POWERING POSSIBILITY

Exxaro Resources Limited

Group and company annual financial statements
for the year ended 31 December 2019

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Acronyms

AGM	Annual general meeting
AMSA	ArcelorMittal South Africa Limited
Anglo	Anglo South Africa Capital Proprietary Limited
Anglo Coal	Anglo Coal (Grosvenor) Proprietary Limited
API4	All publications index 4 (FOB Richards Bay 6000/kcal/kg)
AU$	Australian dollar
BEE	Black economic empowerment
BEE Parties	External shareholders of Eyesizwe
Black Mountain	Black Mountain Proprietary Limited
Cennergi	Cennergi Proprietary Limited
CFR	Cost and freight
Chifeng	Chifeng Kumba Hongye Corporation Limited
Companies Act	Companies Act No 71 of 2008, as amended
CPI	Consumer price index
Curapipe	Curapipe Systems Limited
DBP	Deferred bonus plan
DCF	Discounted cash flow
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DMTN	Domestic Medium-Term Note
ECC	Exxaro Coal Central Proprietary Limited
ECL(s)	Expected credit loss(es)
Eloff	Eloff Mining Company Proprietary Limited
EMJV	Ermelo joint venture
ERP	Enterprise resource planning
ESD	Enterprise and supplier development
ESG	Environment, social and governance
Exxaro	Exxaro Resources Limited
Eyesizwe	Eyesizwe (RF) Proprietary Limited, a special purpose private company which has a 30% shareholding in Exxaro
FCTR	Foreign currency translation reserve
FECs	Forward foreign exchange contract(s)
Ferroland	Ferroland Grondtrust Proprietary Limited
FOB	Free on board
FPR	Financial provisioning regulations
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss

GAM	Global Asset Management Limited
HDSA	The meaning given to it, or any equivalent or replacement term, in the broad-based socio-economic empowerment charter for the South African Mining Industry, developed under section 100 of the MPRDA, as amended or replaced from time to time
HEPS	Headline earnings per share
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standard(s)
IFRS 9	IFRS 9 *Financial Instruments*
IFRS 15	IFRS 15 *Revenue from Contracts with Customers*
IFRS 16	IFRS 16 *Leases*
Incoterm	International Commercial Terms
IM	Information management
Insect Technology	Insect Technology Group Holdings UK Limited (previously named AgriProtein Holdings UK Limited)
IPP	Independent power producer
IT	Information technology
JIBAR	Johannesburg Interbank Agreed Rate
JORC	Joint Ore Reserves Committee Code
JSE	JSE Limited
kcal	Kilocalorie
Khopoli	Khopoli Investments Limited
King IV™	King IV Report on Corporate Governance for South Africa, 2016
KIO	Kumba Iron Ore Limited
KPI(s)	Key performance indicator(s)
Lebonix	Lebonix Proprietary Limited
LightApp	LightApp Technologies Limited
Listings Requirements	JSE Listings Requirements
LOM	Life of mine
LTIFR	Lost-time injury frequency rate
LTIP	Long-term incentive plan
Mafube	Mafube Coal Proprietary Limited
Manyeka	Manyeka Coal Mines Proprietary Limited
MoI	Memorandum of incorporation
MPRDA	Mineral and Petroleum Resources Development Act No 28 of 2002
Mt	Million tonnes
NBC	North Block Complex

Acronyms continued

NCI	Non-controlling interests
NCOE	Notional cost of employment
NEMA	National Environmental Management Act of 1998
NPC	Not for profit company
OCI	Other comprehensive income
PIC	Public Investment Corporation
PPI	Producer Price Index
PRC	People's Republic of China
Prime Rate	South African prime bank rate
PwC	PricewaterhouseCoopers Incorporated
RBCT	Richards Bay Coal Terminal Proprietary Limited
Replacement BEE Transaction	BEE transaction implemented in 2017 which resulted in Exxaro being held 30% by HDSAs
Rm	Rand million
RSA	Republic of South Africa
SAICA	South African Institute of Chartered Accountants
SAMREC Code	The South African code for the reporting of exploration results, mineral resources and mineral reserves
SARS	South African Revenue Service
SIC	Standard Interpretations Committee
SIOC	Sishen Iron Ore Company Proprietary Limited
SPPI	Solely payments of principal and interest
SSCC	Semi-soft coking coal
Tata Power	Tata Power Company Limited
TCFD	Task force on Climate-related Financial Disclosures
TiO_2	Titanium dioxide
Tronox	Exxaro's investment in Tronox entities
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
Tronox UK	Tronox Sands Limited Liability Partnership in the United Kingdom
TSR	Total shareholder return
Tumelo	Tumelo Coal Mines Proprietary Limited
TVP(s)	Targeted voluntary severance package(s)
UK	United Kingdom
US$	United States dollar
USA	United States of America
VAT	Value added tax
WANOS	Weighted average number of shares

