant and equipment.

The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Restoration

The present value of the estimated cost of restoration, being the cost to correct damage caused by ongoing mining operations, is included in long-term provisions. This estimate is revised annually and any movement is expensed in the income statement. Expenditure on ongoing rehabilitation is charged to the income statement under cost of sales as incurred.

ENVIRONMENTAL REHABILITATION TRUST FUNDS

Annual payments are made to rehabilitation trust funds in accordance with statutory requirements. The investment in the trust funds is carried at cost. The balances are included under restricted cash.

FINANCIAL INSTRUMENTS

Financial instruments recognised in the statement of financial position include cash and cash equivalents, investments, trade and other receivables, trade and other payables and long- and short-term borrowings. The recognition methods adopted are disclosed in the individual policy statements associated with each item. The Company does not apply hedge accounting.

FINANCIAL ASSETS

All financial assets are recognised initially at fair value plus transaction costs except in the case of financial assets recorded at fair value through the income statement.

Financial assets at fair value through the income statement are measured at fair value with gains and losses being recognised in the income statement.

Held-to-maturity investments are measured at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.

Loans and receivables are measured at amortised cost less impairment losses or reversals which are recognised in the income statement.

Available-for-sale financial assets are measured at fair value with gains and losses being recognised directly in comprehensive income. Impairment losses are recognised in the income statement.

Any impairment reversals on debt instruments classified as available-for-sale are recognised in the income statement.

Impairment losses on equity investments are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in equity.

IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at each reporting date whether there is any objective evidence as a result of one or more events that have occurred after the initial recognition, that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is an indication that an impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the income statement.

Available-for-sale financial assets

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised in comprehensive income.

FINANCIAL LIABILITIES

Financial liabilities at fair value through the income statement are measured at fair value with gains and losses being recognised in the income statement.

Financial liabilities at amortised cost are initially measured at fair value and subsequently at amortised cost using the effective interest method.

DERIVATIVE INSTRUMENTS

Derivatives, including embedded derivatives, are initially and subsequently measured at fair value. Fair value adjustments are recognised in the income statement. Forward exchange contracts are valued at the reporting date using the forward rate available at the reporting date for the remaining maturity period of the forward contract. Any gain or loss from valuing the contract against the contracted rate is recognised in the income statement. A corresponding forward exchange asset or liability is recognised. On settlement of a forward exchange contract, any gain or loss is recognised in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are measured at amortised cost.

Cash that is subject to legal or contractual restrictions on use is included in cash but indicated as restricted.

INVESTMENTS

Investments, other than investments in subsidiaries, associates, joint operations and joint ventures, are considered to be available-for-sale financial assets and are subsequently carried at fair value. Increases and decreases in fair values of available-for-sale investments are reflected in the available-for-sale reserve. On disposal of an investment, the balance in the revaluation reserve is recognised in the income statement. Where active markets exist, fair values are determined with reference to the stock exchange quoted selling prices at the close of business on the reporting date.

Where there are no active markets, fair value is determined using valuation techniques like recent similar transactions, reference to similar transactions, discounted cash flow and option pricing models. Where a reliable fair value cannot be determined, investments are carried at cost. All regular purchases and sales of financial assets are recognised on the trade date, i.e. the date the Company commits to purchasing the asset.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

RECEIVABLES

Trade receivables, which generally have 30 – 90 day terms, are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

Receivables are financial assets classified as loans and receivables. Some receivables are classified at fair value through the income statement. These are receivables where the amount that will be received in the future is dependent on the commodities or concentrate content, and/or the price at the date of settlement. An impairment is recognised when there is evidence that an entity will not be able to collect all amounts due according to the original terms of the receivables. The impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rates. The amount of the impairment is charged to the income statement.

PAYABLES

Trade and other payables are not interest-bearing and are initially recorded at fair value and subsequently at amortised cost and classified as financial liabilities at amortised cost.

INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method and classified as financial liabilities at amortised cost. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

> the rights to receive cash flows from the asset have expired;

> the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or

> the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

OFFSETTING OF FINANCIAL INSTRUMENTS

If a legally enforceable right exists to set-off recognised amounts of financial assets and liabilities and the Company intends to settle on a net basis or to realise the asset and settle the liability simultaneously, all related financial effects are netted.

INTANGIBLE ASSETS

Intangible assets acquired are reflected at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment where there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Amortisation is based on units of production or units of export sales. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment other than land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses.

Costs of evaluation of a smelter prior to approval to develop are capitalised, provided that there is a high degree of confidence that the project will be deemed commercially viable. Costs incurred with commissioning the new asset, in the period before it is capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent that they are expected to give rise to future economic benefits.

LAND AND BUILDINGS

Land and buildings are carried at cost. Land is only depreciated where the form is changed so that it affects its value. Land is then depreciated on a straight-line method over the mining activity to a maximum of 25 years to its estimated residual value. Buildings are depreciated on a straight-line basis over their estimated useful lives to an estimated residual value, if such value is significant. The annual depreciation rates used vary between 2% and 5%. New acquisitions and additions to existing land and buildings are reflected at cost.

MINE DEVELOPMENT AND DECOMMISSIONING

Costs to develop new ore bodies, to define further mineralisation in existing ore bodies and to expand the capacity of a mine or its current production, site preparation and pre-production stripping costs, as well as the decommissioning thereof, are capitalised when it is probable that the future economic benefits will flow to the entity and it can be measured reliably. Development expenditure is net of proceeds from the sale of ore extracted during the development phase. Capitalised development costs are classified under mine development and decommissioning assets and are recognised at cost. Development costs to maintain production are expensed as incurred.

Mine development and decommissioning assets are depreciated using the units-of-production method based on estimated proven and probable ore reserves from which future economic benefits will be realised, resulting in these assets being carried at cost less depreciation and any impairment losses. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits. These reserves are reassessed annually. The maximum period of amortisation using this method is 25 years.

PRODUCTION STRIPPING COSTS

The capitalisation of pre-production stripping costs as part of mine development and decommissioning assets ceases when the mine is commissioned and ready for production.

Subsequent stripping activities that are undertaken during the production phase of a surface mine may create two benefits, being either the production of inventory or improved access to the ore to be mined in the future.

Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and where the benefit is the creation of mining flexibility and improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a “stripping activity asset”, if:

a. future economic benefits (being improved access to the ore body) are probable;

b. the component of the ore body for which access will be improved can be accurately identified; and

c. the costs associated with the improved access can be reliably measured.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset included under mine development and decommissioning asset. If all the criteria are not met, the production stripping costs are charged to the income statement as operating costs.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the stripping activity asset and the inventory produced are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset.

The stripping activity asset is subsequently depreciated over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Based on proven and probable reserves, the units-of-production method is used to determine the expected useful life of the identified component of the ore body that became more accessible. As a result, the stripping activity asset is carried at cost less depreciation and any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

MINERAL RIGHTS

Mineral rights that are being depleted are depreciated over their estimated useful lives using the units-of-production method based on proven and probable ore reserves. The maximum rate of depletion of any mineral right is 25 years.

PLANT AND MACHINERY

Mining plant and machinery is depreciated on the units-of production method over the lesser of its estimated useful life based on estimated proven and probable ore reserves.

Non-mining plant and machinery is depreciated over its useful life. The maximum life of any single item as used in the depreciation calculation is 25 years.

When plant and equipment comprises major components with different useful lives, these components are accounted for as separate items provided these meet the definition of property, plant and equipment. Expenditure incurred to replace or modify a significant component of a plant is capitalised and any remaining book value of the component replaced is written off in the income statement.

MINE PROPERTIES

Mine properties (including houses, and administration blocks) are depreciated on the straight-line basis over their expected useful lives, to estimated residual values. The residual value is the amount currently expected to be obtained for the asset after deducting estimated costs of the disposal, if the asset was already at the end of its useful life.

FURNITURE, EQUIPMENT AND VEHICLES

Furniture, equipment and vehicles are depreciated on a straight-line basis over their expected useful lives, to estimated residual values.

FINANCE LEASES

Finance leases are depreciated on a straight-line basis over their expected useful lives or the lease term, if less, to estimated residual values.

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

> the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
> its intention to complete and its ability to use or sell the asset;
> how the asset will generate future economic benefits;
> the availability of resources to complete the asset;
> the ability to measure reliably the expenditure during development; and
> the ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

DEPRECIATION RATES

Depreciation rates that are based on units-of-production take into account proven and probable ore reserves. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In assessing asset lives, factors such as technological innovation, asset life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal value.

The annual depreciation rates generally used in the Company are:

> furniture and equipment 10% to 33%;
> mine properties 4% to 7%;
> motor vehicles 20%;
> mine development assets, plant and machinery, mineral rights and land 10 to 25 years;
> investment properties 2%; and
> intangible assets over life-of-mine to a maximum of 25 years.

EXPLORATION EXPENDITURE

All exploration expenditures are expensed until they result in projects that are evaluated as being technically and commercially feasible and a future economic benefit is highly probable. In evaluating if expenditures meet these criteria to be capitalised, the Company utilises several different sources of information and also differentiates projects by levels of risks, including:

> degree of certainty over the mineralisation of the ore body;
> commercial risks, including but not limited to country risk; and
> prior exploration knowledge available about the target ore body.

Exploration expenditure on Greenfields sites, being those where the Company does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a bankable feasibility study has been completed, after which the expenditure is capitalised.

Exploration expenditure on Brownfields sites, being those adjacent to any mineral deposits which are already being mined or developed, is only expensed as incurred until the Company has obtained sufficient information from all available sources to ameliorate the project risk areas identified above and which indicates by means of a prefeasibility study that future economic benefits are highly probable.

Exploration 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.

Activities in relation to evaluating the technical feasibility and commercial viability of mineral resources are treated as forming part of exploration expenditures.

Costs related to property acquisitions and mineral and surface rights are capitalised.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale (under current assets) if the carrying amount of these assets will be recovered principally through a sale transaction rather than through continued use. This condition will only be regarded as met if the sale transaction is highly probable and the asset (or disposal group) is available-for-sale in its present condition. For the sale to be highly probable, management must be committed to the plan to sell the asset and the transaction should be expected to qualify for recognition as a complete sale within 12 months of the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amounts and their fair values less costs to sell and are not depreciated.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying value of assets is reviewed at each statement of financial position date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. The recoverable amount is the higher of fair value less cost of disposal or value in use. Value in use is determined by an estimated future cash flow discounted at a pre-tax discount rate.

Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their recoverable amount and the difference is expensed in the income statement. If the circumstances leading to the impairment no longer exist, the appropriate portion of the impairment loss previously recognised is written back. Intangible assets with an indefinite life are tested annually for impairment.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset that requires a substantial period of time to be prepared for its intended use are capitalised. Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when:

> expenditures for the asset are being incurred;
> borrowing costs are being incurred; and
> activities that are necessary to prepare the asset for its intended use or sale are in process.

Capitalisation is suspended when the active development is interrupted and ceases when the activities necessary to prepare the asset for its use are complete.

Other borrowing costs are charged to finance costs in the income statement as incurred.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value with due allowances being made for obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the following basis:

> Consumables and maintenance spares are valued at weighted average cost.
> Ore stockpiles are valued at weighted average cost.
> Finished products are valued at weighted average cost.
> Houses are valued at their individual cost.
> Work-in-progress is valued at weighted average cost, including an appropriate portion of direct overhead costs.
> Unallocated overhead costs due to below normal capacity are expensed as short workings.
> Raw materials are valued at weighted average cost.
> By-products are valued at weighted average cost.

Inventories are classified as current when it is reasonable to expect them to be sold within their normal cycle which could be the next financial year. If not, they are classified as non-current.

FOREIGN CURRENCY TRANSLATIONS

The Company financial statements are presented in South African Rand, which is the Company's functional currency.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

Foreign entities

Financial statements of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency using the exchange rates applicable at the reporting date, as follows:

- > Assets and liabilities at rates of exchange ruling at the reporting date.
- > Income and expenditure at the average rate of exchange for the year, except where the date of income or expense for significant transactions can be identified, in which case the income or expense is translated at the rate of exchange ruling at the date of the flow.
- > Cash flow items at the average rate of exchange for the year, except where the date of cash flow for significant transactions can be identified, in which case the cash flows are translated at the rate of exchange ruling at the date of the cash flow.
- > Fair value adjustments of the foreign entity are translated at the rate prevailing on date of valuation.
- > Goodwill is considered to relate to the reporting entity and is translated at the closing rate.
- > Differences arising on translation are classified as equity until the investment is disposed of when it is recognised in the income statement.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are converted to the functional currency at the rate of exchange ruling at the date that the transaction is recorded.

Foreign denominated monetary assets and liabilities (including those linked to a forward exchange contract) are stated in the functional currency using the exchange rate ruling at the reporting date, with the resulting exchange differences being recognised in the income statement.

LEASES

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

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed directly against the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

EMPLOYEE BENEFITS

The Company operates a defined contribution pension scheme, which requires contributions to be made to the administered fund. The Company has also agreed to provide certain additional post-employment healthcare benefits to senior employees. These benefits are unfunded. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method.

OTHER LONG-TERM BENEFITS

The Company provides certain long-term incentive schemes to attract, retain, motivate and reward eligible senior employees. The cost of providing these incentives is determined by actuaries using the projected unit credit method. Actuarial gains and losses are recognised as an income or expense when incurred. The past service costs are recognised as an expense on a straight-line basis over the period until the benefits vest.

SHARE-BASED PAYMENTS

The Company issues equity-settled share-based instruments to certain employees. Equity-settled share-based payments are measured at the fair value of the instruments at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period on a straight-line basis, based on management's estimate, which is considered annually, of shares that are expected to vest.

Fair value is measured using an option pricing model. The fair values used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Equity-settled options expense is recognised over the expected vesting period.

REVENUE RECOGNITION

Revenue, which includes by-products, is recognised when the risks and rewards of ownership have been transferred and when it is probable that the economic benefits associated with a transaction flow to the Company and the amount of revenue can be measured reliably.

Revenue is measured at the fair value of the amount received or receivable net of VAT, cash discounts and rebates.

DIVIDEND INCOME

Dividends are accounted for on the last day of registration for listed investments and when declared in respect of unlisted investments.

MINING PRODUCTS

Revenue from the sale of mining and related products is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

In some cases, where the terms of the executed sales agreement allow for an adjustment to the selling price based on a survey of the goods by the customer, recognition of the sales revenue is based on the most recently determined estimate of product specification.

Sales on FOB (free on board) and CIF (cost insurance freight) are recognised on the date of loading.

In the case of certain commodities the final selling price is determined a number of months after the concentrate is delivered. Revenue is measured at the best estimate of future prices and adjusted subsequently in revenue.

RENTAL INCOME

Rental income on investment properties is accounted for on a straight-line basis over the term of the operating lease.

INTEREST

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset and an appropriate accrual is made at each accounting reference date.

COST OF SALES

All costs directly related to the producing of products are included in cost of sales. Costs that cannot be directly linked are included separately or under other operating expenses. When inventories are sold, the carrying amount is recognised in cost of sales. Any write-down, losses or reversals of previous write-downs or losses are recognised in cost of sales.

EARLY SETTLEMENT DISCOUNTS AND REBATES

These are deducted from revenue and cost of inventories when applicable.

REINSURANCE

Premiums are disclosed on a gross basis in other operating income. Claims are presented on a gross basis in receivables and payables. The Company cedes insurance risk in the normal course of business for the majority of its business.

SEGMENT REPORTING

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other operations, whose operating results are regularly reviewed by the entity's chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

A geographical segment is a group of products and services within a particular economic environment that is subject to risks and returns that are different from segments operating in other economic environments.

CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable the obligation will be required to be settled, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make certain estimates. The principles used are the same as in previous years. When estimates are compared to actual and variances occur, the estimates are adjusted accordingly. Adjustments to estimates are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing changes in the above include, amongst others, revisions to estimated reserves, resources and life of operations, developments in technology, regulatory requirements and environmental management strategies, changes in estimated costs of anticipated activities, inflation rates, foreign exchange rates and movements in interest rates affecting the discount rate applied. For assumptions on certain specific estimates used, refer to individual notes. In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements are described below.

CAPITALISED STRIPPING COSTS

Waste removal costs (stripping costs) are incurred during the development and production phases at surface mining operations. Furthermore, during the production phase, stripping costs are incurred in the production of

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

inventory as well as in the creation of future benefits by improving access and mining flexibility in respect of the ore to be mined, the latter being referred to as a "stripping activity asset". Judgement is required to distinguish between these two activities at each of the surface operations.

The ore bodies need to be identified in its various separately identifiable components for each of its surface mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Judgement is required to identify and define these components, and also to determine the expected volumes (tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments may vary between mines because the assessments are undertaken for each individual mine and are based on a combination of information available in the mine plans, specific characteristics of the ore body, the milestones relating to major capital investment decisions, and the type of minerals being mined.

Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and the stripping activity asset. The ratio of expected volume (tonnes) of waste to be stripped for an expected volume (tonnes) of ore to be mined for a specific component of the ore body, compared to the current period ratio of actual volume (tonnes) of waste to the volume (tonnes) of ore is considered to determine the most suitable production measure.

These judgements and estimates are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s). Furthermore, judgements and estimates are also used to apply the units-of-production method in determining the depreciable lives of the stripping activity asset.

MINE REHABILITATION PROVISIONS

Mine rehabilitation provisions are assessed annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceed the carrying value, that portion of the increase is charged directly to expense. For closed sites, changes to estimated costs are recognised immediately in the income statement.

OTHER RESOURCES AND RESERVES ESTIMATES

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the mining properties. Ore reserves and mineral resource estimates are based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and require complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

UNITS-OF-PRODUCTION DEPRECIATION

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units-of-production depreciation methodologies are available to choose from; the Company adopts a run-of-the-mine tonnes of ore produced methodology for mining costs and an ounces/pounds of metal produced methodology for post-mining costs. Changes are accounted for prospectively.

IMPAIRMENT OF ASSETS

Each cash-generating unit is assessed annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future approved expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate, taking into account factors, including weighted average cost of capital and applicable risk factors, to determine the net present value.

ASSET USEFUL LIVES AND RESIDUAL VALUES

These are assessed annually and may differ from previous years as many estimates and assumptions are used to determine the values. Estimates and assumptions are updated to improve the judgements made.

SHARE-BASED PAYMENTS

Estimation of the fair value of share-based payments requires determining the most appropriate model, inputs such as the expected life of the option, volatility and dividend yields.

DEFINITIONS

Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits, as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. For cash flow purposes overdrafts are deducted from cash and cash equivalents that are on the statement of financial position.

Cash restricted for use

Cash which is subject to restrictions on its use is stated separately at the carrying value in the notes.

Active market

This is normally a stock exchange where the public can purchase and sell shares on a regular basis and prices are determined by the market conditions.

Amortised cost

This is calculated using the effective interest method less any provision for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Fair value

Where an active market is available, it is used to represent fair value. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions with reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; or other valuation models.

Effective interest method

This method determines the rate that discounts the estimated future cash flow payments or receipts through the expected life of the financial liability or financial asset to the net carrying amount of the financial liability or asset.

Cash generated from operations per share

Cash generated from operations divided by the weighted average number of shares in issue during the year.

Special items

These are items that are of a capital nature and not part of the operating activities.

EBITDA before special items

This comprises basic earnings, to which is added back taxation, special items, finance cost, income from investments, amortisation and depreciation.

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FOR THE YEAR ENDED 30 JUNE 2016

New standards
The following new standards and/or amendments have been issued but are only applicable for future periods.

Standard	Subject	Effective date
IFRS 2	Share-Based Payments (Amendments)	1 January 2018
IFRS 5	Non-current Asset Held for Sale and Discontinued Operations (Annual improvement project)	1 January 2016
IFRS 7	Financial Instruments: Disclosures (Annual improvement project)	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements (Amendment)	1 January 2016
IFRS 11	Accounting for Acquisitions of Interest in Joint Operations (Amendment)	1 January 2016
IFRS 12	Disclosure of Interest in Other Entities (Amendment)	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendment)	1 January 2016
IAS 16 and IAS 41	Agriculture: Bearer Plants (Amendment)	1 January 2016
IAS 1	Disclosure initiative (Amendment)	1 January 2016
IAS 7	Disclosure initiative (Amendment)	1 January 2017
IAS 12	Income Taxes (Amendment)	1 January 2017
IAS 19	Employee Benefits (Annual improvement project)	1 January 2016
IAS 27	Separate Financial Statements – Equity method (Amendment)	1 January 2016
IAS 28	Investment in Associates and Joint Ventures (Amendment)	1 January 2016
IAS 34	Interim Financial Reporting (Annual improvement project)	1 January 2016

Impact of above
The Company does not intend early adopting any of the above amendments, standards or interpretations. The Company is in the process of identifying areas where these standards may impact the Company. This process is ongoing.

2 PRIMARY SEGMENTAL INFORMATION
OPERATING SEGMENTS
IFRS 8 Operating Segments requires ARM to disclose the operations of the entity. Paragraph 5(b) defines an operating segment as a component whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about the resources to be allocated to the segment and assess its performance. The IFRIC issued an update in 2015 to clarify that a joint operator should account for its share of assets and liabilities in a joint operation in its accounts on a line by line basis and not an investment in its joint operation. This results in ARM Company accounting for its assets and liabilities in its joint operations, ARM Platinum, ARM Coal and ARM Copper. The board of directors and therefore the Chief Operating Decision Maker do not look at ARM Company and management information is not and has never been prepared or reviewed for ARM Company on its own as this information would be misleading. No segmental disclosure is therefore made in these financial statements. The ARM 2016 Integrated Annual Report includes the full disclosure of the operating segments in note 2.

3. PROPERTY, PLANT AND EQUIPMENT

	Mine develop-ment and decom-missioning assets Rm	Plant and machinery Rm	Land and buildings Rm	Mineral rights Rm	Furniture equipment and vehicles Rm	Finance Leases Rm	Total Property, plant and equipment Rm
Cost							
Balance at 30 June 2014	2 650	1 804	96	669	221	3	5 443
Additions	421	104	7	–	14	49	595
Disposals	–	–	–	–	(2)	–	(2)
Reclassifications	(99)	67	–	–	2	30	–
Balance at 30 June 2015	**2 972**	**1 975**	**103**	**669**	**235**	**82**	**6 036**
Additions	**270**	**140**	**13**	**–**	**9**	**–**	**432**
Disposal	**–**	**(6)**	**–**	**–**	**–**	**–**	**(6)**
Derecognition	**–**	**–**	**–**	**–**	**–**	**(8)**	**(8)**
Asset held for sale	**–**	**(9)**	**–**	**–**	**–**	**(7)**	**(16)**
Reclassification	**(264)**	**244**	**86**	**(95)**	**27**	**2**	**–**
Balance at 30 June 2016	**2 978**	**2 344**	**202**	**574**	**271**	**69**	**6 438**
Accumulated amortisation, depreciation							
Balance at 30 June 2014	876	657	12	76	87	3	1 711
Charge for the year	144	144	4	17	11	13	333
Disposals	(1)	–	–	–	(1)	–	(2)
Balance at 30 June 2015	**1 019**	**801**	**16**	**93**	**97**	**16**	**2 042**
Charge for the year	**154**	**160**	**8**	**14**	**17**	**10**	**363**
Disposal	**–**	**(1)**	**–**	**–**	**(4)**	**–**	**(5)**
Impairment (refer note 34)	**–**	**64**	**8**	**50**	**–**	**–**	**122**
Asset held for sale	**–**	**(9)**	**–**	**–**	**–**	**(4)**	**(13)**
Reclassification	**(50)**	**9**	**17**	**–**	**10**	**14**	**–**
Balance at 30 June 2016	**1 123**	**1 024**	**49**	**157**	**120**	**36**	**2 509**
Carrying value at 30 June 2015	1 953	1 174	87	576	138	66	3 994
Carrying value at 30 June 2016	**1 855**	**1 320**	**153**	**417**	**151**	**33**	**3 929**

a. Borrowing costs

No borrowing costs were capitalised for the year to 30 June 2016 (F2015: Rnil).

b. Capital work-in-progress

Included in mine development and decommissioning assets above are R491 million (F2015: R374 million) of assets relating to pre-stripping at Nkomati.

c. Pledged assets

The carrying value of assets pledged as security for loans amounted to R3,6 billion (F2015: R3,9 billion). Refer to note 14 for security granted in respect of loans to ARM Coal.