CHAPTER 1: THE YEAR IN BRIEF

Chapter 1:
The year in brief

FINANCIAL PERFORMANCE

The group's net operating profit (from continuing and discontinued operations) for 2019 increased by R696 million to R6 399 million (2018: R5 703 million) mainly due to the net gain on the partial disposal in Tronox Holdings plc and the redemption of Exxaro's membership interest in Tronox UK.

Income from equity-accounted investments of R4 693 million for 2019 (2018: R3 259 million) increased by 44%, mainly as a result of SIOC.

COMPARABILITY OF RESULTS

The key transactions shown below should be considered for a better understanding of the comparability of results between 2019 and 2018. Please note that when we present our figures to the market we do this on a normalised basis, taking into account the key transactions impacting comparability, as shown in the table below:

Table 1: Key transactions impacting comparability

Reporting segment	Description	2019 Rm	2018 Rm
Coal	– Insurance claim recovery from external parties	(99)	
	– Targeted voluntary packages[1]	393	
	– Insurance claim recovery from external parties[2]	(49)	(57)
	– Gain on disposal of non-core investments[2, 3]	(76)	(171)
	– Loss on loss of control of Tumelo[2]	35	
	– Net gains on disposal of property, plant and equipment[2, 4]	(18)	(121)
	– Impairment reversal of property, plant and equipment[2]	(23)	
	– Tax on non-core adjustments[2]	11	29
Ferrous	– Targeted voluntary packages[1]	3	
	– Post-tax share of SIOC's loss on disposal of property, plant and equipment[2]	10	13
TiO_2	– Indemnification asset movement relating to the tax implications of the partial Tronox Holdings plc divestment	(65)	
	– Net gains on partial disposal of investment in Tronox, including net gain on translation differences recycled to profit or loss[2, 5]	(2 336)	
	– Tax on partial disposal of investment in Tronox Holdings plc[2]	65	
Energy	– Impairment of associate (GAM)[2]	58	
Other	– Fair value adjustment on debt	(58)	
	– Fair value adjustment on the ECC contingent consideration	(296)	357
	– Net gain on translation differences recycled to profit or loss on foreign subsidiaries[2]	(7)	(14)
	– Net loss on disposal of property, plant and equipment[2]	18	
	– Losses on dilution of investments in associates[2]	42	
	– Post-tax share of Insect Technology's loss on disposal of intangible assets and impairment of goodwill[2]	42	
Various	– Other items individually less than R10 million[2]	4	1
Net financing cost	– Eyesizwe preference dividend accrued (consolidation impact)	25	100
Non-controlling interest	– NCI on non-core adjustments	(86)	
Group	**Total attributable earnings impact**	(2 407)	137

[1] Exxaro is committed to complying with the employment equity targets prescribed by the Mining Charter and Department of Trade and Industry codes and as such approved various mechanisms that will support the achievement of the 2022 targets.

[2] Excluded from headline earnings.

[3] Relates to a gain on disposal of the Paardeplaats mining right. 2018 comprises a gain on disposal of Manyeka (R69 million) and a gain on disposal of NBC (R102 million).

[4] 2018 includes a R115 million gain on disposal of mineral properties by Matla.

[5] Includes a gain of R1 234 million on the partial disposal of Tronox Holdings plc, a gain of R832 million on translation differences recycled to profit or loss on partial disposal of Tronox Holdings plc and a gain of R270 million on the redemption of the Tronox UK membership interest.

GROUP FINANCIAL RESULTS

REVENUE

Group revenue increased by 1% to R25 726 million (2018: R25 491 million). While coal export volumes increased by 14%, there was a significant decline in the API4 price resulting in a 30% lower average price per tonne achieved of US$54 (2018: US$77). The negative impact was cushioned somewhat by a weaker average spot exchange rate of R14.44 to the US dollar (2018: R13.24). On the domestic front, higher prices from commercial mines had a positive revenue impact.