The carrying value of plant and machinery held under finance leases at year end was R33 million (F2015: R66 million).

Leased assets are pledged as security for the related finance leases.

Registers containing details of mineral and mining rights and land and buildings are available for inspection during business hours at the registered addresses of the Company and associated entities by members or their duly authorised agents.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

	RBCT entitlement Rm
4. INTANGIBLE ASSETS	
Cost	
Balance at 30 June 2014	220
Balance at 30 June 2015	220
Balance 30 June 2016	**220**
Accumulated amortisation	
Balance at 30 June 2014	55
Charge for the year	16
Balance at 30 June 2015	71
Charge for the year	12
Balance at 30 June 2016	**83**
Carrying value at 30 June 2015	**149**
Carrying value at 30 June 2016	**137**

Finite life intangible assets which are amortised consist of the RBCT entitlement held by the Goedgevonden joint operation of R137 million (F2015: R149 million).

There are no indefinite life intangible assets. The export rights relating to the investment in RBCT are amortised on a units of export sales method. The remaining amortisation period of the RBCT entitlement is limited to 19 years (F2015: 20 years).

	F2016 Rm	F2015 Rm
5. LOANS AND LONG-TERM RECEIVABLES		
Long-term receivables	**805**	813
Total	**805**	813
Long-term loans held are as follows:		
ARM Coal	**23**	31
Glencore South Africa*	**383**	446
Loan to PCB from ARM*	**399**	336
Total	**805**	813

The ARM Coal loan relates to a loan to RBCT for the construction of the phase V expansion of RBCT.

The Glencore loan represents balances between GOSA and ARM Coal.

* *The loans and long-term receivables relate to the investment in associate included in Note 7 of the 2016 Integrated Annual Report.*

	F2016 Rm	F2015 Rm
6. INVESTMENT IN ASSOCIATE		
ARM Company has a 51% investment in ARM Coal that has a 20% investment in the PCB of GOSA.		
Opening balance	**409**	409
Original investment (10.2%)	**400**	400
Additional investment (ATCOM and ATC Collieries)	**9**	9
Closing balance	**409**	409
ARM invested directly in 10% of the existing coal operations (PCB) of GOSA on 1 September 2007.		
Opening balance	**432**	432
Original investment	**400**	400
Additional investment (ATCOM and ATC Collieries)	**32**	32
Closing balance	**432**	432
Total investment	**841**	841
7. INVESTMENT IN JOINT VENTURE		
The investment relates to Assmang as a joint venture.		
Opening balance	**259**	259
Closing balance	**259**	259

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

	F2016 Rm	F2015 Rm
8. OTHER INVESTMENTS		
Listed investment*		
Opening balance	**992**	1 982
Unrealised available-for-sale reserve and impairment	**2 347**	(990)
Available-for-sale reserve in other comprehensive income	**2 347**	(334)
Impairment of listed investment** (refer note 28)	**–**	(656)
Total – listed investment classified as available-for-sale	**3 339**	992
Market value of listed investment	**3 339**	992
Other investments		
Guardrisk	**19**	24
RBCT	**162**	152
Loans*** (refer page 65)	**818**	1 616
Subsidiary companies unlisted		
Cost of investment in subsidiaries (refer page 64)	**2 369**	929
Loans owing by subsidiaries*** (refer page 64)	**1 394**	1 365
Total subsidiaries	**3 763**	2 294
Total unlisted investments	**4 762**	4 086
Total carrying amount of investments	**8 101**	5 078

Investments in unquoted equity instruments are measured at cost. Their market value cannot be measured reliably due to the significant uncertainties which exist in estimating parameters such as exchange rates, commodity prices and general market conditions. The market value of the listed investment is determined by reference to market share price at 30 June 2016 and 30 June 2015.

Investments carried at cost amount to R2 369 million (F2015: R929 million).

Certain listed shares have been pledged as security for the ARM corporate loan which at 30 June 2016 was R1 400 million (F2015: Rnil) (refer note 14). The book value of the pledged shares amounts to R2 309 million (F2015: R670 million). A report on investments appears on pages 63 to 65.

* *Harmony Gold 63 632 922 shares at R52.47 per share (F2015: R15.59 per share).*

** *The impairment was due to a significant decline in the Harmony Gold share price.*

*** *These loans are interest-free with no fixed terms of repayment except for:*

(i) the loan to Venture Building Trust of R23 million (F2015: R55 million) bears interest at 2% below the prime bank overdraft rate, which is currently 10.5% (F2015: 7.25%) pa;

(ii) ARM BBEE Trust of R818 million which currently bears interest at JIBAR plus 4.25% (F2015: N/A);

(iii) In F2015 Vale/ARM joint operation reflected a loan of R1 616 million which bears interest at LIBOR plus 5%. This loan is impaired at 30 June 2016;

(iv) Tamboti loan bears interest at three month JIBAR plus 7% (F2015: JIBAR plus 7%). This loan was capitalised at 30 June 2016.

	F2016 Rm	F2015 Rm
9. INVENTORIES		
Consumable stores	**150**	125
Finished goods	**53**	60
Ore stockpiles	**14**	97
Work-in-progress	**33**	26
	250	308

Stockpile quantities are determined using assumptions such as densities and grades which are based on studies, historical data and industry norms.

Value of inventories carried at net realisable value is Rnil (F2015: Rnil).

Refer to note 23 for the expense of inventory written down or up and the amount of inventories expensed during the year.

Inventories to the value of R53 million (F2015: R72 million) have been pledged as security for loans in ARM Coal (refer note 14).

	F2016 Rm	F2015 Rm
10. TRADE AND OTHER RECEIVABLES		
Trade receivables	**69**	116
Related parties (refer note 41)	**463**	611
Other receivables	**105**	115
	637	842

Trade and other receivables are non-interest-bearing and are generally on 30 – 90 day payment terms.

The carrying amounts of trade and other receivables approximate their fair value.

Payment terms which vary from the norm relate to 20% of nickel delivered which is paid approximately five months after delivery.

	F2016 Rm	F2015 Rm
Debtors analysis		
Outstanding on normal cycle terms	**581**	769
Outstanding longer than 30 days outside normal cycle	**1**	61
Outstanding longer than 60 days outside normal cycle	**22**	–
Outstanding longer than 90 days outside normal cycle	**24**	–
Outstanding longer than +120 days outside normal cycle*	**9**	12
Less: provision for impairments	**–**	–
Total	**637**	842

* *No provision has been raised in F2016 on debtors outstanding longer than 120 days (F2015: Rnil) as the balance is considered recoverable. Total provision at year end amounted to Rnil (F2015: Rnil).*

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2016

	F2016 Rm	F2015 Rm
11. CASH AND CASH EQUIVALENTS		
Cash at bank and on deposit	**130**	1 107
Restricted cash:		
– Rehabilitation trust funds (refer note 21)	**126**	108
– Other	**51**	51
Cash and cash equivalents per the statement of financial position	**307**	1 266
Less: overdrafts (refer note 19)	**(47)**	(310)
Cash and cash equivalents per the statement of cash flows	**260**	956
The cash is held as follows per the statement of financial position:		
– African Rainbow Minerals Limited	**129**	909
– ARM Coal Proprietary Limited	**1**	1
– Nkomati	**–**	195
– Teal Minerals (Barbados) Incorporated	**–**	2
– Restricted cash*	**177**	159
	307	1 266
Cash at bank and on deposit earns interest at floating rates based on daily bank deposit rates.		
* *Restricted cash includes:* *– The ARM Trust of R20 million (F2015: R20 million).* *– Guarantees issued by ARM Coal to DMR amounting to R61 million (F2015: R46 million).* *– Guarantees issued by Nkomati to DMR and Eskom amounting to R67 million (F2015: R66 million).*		
12. ASSETS HELD FOR SALE		
Nkomati		
The underground operations at Nkomati were impaired following the decision to cease operations in this area (refer note 3 and 28). This resulted in certain assets being reflected as held for sale.	**3**	–
13. SHARE CAPITAL, SHARE PREMIUM, WEIGHTED AVERAGE SHARES AND DIVIDEND PER SHARE		
Share capital		
Authorised		
500 000 000 (F2015: 500 000 000)	**25**	25
	25	25
Issued		
Opening balance	**11**	11
530 447 (F2015: 743 601) additional shares issued*	**–**	–
218 021 859 (F2015: 217 491 412); (F2014: 216 747 811)	**11**	11
Share premium	**4 217**	4 183
– Balance at beginning of the year	**4 183**	4 108
– Premium on bonus and performance shares issued to employees	**34**	75
Total issued share capital and share premium	**4 228**	4 194
* *The movement in issued shares was less than R1 million.*		
Weighted average number of shares in issue (thousand)	**212 990**	217 232
After the year-end a dividend of 225 cents (F2015: 350 cents); (F2014: 600 cents) per share was declared and paid which amounts to R491 million (F2015: R761 million); (F2014: R1 302 million).		

14. LONG-TERM BORROWINGS

	F2016 Rm	F2015 Rm
Secured		
ARM Corporate – loan facility	**1 400**	N/A
This loan facility is for an amount of R2 250 million and is repayable in August 2018. The interest rate has a JIBAR base with an additional margin between 3.35% and 3.65% depending on the utilisation of the facility. At 30 June 2016 R1 400 million was drawn against this facility. The interest rate was 10.75% at 30 June 2016 (F2015: N/A). This loan has been secured by a pledge of shares (refer note 8).		
Nkomati – leases	**35**	60
Finance leases over property, plant and equipment with a book value of R33 million (F2015: R66 million) bear interest at prime plus 2% (F2015: prime plus 2%) and are payable in varying monthly instalments over a maximum period of 60 months which commenced in April 2015 and a final payment due in March 2020 (refer note 37). As at 30 June 2016 the interest rate was 12.5% (F2015: 10.75%).		
ARM Coal – loan facility (partner loan)		
The following loans are with GOSA and relate to the acquisition and development of the GGV Thermal Coal Mine.		
ARM Coal – GGV acquisition loan (partner loan)	**309**	299
The loan is repayable over 20 years from ARM Coal's share of positive cash flows generated by the Goedgevonden coal operation with final repayment in 2026. Interest is charged at prime bank overdraft rate. As at 30 June 2016 the interest rate was 10.5% (F2015: 9.25%).		
ARM Coal – GGV project facility phase 1 loan (partner loan)	**893**	792
The phase 1 project facility bears interest at prime bank overdraft rate after the interest holiday expired on 30 September 2014 and is repayable by August 2024 from ARM Coal's share of positive cash flows generated by the Goedgevonden coal operation. As at 30 June 2016 the interest rate was 10.5% (F2015: 9.25%).		
ARM Coal – GGV project facility phase 2 loan (partner loan)	**227**	212
The phase 2 project facility bears interest at prime bank overdraft rate and is repayable by June 2024 from ARM Coal's share of positive cash flows generated by the Goedgevonden coal operation. As at 30 June 2016 the interest rate was 10.5% (F2015: 9.25%).		
These are secured by: > a cession in favour of GOSA creating a first ranking security interest over ARM Coal's participating interest in the Goedgevonden joint operation; > a cession in favour of GOSA creating a first ranking security interest over all the preference shares in GOSA held by ARM Coal; > a cession in favour of GOSA creating a first ranking security interest over ARM Coal's right, title and interest in and to the joint venture account; > mortgage bonds to be registered by ARM Coal in favour of GOSA over all immovable property of ARM Coal; and > notarial bonds to be registered by ARM Coal in favour of GOSA over all movable assets owned by ARM Coal (refer note 9).		
Unsecured		
GOSA	**22**	N/A
The amounts reflected represent balances owing on intercompany loan accounts between GOSA and ARM Coal other than on the long-term loans reflected above.		
ARM Coal – RBCT phase V (partner loan)	**95**	157
This loan is with GOSA and bears interest at the prime bank overdraft rate plus 0.5% and is repayable by October 2020 from ARM Coal's share of positive cash flows generated by the Goedgevonden coal operation. As at 30 June 2016 the interest rate was 11% (F2015: 9.75%).		
Total borrowings	**2 981**	1 520
Less: repayable within one year included in short-term borrowings (refer note 19)	**(135)**	(46)
Total long-term borrowings	**2 846**	1 474

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

14. LONG-TERM BORROWINGS continued

	F2016 Rm	F2015 Rm
Held as follows:		
– African Rainbow Minerals Limited – loan facility	**1 400**	N/A
– ARM Coal Proprietary Limited – GGV acquisition loan (partner loan)	**275**	290
– ARM Coal Proprietary Limited – GGV project facility phase 1 (partner loan)	**835**	781
– ARM Coal Proprietary Limited – GGV project facility phase 2 (partner loan)	**210**	208
– GOSA	**22**	N/A
– ARM Coal Proprietary Limited – RBCT phase V (partner loan)	**81**	149
– Nkomati	**23**	46
	2 846	1 474

The carrying amount of the long-term borrowings approximate their fair value.

	Total borrowings F2016 Rm	Discounted Cash flows F2017 Rm	Repayments schedule – undiscounted cash flows F2017 Rm	F2018 Rm	F2019 Rm	F2020 Rm	F2021 – onwards Rm	Total Rm
Secured loans								
African Rainbow Minerals Limited – loan facility	**1 400**	–	–	1 592	–	–	–	1 592
ARM Coal – GGV acquisition loan (partner loan)	**309**	34	34	9	21	206	902	1 172
ARM Coal – GGV project facility phase 1 loan (partner loan)	**893**	58	60	51	217	213	877	1 418
ARM Coal – GGV project facility phase 2 loan (partner loan)	**227**	17	17	17	55	53	216	358
Nkomati – Finance leases	**35**	12	13	10	8	6	–	37
Total secured loans	**2 864**	121	124	1 679	301	478	1 995	4 577
Unsecured loans								
GOSA	**22**	–	–	–	–	–	22	22
ARM Coal – RBCT phase V (partner loan)	**95**	14	15	14	39	45	11	124
Total unsecured loans	**117**	14	15	14	39	45	33	146
Total borrowings at 30 June 2016	**2 981**	135	139	1 693	340	523	2 028	4 723

Undiscounted cash flows	F2016 Rm	F2017 Rm	F2018 Rm	F2019 Rm	F2020 – onwards Rm	F2015 Total Rm
Total borrowings at 30 June 2015	54	236	289	421	1 430	2 430

15. DEFERRED TAXATION

	F2016 Rm	F2015 Rm
Deferred tax assets		
Deferred capital gains tax movements on listed investment	**151**	564
Deferred tax assets – recognised in other comprehensive income	**151**	564
Deferred tax liabilities		
Property, plant and equipment	**882**	974
Intangible assets	**38**	42
Unrealised related party foreign currency translation movement	**207**	109
Deferred tax liabilities	**1 127**	1 125
Provisions	**(111)**	(123)
Loan impairment	**(285)**	–
Post-retirement healthcare provisions	**(21)**	(23)
Deferred tax assets	**(417)**	(146)
Net deferred tax liabilities	**710**	979
Reconciliation of opening and closing balance		
Opening deferred tax liabilities	**979**	855
Opening deferred tax assets	**(564)**	(380)
Net deferred tax liabilities opening balance	**415**	475
Temporary differences from:	**144**	(60)
Loan impairment	**(285)**	–
Intangible assets	**(4)**	(4)
Impairment of listed investment	**–**	(122)
Property, plant and equipment	**(92)**	82
Provisions	**14**	(1)
Revaluation of listed investment – directly in other comprehensive income	**413**	(62)
Unrealised related party foreign currency translation movement	**98**	47
Total deferred tax	**559**	415
Deferred tax liabilities	**710**	979
Deferred tax assets	**(151)**	(564)

Deferred tax liability balances are shown net of deferred tax assets where a legal right of offset exists at settlement.

Deferred tax assets are raised only when they can be utilised against future taxable profits after taking possible future uncertainties into account. Future taxable profits are estimated based on approved business plans which include various estimates and assumptions regarding economic growth, interest, inflation, metal prices, exchange rates, taxation rates and competitive forces.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

	F2016 Rm	F2015 Rm
16. LONG-TERM PROVISIONS		
Environmental rehabilitation obligation		
Provision for decommissioning		
Balance at beginning of year	**222**	158
Provision for the year	**(37)**	58
Unwinding discount rate	**5**	6
Work completed	**(4)**	–
Balance at end of year	**186**	222
Provision for restoration		
Balance at beginning of year	**75**	65
Provision for the year	**(10)**	10
Unwinding of discount rate	**9**	–
Balance at end of year	**74**	75
Total environmental rehabilitation obligation	**260**	297
The net present value of current rehabilitation liabilities is based on discount rates taking into consideration long bond yield rates of approximately 9.1% (F2015: approximately 8.1%), inflation rates of between 7% and 9% (F2015: 6.05%) and life of mines of between 3 and 25 years (F2015: 3 and 25 years). The South African Reserve Bank long-term inflation target is between 3% and 6% (F2015: 3% and 8%). Refer to note 21 for amounts held in trust funds.		
These provisions are based upon estimates of cash flows which are expected to occur at the end of life of mines.		
These assumptions have inherent uncertainties as they are derived from future estimates of mining and financial parameters, such as commodity prices, exchange rates and inflation.		
Post-retirement healthcare benefits		
Balance at beginning of year	**82**	82
Benefits paid	**(8)**	(5)
Interest cost	**5**	5
Provision for the year (reversal)	**(4)**	–
Balance at end of year (refer note 39)	**75**	82
Other long-term provisions		
Balance at beginning of year	**17**	13
Provision for the year	**–**	20
Transfer to short-term provisions (refer note 18)	**(17)**	(16)
Balance at end of year	**–**	17
Total long-term provisions at end of year	**335**	396

Other long-term provisions include long-term incentive schemes aimed at attracting, retaining and rewarding eligible senior employees.

	F2016 Rm	F2015 Rm
17. TRADE AND OTHER PAYABLES		
Trade payables	**247**	257
Related parties (refer note 41)	**136**	183
Other	**102**	111
Total trade and other payables	**485**	551
Trade and other payables are generally non-interest-bearing and are typically on 30 – 90 day payment terms.		
18. SHORT-TERM PROVISIONS		
Bonus provision		
Balance at beginning of year	**80**	158
Provision for the year	**129**	72
Payments made during the year	**(136)**	(166)
Transfer from long-term provision (refer note 16)	**17**	16
Balance at end of year	**90**	80
Leave pay provision		
Balance at beginning of year	**44**	41
Provision for the year	**11**	11
Payments made during the year and leave taken	**(13)**	(8)
Balance at end of year	**42**	44
Other provisions		
Balance at beginning of year	**1**	1
Provision for the year	**1**	–
Balance at end of year	**2**	1
Total short-term provisions	**134**	125

The bonus provision is based on the policy as approved by each operation.

The leave pay provision is calculated based on total pensionable salary packages multiplied by the leave days due at year end.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

	F2016 Rm	F2015 Rm
19. OVERDRAFTS AND SHORT-TERM BORROWINGS		
Overdrafts	**47**	310
Loans from subsidiaries – non-interest bearing (refer page 64)	**254**	258
Current portion of long-term borrowings (refer note 14)	**135**	46
	436	614
Overdrafts and short-term borrowings are held as follows:		
– African Rainbow Minerals Limited	**3**	290
– ARM Coal Proprietary Limited (partner loan)	**123**	32
– Nkomati	**36**	14
– Other	**20**	20
– Loans from subsidiaries (refer page 64)	**254**	258
	436	614
Overdrafts are held as follows:		
– African Rainbow Minerals Limited	**3**	290
– Nkomati	**24**	–
– Other	**20**	20
	47	310
Unutilised short-term borrowings and overdraft facilities:		
– African Rainbow Minerals Limited	**497**	210
– Nkomati	**24**	35
	521	245

All of the above overdraft facilities are reviewed annually.

Overdrafts accrue interest at floating rates. Short-term borrowings accrue interest at market-related rates. Loans from dormant subsidiaries are interest free and are payable on demand.

20. JOINT OPERATIONS

The shares of the following joint operations have been incorporated into the Company results:
– 50% share in the Nkomati Mine;
– 51% share in ARM Coal Proprietary Limited (Company);
– 34% share in TEAL Minerals (Barbados) incorporated joint operation.

The share of joint operations in the financial statements are:

	F2016 Rm	F2015 Rm
Income statement		
Sales	**3 042**	3 711
Cost of sales	**(3 208)**	(3 142)
Other operating income	**74**	240
Other operating expenses	**(184)**	(426)
Income from investments	**16**	23
Finance costs	**(201)**	(152)
Special items	**(119)**	(898)
Loss before tax	**(580)**	(644)
Taxation	**159**	(99)
Loss for the year after taxation	**(421)**	(743)
Statement of financial position		
Non-current assets	**5 133**	5 130
Current assets	**911**	1 343
Non-current liabilities (interest-bearing)	**1 446**	1 474
Non-current liabilities (non-interest-bearing)	**1 062**	1 191
Current liabilities (non-interest-bearing)	**335**	548
Current liabilities (interest-bearing)	**162**	50
Statement of cash flows		
Net cash inflow from operating activities	**233**	1 169
Net cash outflow from investing activities	**(467)**	(746)
Net cash outflow from financing activities	**(12)**	(40)

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

	F2016 Rm	F2015 Rm
21. ENVIRONMENTAL REHABILITATION TRUST FUNDS		
Balance at beginning of year	**108**	91
Contributions	**13**	8
Interest earned (refer note 26)	**5**	9
Total (included in cash and cash equivalents) (refer note 11)	**126**	108
Total environmental rehabilitation obligations (refer note 16)	**260**	297
Less: amounts in trust funds (see above)	**(126)**	(108)
Unfunded portion of liability	**134**	189
Part of the unfunded portion of the liability is secured by guarantees in favour of the Department of Mineral Resources as required of R2 million (F2015: R2 million) (refer note 36).		
22. SALES		
Sales – mining and related products	**3 042**	3 711
Made up as follows:		
Local sales	**199**	181
Export sales	**2 843**	3 530
	3 042	3 711
Revenue	**5 241**	6 418
Sales – mining and related products	**3 042**	3 711
Dividends received (refer note 26)	**1 355**	1 835
Fees received (refer note 24)	**569**	640
Interest received (refer note 26)	**275**	232
23. COST OF SALES		
Amortisation and depreciation	**367**	349
Consultants, contractors and other	**16**	11
Electricity	**147**	132
Inventories written down	**1**	–
Provisions – long-term	**(4)**	29
– short-term	**57**	32
Raw materials, consumables used and change in inventories	**1 899**	1 896
Railage and road transportation	**219**	284
Staff costs	**358**	310
– salaries and wages	**342**	293
– pension – defined contribution	**16**	17
Other costs	**148**	99
	3 208	3 142

	F2016 Rm	F2015 Rm
24. OTHER OPERATING INCOME		
Commission received	**9**	–
Fees received	**569**	640
Realised foreign exchange gains	**3**	103
Unrealised foreign exchange gains	**347**	215
Other	**93**	126
	1 021	1 084
25. OTHER OPERATING EXPENSES		
Audit remuneration – audit fees	**9**	7
– other services	**–**	–
Consulting fees	**52**	29
Depreciation and amortisation	**8**	8
Distribution costs	**111**	149
Exploration	**23**	50
Impairment of loans	**6**	35
Insurance	**15**	12
Mineral royalty tax	**10**	49
Provisions – long-term	**(10)**	1
– short-term	**84**	51
Realised foreign exchange loss	**19**	41
Rent paid	**11**	11
Secretarial and financial services	**3**	3
Share-based payments expensed	**191**	193
Staff cost	**239**	236
– long service rewards	**–**	1
– pension – defined contribution	**8**	8
– salaries and wages	**221**	221
– training	**10**	6
Unrealised foreign exchange loss	**1**	28
Other	**161**	190
	933	1 093
26. INCOME FROM INVESTMENTS		
Dividend income – unlisted (refer note 41)	**1 355**	1 835
Interest received – subsidiary companies and other investments (refer note 41)	**179**	98
– environmental trust funds (refer note 21)	**5**	9
– short-term bank deposits and other	**91**	125
	1 630	2 067
27. FINANCE COSTS		
Interest on finance leases	**4**	2
Gross interest paid: long- and short-term borrowings and overdrafts	**186**	115
Unwinding of discount rate	**14**	6
	204	123

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

	F2016 Rm	F2015 Rm
28. SPECIAL ITEMS		
Profit on sale of property, plant and equipment	**3**	–
Impairment of property, plant and equipment – Nkomati	**(122)**	–
Impairment of investments/loans – Vale/ARM joint operation	**(2 314)**	(1 875)
Unrealised impairment of available-for-sale listed investment – Harmony Gold	**–**	(656)
Special items per income statement before taxation effect	**(2 433)**	(2 531)
Taxation on impairment of available-for-sale investment – Harmony Gold	**–**	122
Taxation on other special items	**319**	–
Total	**(2 114)**	(2 409)
29. TAXATION		
South African normal taxation:		
– current year	**38**	156
– mining	**–**	29
– non-mining	**38**	127
– prior year	**–**	(41)
Total current taxation	**38**	115
Deferred taxation	**(269)**	2
Total taxation	**(231)**	117
Attributable to:		
Profit before special items	**88**	239
Special items (refer note 28)	**(319)**	(122)
	(231)	117
Amounts recognised directly in other comprehensive income:		
Unrealised gain on available-for-sale financial asset	**413**	(62)
Total movement in deferred tax	**144**	(60)

South African mining tax is calculated based on taxable income less capital expenditure.