EARNINGS

Earnings of R9 809 million (2018: R7 030 million) or 3 908 cents per share (2018: 2 801 cents per share), were impacted by various once-off transactions (+ as shown in Table 1 on the previous page).

Headline earnings increased to R7 599 million (2018: R6 707 million) or 3 027 cents per share (2018: 2 672 cents per share). This was mainly driven by an increase of R1 434 million in Exxaro's share of income of equity-accounted investments to R4 693 million (2018: R3 259 million), which more than offset the drop in coal earnings.

Below is a summary of the earnings from equity-accounted investments:

	Equity-accounted income/(loss)		Dividends received	
	2019 Rm	**2018 Rm**	**2019 Rm**	**2018 Rm**
SIOC	4 413	2 592	4 051	2 569
Tronox SA	234	382		
Tronox UK[1]		110	50	
RBCT	1	(36)		
Curapipe	(4)	(3)		
Insect Technology	(148)	(31)		
LightApp	(28)	(5)		
Black Mountain[2]	52	70		
Mafube	127	114		
Cennergi	46	66	95	58
Total	4 693	3 259	4 196	2 627

[1] *Application of the equity method of accounting ceased when the Tronox UK investment was classified as a non-current asset held-for-sale on 30 November 2018.*

[2] *Application of the equity method of accounting ceased when the Black Mountain investment was classified as a non-current asset held-for-sale on 30 November 2019.*

DEBT EXPOSURE

Net debt for the year ended 31 December 2019 increased by R1 943 million to R5 810 million (2018: R3 867 million). The main cash outflow items during 2019 include the funding of our capital expenditure programme of R6 076 million, R344 million cash payment in respect of the ECC contingent consideration, R678 million for the acquisition of shares in the market to settle share-based payments and R263 million being the deferred consideration paid to Insect Technology.

In addition to the cash generated by our own operations and dividends received, we also received cash of R2 057 million from Tronox UK for the redemption of Exxaro's 26% membership interest and R2 889 million from Tronox Holdings plc for the repurchase of 14 million shares from Exxaro. Of the cash received, 65% was returned to shareholders as a special dividend of R2 251 million (to external shareholders).

The dividends received by Eyesizwe resulted in the full settlement of the preference share liability in October 2019.

COAL BUSINESS

In the domestic market, steam coal demand remained stable with Eskom's demand varying due to lower offtake from the Medupi power station offset by additional offtake from Leeuwpan and ECC. AMSA's demand varied due to fluctuations in kiln operations as well as the steel plant in Saldanha being placed on care and maintenance. Exxaro has successfully placed AMSA's material in the market with other customers.

Overall, the thermal coal seaborne market remained in oversupply. However, price support for the API4 was evident towards the end of 2019 but the sharp increase in API4 priced South African producers out of their natural markets. The competition in our markets is intensifying, with traditional Atlantic Ocean suppliers competing aggressively. The API4 averaged US$72 per tonne compared to US$98 per tonne in 2018. Export volumes increased 14% from 8.0Mt in 2018 to 9.1Mt in 2019.

REVENUE

Coal revenue was 1% higher at R25 582 million (2018: R25 302 million). The higher revenue was mainly driven by an increase in domestic sales due to price escalations and new contracts, partly offset by other lower domestic volumes. Although export volumes were 14% higher than the previous year, the average realised rand price per tonne was 24% lower at R774 compared to R1 013 in 2018.

CAPEX AND PROJECTS

Exxaro's coal capital expenditure of R5 817 million increased by 2% compared to R5 722 million in 2018. While our expansion capital in the Mpumalanga region increased by R1 345 million, this was partly offset by a lower capex spend of R789 million in the Waterberg region. Our sustaining capital decreased by R534 million, mainly in the Mpumalanga region.

As reported previously, first coal from our greenfield Belfast mine was produced in March 2019 and first product sales took place in May 2019. Completion of the beneficiation plant is close to commissioning with ramp up expected in the first quarter of 2020. At Mafube, ramping up of the Nooitgedacht reserve to nameplate capacity was achieved in the fourth quarter of 2019 and continues to exceed expectations.