Where there is insufficient taxable income to offset capital expenditure, the remaining balance is carried forward as unredeemed capital expenditure.

29. TAXATION continued

	F2016 %	F2015 %
Reconciliation of rate of taxation:		
Standard rate of Company taxation	**28**	28
Adjusted for:		
Loan impairment	**26**	–
Capital gains tax	**–**	(230)
Disallowed expenditure*	**(66)**	(1 267)
Exempt income**	**33**	1 902
Foreign entity loss not recognised	**–**	(1 021)
Prior year over provision	**–**	155
Effective rate of taxation	**21**	(433)
Reconciliation of rate of taxation before special items	**%**	%
Standard rate of Company taxation	**28**	28
Adjusted for:		
Disallowed expenditure	**5**	3
Exempt income	**(26)**	(21)
Foreign entity loss not recognised	**–**	1
Prior year over provision	**–**	(1)
Effective rate of taxation	**7**	10

* *Mainly comprises special items for F2015.*
** *Mainly comprises dividend income received.*

	Rm	Rm
Profit before taxation and special items per income statement	**1 348**	2 450
Taxation per income statement	**(231)**	117
Taxation on special items (refer note 28)	**319**	122
Tax – excluding tax on special items	**88**	239
	%	%
Percentage on above	**7**	10
	Rm	Rm
Estimated assessed losses available for reduction of future taxable income – ARM Coal	**19**	–
Unredeemed capital expenditure available for reduction of future mining income*	**791**	501

* *Deferred tax has been raised on these estimated tax benefits.*

The latest tax assessment for the Company relates to the year ended June 2014.

All returns up to and including June 2015 have been submitted.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

	F2016 Rm	F2015 Rm
30. RECONCILIATION OF NET (LOSS)/PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS		
(Loss)/profit from operations before special items	**(78)**	506
Special items (refer note 28)	**(2 433)**	(2 477)
Profit from operations after special items	**(2 511)**	(1 971)
Adjusted for:	**2 786**	3 030
– Amortisation and depreciation of property, plant and equipment and intangible assets	**375**	349
– Impairment of investments – Vale/ARM joint operation	**–**	1 875
– Impairment of listed investment	**–**	656
– Impairment of property, plant and equipment	**122**	–
– Impairment of other loans	**6**	35
– (Profit)/loss on disposal of property, plant and equipment	**(3)**	1
– Movement in long and short-term provisions	**127**	113
– Loan impairment	**2 314**	–
– Share-based payments expense	**191**	193
– Unrealised foreign exchange gains	**(346)**	(192)
Cash from operations before working capital changes	**275**	1 059
Movement in inventories	**57**	161
Movement in payables and provisions	**(218)**	(573)
Movement in receivables	**211**	639
Cash generated from operations	**325**	1 286
31. TAXATION PAID		
Balance at beginning of year	**48**	65
Current taxation as per income statement (refer note 29)	**38**	115
Tax payable at year end	**(37)**	(48)
Taxation paid	**49**	132
32. PURCHASE OF OPILAC, TAMBOTI AND LOAN TO ARM BBEE TRUST		
Opilac		
The restructuring of the ARM BBEE Trust resulted in Opilac, a wholly owned subsidiary of ARM, buying 12 717 328 ARM shares from the trust.	**651**	–
ARM BBEE Trust		
ARM loan to the ARM BBEE Trust as part of the restructuring	**800**	–
Tamboti		
During F2015 ARM Company purchased Tamboti Platinum Proprietary Limited.		
Investment and loan	**–**	400
Purchase price (refer statements of cash flow and note 3)	**–**	400
33. INVESTMENTS AND LOAN IMPAIRMENT		
In F2016 following the Lubambe impairment in Group, the loan receivable in Company was impaired.	**2 314**	–
In F2015 an impairment of ARM Company's investment in TEAL Minerals was recognised.	**–**	1 875
34. PROPERTY, PLANT AND EQUIPMENT IMPAIRMENT		
The assets related to the underground operations at Nkomati were impaired following the decision to cease operations in this area (refer note 3).		
Impairment	**122**	–

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to certain financial risks in the normal course of its operations. To manage these risks, a treasury risk management committee monitors transactions involving financial instruments.

The Company does not acquire, hold or issue derivative instruments for trading purposes.

The following risks are managed through the policies adopted below:

a. Currency risk

The commodity market is predominantly priced in US Dollars which exposes the Company's cash flows to foreign exchange currency risks (refer note 35 j for sensitivity analysis).

In addition, there is currency risk on long lead-time capital items which may be denominated in US Dollars, Euros or other currencies.

Derivative instruments which may be considered to hedge the position of the Company against these risks include forward sale and purchase contracts as well as forward exchange contracts.

The use of these derivative instruments is considered when appropriate for long lead-time capital items.

b. Liquidity risk management

The Company's executives meet regularly to review long- and mid-term plans as well as short-term forecasts of cash flow.

Funding requirements are met by arranging banking facilities and/or structuring finance as applicable. All funding and related structures are approved by the Board of Directors.

The table below summarises the maturity profile of the Company's financial liabilities at 30 June 2016 and 30 June 2015 based on discounted cash flows. For undiscounted amounts refer to note 14.

Trade and other payables and overdrafts and short-term borrowings are due to their nature the same for discounted and undiscounted cash flows.

	F2016			
	Within one year Rm	2 – 5 years Rm	Over 5 years Rm	Total Rm
Long-term borrowings (refer notes 14 and 19)	**135**	**2 117**	**729**	**2 981**
Trade and other payables (refer note 17)	**485**	**–**	**–**	**485**
Overdrafts and short-term borrowings (refer note 19)	**301**	**–**	**–**	**301**
Total	**921**	**2 117**	**729**	**3 767**

	F2015			
	Within one year Rm	2 – 5 years Rm	Over 5 years Rm	Total Rm
Long-term borrowings (refer notes 14 and 19)	46	723	751	1 520
Trade and other payables (refer note 17)	551	–	–	551
Overdrafts and short-term borrowings (refer note 19)	568	–	–	568
Total	1 165	723	751	2 639

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

	F2016 Rm	F2015 Rm
Overdrafts and short-term borrowings (including short-term portion of long-term borrowings) are held as follows:		
– ABSA Bank Limited	**31**	92
– First National Bank Limited	**–**	65
– Interest-free loans – subsidiaries	**254**	258
– Investec Limited	**–**	75
– Partner loans (included in R135 million above, F2015: included in 46 million above)	**123**	32
– The Standard Bank of South Africa Limited	**–**	65
– Other	**28**	27
	436	614

c. Credit risk

Credit risk arises from possible defaults on payments by business partners or bank counterparties. The Company minimises credit risk by evaluating counterparties before concluding transactions in order to ensure the creditworthiness of such counterparties.

The maximum exposure for trade receivables is the carrying amounts disclosed in note 10.

Major trade receivables include Norilsk Nickel R393 million (F2015: R525 million).

Cash is only deposited with institutions which have exceptional credit ratings with the amounts distributed appropriately among these institutions to minimise credit risk through diversification. The maximum exposure is the carrying values as per note 11.

The available-for-sale financial asset (which is the Harmony Gold investment) exposure is the carrying value of this asset as per note 8.

	F2016 Rm	F2015 Rm
Cash and cash equivalents are held at the following financial institutions:		
– ABSA Bank Limited	**1**	389
– Investec Limited	**4**	25
– First Rand Limited	**94**	49
– Nedbank Limited	**–**	344
– Rand Merchant Bank Limited	**27**	53
– The Standard Bank of South Africa Limited	**150**	376
– Other	**31**	30
	307	1 266

d. Treasury risk management

The treasury function is outsourced to Andisa Capital Proprietary Limited (Andisa), specialists in the management of third party treasury operations. Together with ARM financial executives, Andisa coordinates the short-term cash requirements in the South African domestic money market.

A Treasury Committee, consisting of senior managers in the Company including the Financial Director and representatives from Andisa, meet on a regular basis to analyse currency and interest rate exposures as well as future funding requirements within the Company.

The committee reviews the treasury operation's dealings to ensure compliance with Company policies and counterparty exposure limits.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

e. Commodity price risk

Commodity price risk arises from the possible adverse effect of fluctuations in commodity prices on current and future earnings.

Most of these prices are US Dollar based and are internationally determined in the open market. From these base prices, contracts are negotiated. ARM does not actively hedge future commodity revenues of the commodities that it produces against price fluctuations.

The Nkomati operation recognises revenue at the month end during which delivery of concentrate has occurred, at the closing spot price for the contained metal. There is a risk that the spot price does not realise when the metal price fixes on out-turn at the refinery. Management is of the opinion that this method of revenue recognition is the most appropriate as opposed to using forward prices as an estimate. The risk is that where there are significant changes in metal prices after a reporting period end that the next reporting period is impacted. The value of accounts receivable for Nkomati included in trade and other receivables (refer note 10) amounts to R393 million (F2015: R525 million). Refer to the sensitivity calculations which follow note j below on page 56.

f. Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's long-term debt obligations (refer to note 35 j for sensitivity analysis).

The Company manages its interest cost using a mix of fixed and variable rates.

Fluctuations in interest rates give rise to interest rate risks through the impact these fluctuations have on the value of short-term cash investments and financing activities.

Fixed interest rate loans carry a fair value risk due to change in market rates.

Cash is managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks.

The table quantifies the interest rate risk.

Financial assets	Book value at year-end Rm	Maturity date*	Effective interest rate
Year ended 30 June 2016			
Cash – financial institutions	**307**	**call deposit**	**5% – 9%**
	307		
Year ended 30 June 2015			
Cash – financial institutions	1 266	call deposit	5% – 8%
	1 266		

* *This relates to financial year.*

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

f. Interest rate risk continued

Financial liabilities	Book value at year-end Rm	Maturity date*	Effective interest rate
Year ended 30 June 2016			
Long-term borrowings			
African Rainbow Minerals Limited – loan facility	**1 400**	**2019**	**JIBAR plus 3.35% to 3.65%**
Nkomati – leases	**35**	**2020**	**Prime plus 2%**
ARM Coal – RBCT phase V (partner loan)	**95**	**2021**	**Prime plus 0.5%**
ARM Coal – GGV acquisition loan (partner loan)	**309**	**2026**	**Prime**
ARM Coal – GOSA	**22**	**–**	**Nil**
ARM Coal – GGV project facility phase 1 loan (partner loan)	**893**	**2025**	**Interest free until October 2014 thereafter prime**
ARM Coal – GGV project facility phase 2 loan (partner loan)	**227**	**2024**	**Prime**
	2 981		
Less: transferred to short-term borrowings	**(135)**		
Total	**2 846**		

* *This is for financial year end.*

SUMMARY OF VARIABLE AND FIXED RATES

	Total Rm	Transfer to short-term Rm	Long-term Rm
Variable rates	**2 981**	**135**	**2 846**
Fixed rates	**–**	**–**	**–**
Total	**2 981**	**135**	**2 846**

	Book value at year-end Rm		Maturity date*	Effective interest rate
Year ended 30 June 2015				
Long-term borrowings				
Nkomati – leases	60		2020	Prime plus 2%
ARM Coal – RBCT phase V (partner loan)	157		2021	Prime plus 0.5%
ARM Coal – GGV acquisition loan (partner loan)	299		2026	Prime
ARM Coal – GGV project facility phase 1 loan (partner loan)	792		2025	Interest free until October 2014 thereafter prime
ARM Coal – GGV project facility phase 2 loan (partner loan)	212		2024	Prime
	1 520			
Less: transferred to short-term borrowings	(46)			
Total	1 474			

* *This is for financial year end.*

SUMMARY OF VARIABLE AND FIXED RATES

	Total Rm	Transfer to short-term Rm	Long-term Rm
Variable rates	1 520	46	1 474
Fixed rates	–	–	–
Total	1 520	46	1 474

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

f. Interest rate risk continued

SHORT-TERM FINANCIAL LIABILITIES

	Book value at year-end Rm	Repricing date	Maturity date	Effective interest rate
Year ended 30 June 2016				
– Financial institutions	**59**	**30/06/2016**	**30/06/2016**	**10.25%**
– ARM Coal (partner loan)	**123**			**Variable rate between 0% and prime plus 0.5%**
– Loans from subsidiaries	**254**			**No Interest**
Total	**436**			

SHORT-TERM FINANCIAL LIABILITIES

	Total Rm	Repricing date	Maturity date	Effective interest rate
Year ended 30 June 2015				
– Financial institutions	324	30/06/2015	30/06/2015	9.25%
– ARM Coal (partner loan)	32			Variable rate between 0% and prime plus 0.5%
– Loans from subsidiaries	258			No Interest
Total	614			

g. Fair value risk

Except for interest-free loans given by the Company to its subsidiaries, the carrying amounts of trade receivables, cash and cash equivalents and trade and other payables approximate fair value because of the short-term duration of these instruments.

Fair value hierarchy

The Company uses the following hierarchy for determining the level of confidence in the valuation technique used:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – A technique where all inputs that have an impact on the value are observable, either directly or indirectly

Level 3 – A technique where all inputs that have an impact on the value are not observable

FINANCIAL INSTRUMENTS BY CATEGORIES

	F2016				
Category	Fair value hierarchy level	At fair value through profit and loss Rm	Available-for-sale financial asset Rm	Total book value Rm	Total fair value Rm
Investments – listed (refer note 8)	**1**	**–**	**3 339**	**3 339**	**3 339**
Investments – Guardrisk (refer note 8)	**2**	**19**	**–**	**19**	**19**
Trade receivables*	**2**	**393**	**–**	**393**	**393**

	F2015				
Category	Fair value hierarchy level	At fair value through profit and loss Rm	Available-for-sale financial asset Rm	Total book value Rm	Total fair value Rm
Investments – listed (refer note 8)	1	–	992	992	992
Investments – Guardrisk (refer note 8)	2	24	–	24	24
Trade receivables*	2	525	–	525	525

* *For inputs used refer note 35 j.*

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

h. Acquisition risk

Acquisition risk is the risk that acquisitions do not realise expected returns. This risk is mitigated by ensuring that all major investments are reviewed by the ARM Investment Committee after being proposed by management.

i. Capital risk management

The management and maintenance of capital in ARM is a central focus of the Board and senior management.

The ability to continue as a going concern and to safeguard assets while optimally funding capital expenditure is continually monitored.

Capital is mainly monitored on the basis of the net gearing ratio while giving due consideration to Life of Mine plans and business plans.

Capital structure is maintained and improved by ensuring an appropriate level of borrowings, adjusting dividends and reviewing returns from operations. ARM does not have a fixed policy on gearing but targets a net gearing threshold of 30% for external funding.

Total capital is defined as total equity on the statement of financial position plus debt.

j. Sensitivity

The sensitivity calculations are performed on the variances in prices, exchange rates and interest rate changes.

The assumptions are calculated individually while keeping all other variables constant.

The effect is calculated only on the financial instruments as at year end.

It is relevant to note that the accounts receivable balance in (e and g) above of R393 million (F2015: R525 million) was valued using the following parameters: (i) Rand/US Dollar exchange rate of R14.68 (F2015: R12.16), (ii) a nickel price of $9 420/tonne (F2015: $12 015/tonne).

The sensitivity was applied to profit or loss before taxation and non-controlling interest. There is no other impact on equity.

	F2016 Rm	F2015 Rm
The increase in profit before tax if:		
The Rand/US Dollar exchange rate weakens by R1	**12**	29
The price of nickel increases by 10%	**40**	56
The interest rate increases by 1%	**(27)**	(6)
The decrease in profit before tax if:		
The Rand/US Dollar exchange rate strengthens by R1	**(12)**	(29)
The price of nickel decreases by 10%	**(40)**	(56)
The interest rate decreases by 1%	**27**	6

The interest rate change impact is calculated on the net financial instruments at reporting date and does not take into account any repayments of long- or short-term borrowings.

The prices of all other commodities are contractually fixed and are thus not impacted by price fluctuations after the reporting date.

In addition to the sensitivity given above, a R1 increase or decrease in the Rand/US Dollar exchange rate will increase or decrease profit by R158 million (F2015: R133 million) as a result of the revaluation of the US Dollar denominated loan that ARM has with Lubambe.

	F2016 Rm	F2015 Rm
36. COMMITMENTS AND CONTINGENT LIABILITIES		
Commitments in respect of capital expenditure:		
Approved by directors		
– contracted for	**6**	71
– not contracted for	**67**	9
Total commitments	**73**	80
Commitments allocated as follows:		
ARM Coal Proprietary Limited	**1**	36
Nkomati	**72**	44
Total commitments	**73**	80

It is anticipated that this expenditure, which mainly relates to mine development and plant and equipment, will be financed from operating cash flows and by utilising available cash and borrowing resources.

Disputes

ARM, along with other mining companies, was served with a consolidated class action application on 21 August 2013. On 13 May 2016 the South Gauteng High Court granted orders certifying two class actions, a silicosis class and a tuberculosis class. The Court also ordered that a claim for general damages would be transmissible to the estate of a claimant. On 24 June 2016, the South Gauteng High Court granted ARM's application to appeal the transmissibility order, but refused to grant ARM a right to appeal the orders certifying the silicosis class and the tuberculosis class. After close of the financial year, on 19 July 2016 ARM petitioned the Supreme Court of Appeal for leave to appeal against these two orders, which petition was granted in favour of ARM on 13 September 2016. ARM will therefore be appealing all three orders referred to above. ARM is a member of an industry working group on occupational lung diseases, to address issues relating to compensation and medical care for occupational lung disease in the gold mining industry in South Africa. The companies believe that fairness and sustainability are crucial elements of any solution and have embarked on an extensive engagement process with all stakeholders to work together to design and implement a comprehensive solution that is both fair to past, present and future gold mining employees, and also sustainable for the sector. The companies do not believe that they are liable in respect of the claims brought, and they are defending these. They do, however, believe that they should work together to seek a solution to this South African mining industry legacy issue. Due to the limited information available on the above potential claims and the uncertainty of the matter, no estimation of amount can as yet be made for the possible obligation.

The liquidators of the RVAF Trust are claiming R15.6 million from ARM, being the purchase consideration paid by the RVAF Trust on behalf of Itemba Trading, the purchaser of the business Avalloys from ARM during 2006. The RVAF Trust was liquidated during 2012 and the liquidators are claiming that there was no just cause for the Trust to pay the purchase consideration. ARM is defending the matter on the basis that since the consideration was paid in return for the Avalloy business, there was just cause for the payment of the purchase consideration and, in addition, ARM is considering the fact that any alleged claim may have prescribed. ARM has not as yet pleaded to the claim, and is in the process of researching the facts of the matter.

Guarantees

Guarantees to the Department of Mineral Resources for rehabilitation provision amount to R2 million (F2015: R2 million).

Guarantees to Eskom of R25 million (F2015: R25 million).

ARM provided support in F2015 to the ARM Broad-Based Economic Empowerment Trust ("ARM BBEE Trust") in the form of guarantees to support the financial covenants of the ARM BBEE Trust's bank loan. Since F2015 additional guarantees amounting to R300 million were issued by ARM in this regard. The guarantees in favour of the ARM BBEE Trust have been cancelled after the restructuring of the Trust that was concluded as announced on 22 April 2016.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

37. LEASES

Finance leases (refer note 14)	F2016 Rm Minimum payments	F2016 Rm Present value of payments	F2015 Rm Minimum payments	F2015 Rm Present value of payments
Within one year	**16**	**13**	20	14
After one year but not more than five years	**26**	**22**	55	46
Total minimum lease payments	**42**	**35**	75	60
Less: amounts representing finance charges	**(7)**	**–**	(15)	–
Present value of minimum lease payments	**35**	**35**	60	60

38. RETIREMENT PLANS

The Company facilitates pension plans and provident funds substantially covering all employees. These are composed of defined contribution pension plans, which are governed by the Pension Funds Act, 1956, and defined contribution provident funds administered by employee organisations within the industries in which members are employed.

The benefits provided by the defined contribution plans are determined by accumulated contributions and returns on investment.

Members contribute between 5.0% and 7.5% and employers contribute between 6.2% and 18.12% of pensionable salaries to the funds.

Members' contribution for the current year amounts to R24 million (F2015: R25 million).

39. POST-RETIREMENT HEALTHCARE BENEFITS

The Company has obligations to fund a portion of certain pensioners' and retiring employees' medical aid contributions based on the cost of benefits. The anticipated liabilities arising from these obligations have been actuarially determined using the projected unit credit method and a corresponding liability has been raised.

	F2016 Rm	F2015 Rm
The post-retirement healthcare benefits are provided for in the following entity:		
African Rainbow Minerals Limited	**75**	82
	75	82

The liability is assessed at three-yearly intervals by an independent actuary. The assumptions used for African Rainbow Minerals Limited are as follows:
- A real discount rate of 1.8% (F2015: 2%) per annum.
- An increase in healthcare costs at a rate of between 7% and 9% (F2015: 7% to 9%) per annum.
- A 1% change in the net discount rate used is estimated to have an impact of plus 8.3% or less 7.3% (F2015: plus 8.6% or less 7.5%) on the liability.
- The average expected working lifetime of eligible members was six years (F2015: six years) at the date of the valuation in 2016.

The provisions raised in respect of post-retirement healthcare benefits amounted to R75 million (F2015: R82 million) at the end of the year. For movements refer to note 16.

The liabilities raised based on present values of the post-retirement benefit have been recognised in full.

An actuarial valuation is carried out in respect of this liability at three-yearly intervals. No new employees get this benefit and the liability is relatively stable. The last actuarial valuation was carried out in F2016 and the next one will be in F2019.

At retirement members are given the choice to have an actuarially determined amount paid into their pension fund to cover the expected cost of the post-retirement health cover. Alternatively the Company will continue to fund a portion of the retiring employee's medical aid contributions.

40. SHARE-BASED PAYMENT PLANS

Equity-settled plan

The Company uses plans to attract, retain, motivate and reward eligible employees who are able to influence the performance of ARM on a basis which aligns their interest with those of the Company's shareholders.

Share options

Between F2008 and F2014, annual allocations of share options were made on a much reduced scale due to the adoption of the Share Plan. No share options have been allocated since the end of F2014 (refer to the 2016 Integrated Annual Report page 193).

The Company granted share options to certain employees under the share incentive scheme. The exercise price of the options was equal to the market price of the shares on the date of the grant. Options granted before July 2008 vest, one year after the grant date in three equal tranches over three years and from 1 July 2008 the options vest after three years. Both schemes were subject to continued employment.

The contract life of each option is eight years from the grant date.

	F2016 Share options	F2015 Share options	F2016 Average price Cents	F2015 Average price Cents
Outstanding at beginning of the year	**1 736 232**	2 263 792	**16 796**	15 017
Forfeited/cancelled/lapsed	**(467 978)**	(122 497)	**15 273**	15 203
Exercised during the year	**–**	(405 063)	**–**	7 399
Outstanding at the end of year	**1 268 254**	1 736 232	**17 336**	16 796
Exercisable at the end of the year	**796 675**	934 504		
Range of strike prices of options exercised (cents)			**5 to 7 399**	5 to 7 399
Range of strike prices of outstanding options (cents)			**9 620 to 22 300**	9 620 to 27 950

Bonus shares

Bonus shares are conditional rights to shares which were allocated annually, which allocations were determined according to a specified ratio of the annual cash incentive accruing to senior executives. Bonus shares vest and are settled between three and four years, subject to continued employment. Other than bonus shares awarded in terms of the Bonus Share/Co-Investment Scheme Method and the Waived Bonus Method, no bonus shares have been awarded since 2015.

If a senior executive leaves due to a fault termination (e.g. resignation or dismissal), all unvested awards are forfeited. If a senior executive leaves due to a no-fault termination (e.g. retirement), all bonus shares awarded prior to December 2014 are settled in full (refer to the 2016 Integrated Annual Report page 192).

Deferred bonus/co-investment scheme

The deferred bonus/co-investment scheme was implemented to closely align the interests of shareholders and senior executives by rewarding superior performance and by encouraging senior executives to build up a shareholding in the Company, as well as to enhance the retention characteristics of the current reward of senior executives. The Company is of the view that the deferral of a portion of immediate cash bonuses demonstrates a heightened commitment to performance and shareholder alignment, and promotes the retention of key employees and enhances the performance and shareholder alignment characteristics of the Share Plan.

Senior executives are offered the opportunity, before the end of March each year, to elect that a portion of any cash bonus calculated at the end of the performance year, be deferred and converted into an equivalent value of deferred bonus shares.

To encourage senior executives to take up the deferral(s), the deferred bonus shares are matched with the equivalent number of performance shares. The remainder of the deferred cash bonus, after any deferral, will accrue to senior executives and be paid out in cash.

Scheme to F2016: Senior executives could defer 25%, 33% or a maximum of 50%.

Scheme with effect from F2017: Senior executives may defer 25%, 33%, 50%, 75% or 100% (refer to the 2016 Integrated Annual Report pages 192 and 193).

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

40. SHARE-BASED PAYMENT PLANS continued

Waived bonus method

The waived bonus method was implemented to closely align the interests of shareholders and senior executives by rewarding superior performance and by encouraging senior executives to build up a shareholding in the Company, and to enhance the retention characteristics of the current reward of senior executives.

In advance of the F2016 bonus being quantified or declared, and before any such bonus accrued, the Executive Chairman elected to waive and receive delivery of 100% of the value of any cash bonus which might accrue to him in respect of the F2016 performance year, on a pre-tax basis, in the form of 100% of the value of the waived F2016 bonus in bonus shares and the matching equivalent number of performance shares (refer to the 2016 Integrated Annual Report page 193).

	F2016 Bonus shares	F2015 Bonus shares
Outstanding at beginning of year	**933 066**	825 111
Granted during the year	**390 169**	295 753
Forfeited during the year	**(18 012)**	(28 310)
Shares vested	**(232 017)**	(159 488)
Outstanding at end of year	**1 073 206**	933 066

Performance shares

Performance shares are conditional rights to shares which are typically awarded on an annual basis in order to reduce the risk of unanticipated outcomes arising out of share price volatility and cyclical factors. Performance shares vest and are settled between three and four years, subject to the achievement of predetermined performance criteria.

With effect from May 2015, Total Shareholder Return (TSR) in terms of the RESI 10 was used to determine the number of performance shares which vest. The RESI 10 ceased to exist with effect from December 2015. Therefore, the Board, upon the recommendation of the Remuneration Committee, agreed that with effect from December 2015, the TSR in terms of the top 10 companies in the JSE Mining Resources Sector Index be used to determine the number of performance shares which vest and the 20-day VWAP would be used to determine the price (refer to the 2016 Integrated Annual Report pages 191 and 192).

	F2016 Performance shares	F2015 Performance shares
Outstanding at beginning of year	**2 312 550**	1 044 082
Awarded during the year	**1 150 506**	1 518 619
Forfeited/cancelled/lapsed during the year	**(100 942)**	(72 276)
Shares vested	**(299 694)**	(177 875)
Outstanding at end of year	**3 062 420**	2 312 550

The fair value of shares granted in these plans are estimated as at the date of the grant using an independent valuator that used the Cox-Rox Rubinstein binomial tree model, taking into account the terms and conditions upon which the performance shares were granted. The following table lists the range of inputs to the models used on the grant date for the years ended 30 June 2016 and 30 June 2015.

	F2016	F2015
Dividend yield %	**N/A**	2.94
Expected volatility %	**54.69**	27.21
Risk-free interest rate %	**7.41**	7.08
Expected life of performance shares (years)	**1 – 8**	1 – 8
Weighted average share price (cents)	**6 975**	13 311
The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.		
The effect on the income statement was a charge of (R million)	**191**	193

41. RELATED PARTY TRANSACTIONS

The Company in the ordinary course of business enters into various sale, purchase, service and lease transactions with subsidiaries, associated companies, joint ventures and joint operations.

Transactions between the Company, its subsidiaries and joint operations relate to fees, insurances, dividends, rents and interest and are regarded as intra-company transactions and eliminated on consolidation.

A report on investments and indebtedness by/(from) subsidiaries, associated companies, joint ventures and joint operations, that indicates the relationship and degree of control exercised by the Company, appears on pages 64 to 65.

CF

	F2016 Rm	F2015 Rm
Amounts accounted in the income statement relating to transactions with related parties		
Joint venture		
Assmang Proprietary Limited		
– Provision of services	**536**	618
– Dividends received	**875**	1 500
Other		
ARM BBEE Trust – interest	**18**	–
Vale/ARM – interest	**115**	73
Subsidiaries		
ARM Treasury Investments Proprietary Limited (previously Kingfisher Insurance Co Limited) – dividend received	**95**	25
Tamboti Platinum Proprietary Limited – interest	**44**	21
Two Rivers Platinum Proprietary Limited		
– Dividend received	**385**	310
– Provision of services	**3**	2
Venture Building Trust Proprietary Limited – interest received	**2**	4
Amounts outstanding at year-end (owing to)/receivable by ARM on current account		
Joint venture		
Assmang – debtor	**70**	86
Joint operations		
Norilsk Nickel – creditor	**(136)**	(183)
Norilsk Nickel – debtor	**393**	525
Glencore Operations SA – long-term borrowing	**(1 423)**	(1 428)
Glencore Operations SA – short-term borrowing	**(123)**	(32)
Key management personnel		
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity and consist of members of the board of directors and senior management (refer to director's report).		
Senior management compensation		
Salary	**11**	9
Accrued bonuses	**4**	4
Pension scheme contributions	**1**	1
Reimbursive allowances	**1**	–
Total	**17**	14

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2016

41. RELATED PARTY TRANSACTIONS continued

Share options	Number of options	Average price cents	Average gross selling price cents
Held on 1 July 2014	276 670	13 784	
Exercised during the year	(96 386)	7 399	13 533
Staff movements	(46 549)	18 295	
Held on 1 July 2015	**133 735**	16 815	
Lapsed during the year	**(33 086)**	15 404	
Staff movements	**(11 747)**	18 944	
Held on 30 June 2016	**88 902**	17 059	

Bonus and performance shares	Number of bonus shares	Number of performance shares
Held on 1 July 2014	103 217	139 138
Granted/awarded during the year	25 011	133 349
Settled during the year	(13 582)	(13 539)
Staff movements	(25 832)	(51 201)
Held on 30 June 2015	**88 814**	207 747
Granted/awarded during the year	**5 178**	22 239
Settled during the year	**(16 952)**	(18 952)
Staff movements	**(14 887)**	(34 561)
Held on 30 June 2016	**62 153**	176 473

Details relating to directors emoluments and prescribed officers, share options and shareholdings in the Company are disclosed in the Directors' report.

Shareholders

The principal shareholders of the Company are detailed in the Shareholder Analysis report in the 2016 Integrated Annual Report.

ARM's executive chairman, Patrice Motsepe, is involved through shareholdings and/or directorships in various other companies and trusts. The Company rents office space from one of the entities as disclosed below. Mr Motsepe's director's emoluments, share options, bonus shares, performance and shareholding in the Company are disclosed in the Directors' report.

	F2016 Rm	F2015 Rm
Rental paid for offices at 29 Impala Road, Chislehurston, Sandton	**1**	1

This rental is similar to rentals paid to third parties in the same area for similar buildings.

42. EVENTS AFTER THE REPORTING DATE

Please refer to events after reporting date included on page 7 of the Directors' report.

REPORT ON SUBSIDIARY COMPANIES

FOR THE YEAR ENDED 30 JUNE 2016

	F2016 Rm	F2015 Rm
Investments		
Unlisted (refer page 64 and note 8)*	**2 369**	929
Amounts owing by subsidiaries (refer note 8)*	**1 394**	1 365
Amounts owing to subsidiaries (refer note 19)	**(254)**	(258)
	3 509	2 036

PRINCIPAL SUBSIDIARY COMPANIES

FOR THE YEAR ENDED 30 JUNE 2016

		Issued capital Amount Rm		Direct interest in capital %		Book value of the Company's interests: Shares Rm		Book value of the Company's interests: Indebtedness by/(to) Rm	
Name	Class	F2016	F2015	F2016	F2015	F2016	F2015	F2016	F2015
African Rainbow Minerals Platinum Proprietary Limited	Ord	**–**	–	**100**	100	**257**	257	**1 362**	1 005
African Rainbow Minerals Finance Company SA	Ord	**–**	–	**100**	100	**798**	353	**–**	–
Anglovaal Air Proprietary Limited	Ord	**–**	–	**100**	100	**89**	89	**(212)**	(212)
Atscot Proprietary Limited	Ord	**1**	1	**100**	100	**10**	10	**(23)**	(23)
Avmin Limited	Ord	**–**	–	**100**	100	**–**	–	**(17)**	(17)
Bitcon's Investments Proprietary Limited	Ord	**–**	–	**100**	100	**2**	2	**(2)**	(2)
Jesdene Limited	Ord	**–**	–	**100**	100	**–**	–	**6**	6
ARM Treasury Investments Proprietary Limited (previously Kingfisher Insurance Co Limited)	Ord	**–**	–	**100**	100	**35**	35	**–**	–
Letaba Copper & Zinc Corp Limited (Sold)	Ord	**–**	1	**–**	94	**–**	–	**–**	–
Mannequin Insurance PCC Limited (Cell AVL18)*	Ord	**4**	4	**100**	100	**4**	4	**–**	–
Opilac Proprietary Limited	Ord	**–**	–	**100**	–	**651**	–	**3**	–
Sheffield Minerals Proprietary Limited (Sold)	Ord	**–**	–	**–**	100	**–**	–	**–**	(4)
South African Base Minerals Limited (Sold)	Ord	**–**	–	**–**	100	**–**	–	**–**	–
Two Rivers Platinum Proprietary Limited	Ord	**257**	257	**51**	51	**55**	55	**–**	–
Tamboti Platinum Proprietary Limited	Ord	**–**	–	**100**	100	**467**	123	**–**	299
Venture Building Trust Proprietary Limited	Ord	**–**	–	**100**	100	**1**	1	**23**	55
Total value of unlisted investment in subsidiaries (refer note 8)**						**2 369**	929		
Amounts owing to subsidiaries (refer note 19)								**(254)**	(258)
Amounts owing by subsidiaries (refer note 8)								**1 394**	1 365

Notes

Ord – Ordinary shares.

Unless otherwise stated, all companies are incorporated and carry on their principal operations in South Africa. Interests are shown to the extent that this information is considered material. A schedule with details of all other subsidiaries is available from the registered office.

** Incorporated in Guernsey and has a March year end.*

*** ARM invested R651 million during F2016 in Opilac which in turn bought ARM shares from the ARM BBEE Trust following the restructuring of the trust.*

**** The indirect subsidiary investment in Teal Minerals is included as part of joint operations.*

PRINCIPAL ASSOCIATE COMPANIES, JOINT VENTURES, JOINT OPERATIONS AND OTHER INVESTMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	Number of shares held		Effective percentage holding %		Value of investment Rm		Indebtedness by Rm	
Name of company	F2016	F2015	F2016	F2015	F2016	F2015	F2016	F2015
Associated companies								
Unlisted								
Lucas Block Minerals Limited (1936)								
Ordinary shares (Voluntary Liquidation)	**–**	121	**–**	30	**–**	–	**–**	–
Glencore Operations South Africa Proprietary Limited								
Non-convertible participating preference shares***	**384**	384	**20.2**	20.2	**432**	432	**1 063**	959
Investment in other companies								
Listed								
Harmony Gold Mining Company Limited								
Ordinary shares	**63 632 922**	63 632 922	**14.6**	14.6	**3 339**	992	**–**	–
Unlisted								
Business Partners Limited	**323 177**	323 177	**0.2**	0.2	**–**	–	**–**	–
Guardrisk Insurance Company Limited Cell no 00298	**1**	–	**100.0**	100.0	**19**	24	**–**	–
Joint operations and partnerships								
ARM Coal Proprietary Limited (including Goedgevonden)*	**51**	51	**51**	51	**409**	409	**–**	–
Modikwa joint operation**	**–**	–	**41.5**	41.5	**–**	–	**–**	–
Nkomati joint operation***	**–**	–	**50**	50	**–**	–	**196**	153
Vale/ARM joint operation****			**40**	40				
– Investment held directly by ARM	**1 154**	1 154					**–**	–
– Investment held indirectly by ARM (subsidiary)	**528**	528					**2 314**	1 616
Provision							**(2 314)**	–
Joint venture								
Assmang Proprietary Limited (including Cato Ridge Alloys joint venture and Sakura Ferro Alloys Sdn Bhd joint venture)	**1 774 103**	1 774 103	**50**	50	**259**	259	**–**	–
Trust								
ARM BBEE Trust*****			**100**	–			**818**	–

* *F2015 was restated from R9 million to R409 million – this has no financial effect as this is eliminated.*
** *December year end.*
*** *Eliminates on a company level, as ARM Coal and Nkomati are joint operations in an unincorporated joint operation.*
**** *ARM Limited owns 16% indirectly and 34% directly in Teal Minerals (Barbados) Incorporated.*
***** *ARM Limited obtained control of the ARM BBEE Trust during F2016 as a result of the restructuring of the trust.*

SHAREHOLDER ANALYSIS
AS AT 30 JUNE 2016

SHARES HELD

	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	2 976	75.33	704 612	0.32
1 001 – 10 000 shares	568	14.40	1 852 709	0.85
10 001 – 100 000 shares	266	6.73	9 444 337	4.33
100 001 – 1 000 000 shares	117	2.96	32 169 623	14.76
1 000 001 shares and above	23	0.58	173 850 578	79.74
Total	**3 950**	**100.00**	**218 021 859**	**100.00**

DISTRIBUTION OF SHAREHOLDERS

	Excluding treasury shares		Including treasury shares	
	Number of shares held	%	Number of shares held	%
Black Economic Empowerment	104 862 131	51.08	104 862 131	48.10
Pension Funds	38 156 420	18.59	38 156 420	17.50
Mutual Funds/Unit Trusts	37 433 615	18.23	37 433 615	17.17
Own shares*	–	–	12 717 328	5.83
Other Managed Funds	4 815 470	2.35	4 815 470	2.21
Investment Trusts	5 880 000	2.86	5 880 000	2.70
Trading Positions	4 745 763	2.31	4 745 763	2.17
Insurance Companies	2 231 063	1.09	2 231 063	1.02
Sovereign Wealth	1 739 255	0.85	1 739 255	0.80
Private Investors	1 713 802	0.83	1 713 802	0.78
Exchange-Traded Funds	607 998	0.30	607 998	0.28
Universities	453 518	0.22	453 518	0.21
Custodians	428 276	0.21	428 276	0.20
Hedge Funds	323 414	0.16	323 414	0.15
Charities	271 400	0.13	271 400	0.12
Local Authorities	233 530	0.11	233 530	0.11
Medical Aid Schemes	215 745	0.10	215 745	0.10
American Depository Receipts	132 961	0.06	132 961	0.06
Foreign Governments	39 400	0.02	39 400	0.02
Remainder	1 020 770	0.50	1 020 770	0.47
Total	**205 304 531**	**100.00**	**218 021 859**	**100.00**

* *Own shares refers to treasury shares held by the 100% ARM owned subsidiary Opilac Proprietary Limited.*

INVESTMENT MANAGEMENT INTEREST MORE THAN 3% (INCLUDING OWN SHARES)

	Number of shares held	%
African Rainbow Minerals & Exploration Investments	87 750 417	40.25
Allan Gray Investment Council	29 056 438	13.33
ARM Broad-Based Economic Empowerment Trust	15 897 412	7.29
PIC	13 245 597	6.08
Opilac Proprietary Limited (own shares)*	12 717 328	5.83
Kagiso Asset Management (Pty) Ltd	10 774 298	4.94
BlackRock Inc	6 878 697	3.15
Total	**176 320 187**	**80.87**

* *Opilac Proprietary Limited is a 100% held subsidiary of ARM.*

BENEFICIAL SHAREHOLDINGS MORE THAN 3% (INCLUDING OWN SHARES)

	Number of shares held	%
African Rainbow Minerals & Exploration Investments	87 750 417	40.25
ARM Broad-Based Economic Empowerment Trust	15 897 412	7.29
Government Employees Pension Fund (PIC)	14 406 286	6.61
Opilac Proprietary Limited (own shares)*	12 717 328	5.83
Allan Gray Balanced Fund	9 157 172	4.20
Total	**139 928 615**	**64.18**

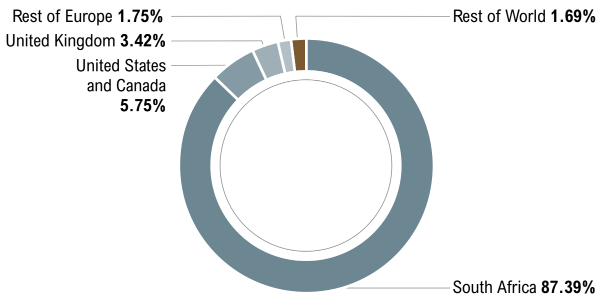
* *Opilac Proprietary Limited is a 100% held subsidiary of ARM.*

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-Public Shareholders*	11	0.28	118 113 771	54.18
Public Shareholders	3 939	99.72	99 908 088	45.82
Total	**3 950**	**100.00**	**218 021 859**	**100.00**

* *Non-public shareholders consist of Directors (whose interests are set out in the table on page 214 of the 2016 Integrated Annual Report), the ARM Broad-Based Economic Empowerment Trust, Opilac Proprietary Limited, African Rainbow Minerals & Exploration Investments (Pty) Ltd (ARMI) and Botho-Botho Commercial Enterprises (Pty) Ltd (BBCE). The shares of ARMI and BBCE are held indirectly by trusts, all of which, with the exception of The Motsepe Foundation, hold those shares for the benefit of Mr Motsepe and his immediate family.*

GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS



TOP 20 SHAREHOLDERS

	Number of shares held	% holding of shares in issue
African Rainbow Minerals & Exploration Investments	87 750 417	40.25
Allan Gray Investment Council	29 056 438	13.33
ARM Broad-Based Economic Empowerment Trust	15 897 412	7.29
PIC	13 245 597	6.08
Opilac Proprietary Limited (own shares)*	12 717 328	5.83
Kagiso Asset Management (Pty) Ltd	10 774 298	4.94
BlackRock Inc	6 878 697	3.16
Dimensional Fund Advisors	4 796 842	2.20
Investec Asset Management	4 589 888	2.11
The Vanguard Group Inc	2 700 455	1.24
RMB Morgan Stanley (Pty) Ltd	2 161 109	0.99
Sanlam Investment Management	2 137 655	0.98
Fairtree Capital Pty Ltd	1 681 406	0.77
Old Mutual Plc	1 303 254	0.60
Botho-Botho Commercial Enterprises	1 112 332	0.51
Schroders Plc	1 074 032	0.49
Investec Securities (Pty) Limited	911 087	0.42
Momentum Investments	834 812	0.38
Mellon Capital Management Corp	776 937	0.36
HSBC IB Equity Finance (UK)	700 548	0.32

* *Opilac Proprietary Limited is a 100% held subsidiary of ARM.*

GLOSSARY OF TERMS AND ACRONYMS

ARM	African Rainbow Minerals Limited
ARM BBEE Trust	ARM Broad-Based Economic Empowerment Trust
ARM Coal	ARM Coal Proprietary Limited
Assmang	Assmang Proprietary Limited
ATC	Arthur Taylor Collieries
EBITDA	Earnings before interest, tax, depreciation, amortisation, excluding special items and income from associates and income from joint venture
F2015	Financial year starting 1 July 2014 ending 30 June 2015
F2016	Financial year starting 1 July 2015 ending 30 June 2016
GOSA	Glencore Operations South Africa Proprietary Limited
Goedgevonden/GGV	Goedgevonden Thermal Coal Mine
Harmony/Harmony Gold	Harmony Gold Mining Company Limited
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
Impala Platinum/Implats	Impala Platinum Holdings Limited
JSE	JSE Limited
King II	King Report on Corporate Governance in South Africa 2002
King III	King Report on Governance for South Africa 2009 and the King Code of Governance Principles
PCMZ	Peridotite Chromotitic Mineralised Zone
RBCT	Richards Bay Coal Terminal
SAICA	South African Institute of Chartered Accountants
Vale	Vale SA

CONTACT DETAILS

African Rainbow Minerals Limited

Registration number: 1933/004580/06
Incorporated in the Republic of South Africa
JSE share code: ARI
ADR ticker symbol: AFRBY
ISIN: ZAE000054045

Registered and corporate office

ARM House
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Sandton
2196

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Company Secretary

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Corporate Development and Head of Investor Relations
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Auditors

External auditor: Ernst & Young Inc.
Internal auditor: KPMG

Bankers

ABSA Bank Limited
FirstRand Bank Limited
The Standard Bank of South Africa Limited
Nedbank Limited

Sponsors

Deutsche Securities (SA) Proprietary Limited

Transfer Secretaries

Computershare Investor Services Proprietary Limited
To 27 November 2016:
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From 28 November 2016:
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Rosebank, 20196

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Fax: +27 11 688 5222
E-mail: web.queries@computershare.co.za
Website: www.computershare.co.za

Directors

P T Motsepe (Executive Chairman)
M P Schmidt (Chief Executive Officer)
F Abbott*
M Arnold
Dr M M M Bakane-Tuoane*
T A Boardman*
A D Botha*
J A Chissano (Mozambican)*
W M Gule*
A K Maditsi*
H L Mkatshana
Dr R V Simelane*
Z B Swanepoel*
A J Wilkens

* *Independent Non-executive*

FORWARD LOOKING STATEMENTS

Certain statements in this report constitute forward-looking statements that are neither reported financial results nor other historical information. They include but are not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Such forward-looking statements may or may not take into account and may or may not be affected by known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include among others: economic, business and political conditions in South Africa; decreases in the market price of commodities; hazards associated with underground and surface mining; labour disruptions; changes in government regulations, particularly environmental regulations; changes in exchange rates; currency devaluations; inflation and other macro-economic factors; and the impact of the HIV & Aids crisis in South Africa. These forward-looking statements speak only as of the date of publication of these pages. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these pages or to reflect the occurrence of unanticipated events.

ARM
African Rainbow Minerals

www.arm.co.za