Coal capex	2019 Rm	2018 Rm	Change %
Sustaining	2 245	2 779	-19
Commercial: Waterberg	1 753	1 904	-8
Commercial: Mpumalanga	475	875	-46
Other	17		
Expansion	3 572	2 943	+21
Commercial: Waterberg	1 198	1 987	-40
Commercial: Mpumalanga	2 301	956	+141
Other	73		
Total coal capex	5 817	5 722	+2

EQUITY-ACCOUNTED INVESTMENT

Mafube, a 50% joint venture with Anglo, recorded equity-accounted income of R127 million (2018: R114 million), mainly due to the ramping up of the Nooitgedacht reserve.

FERROUS BUSINESS

EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted income from SIOC increased by R1 821 million to R4 413 million (2018: R2 592 million). The increase is primarily driven by the effect of higher iron ore prices realised and a weaker exchange rate.

Dividends amounting to R4 051 million were received from our investment in SIOC (2018: R2 569 million). SIOC has declared a final dividend to its shareholders in February 2020. Exxaro's 20.62% share of the dividend amounts to R1 412 million. The dividend will be accounted for in 2020.

TIO_2 BUSINESS

EQUITY-ACCOUNTED INVESTMENT

Equity-accounted income from Tronox SA decreased by R148 million to R234 million compared to 2018. The decrease is mainly as a result of increased costs (royalties and allocated head office costs), inventory revaluation adjustments and foreign currency exchange losses.

Our investment in Tronox Holdings plc continues to meet the criteria to be classified as a non-current asset held-for-sale.

ENERGY BUSINESS

EQUITY-ACCOUNTED INVESTMENTS – CENNERGI

Cennergi, a 50% joint venture with Tata Power, recorded equity-accounted income of R46 million for 2019 (2018: R66 million). The results were negatively impacted by the ineffective portion of interest rate swaps and fair value adjustments on share-based payment liabilities offset by improved operational performance. Cash flow generation remains positive as Exxaro received dividends of R95 million in 2019 compared to R58 million in 2018.

Despite the loss of two turbines due to fire incidents, for a significant period of the year, generation output to date at the two wind-farms is better than planned given favourable wind conditions. The replacement turbines have been commissioned in November 2019 and are in full production.

As announced on 17 September 2019, Exxaro has concluded an agreement with Khopoli, a wholly owned subsidiary of Tata Power, to acquire Khopoli's 50% shareholding in Cennergi for an amount of R1 550 million, subject to normal working capital adjustments. Post the conclusion of the agreement, Exxaro will have 100% ownership of Cennergi. The last condition precedent was met in March 2020 (refer note 18).

SALE OF NON-CORE ASSETS AND INVESTMENTS

During the second half of 2019, the Exxaro board of directors approved a decision to divest from its 26% interest in Black Mountain. On 30 November 2019, the investment was classified as a non-current asset held-for-sale and the application of the equity method of accounting ceased.

On 31 January 2020, the Arnot operation was transferred to Arnot OpCo Proprietary Limited Consortium. The accounting of the transfer will be accounted for in 2020.

On 20 February 2020, Exxaro announced our intention to divest our entire interest in ECC and the Leeuwpan operations. The divestment will be executed through a formal disposal process. The proposed transaction is a category two transaction in terms of the JSE Listings Requirements and is therefore not regarded as material.

PERFORMANCE OF REPLACEMENT BEE TRANSACTION

We are proud to report that Eyesizwe, our BEE shareholder, fully settled its acquisition debt in October 2019, three years earlier than anticipated. The early settlement was funded from dividends received from Exxaro. From an accounting perspective, this resulted in the outside shareholders of Eyesizwe being treated as non-controlling interests for the Exxaro group from 1 November 2019.

Furthermore, we undertook to transfer at least 10% of our 24.9% shareholding in Eyesizwe into structures for the benefit of Exxaro's employees and communities adjacent to our operations. The transaction agreements have been concluded in the first quarter of 2020 with implementation of the employee scheme expected in April 2020, and the implementation of the community scheme dependent on the registration of the company as a public benefit organisation in terms of section 18A of the Income Tax Act.

SHAREHOLDER RETURN

In terms of our capital allocation framework, we will remain prudent in returning cash to shareholders, managing debt and selectively reinvesting for the growth of our business. Exxaro's declared dividend policy is based on two components: a pass through of the SIOC dividend received and a targeted cover ratio of 2.5 times to 3.5 times core attributable coal earnings.

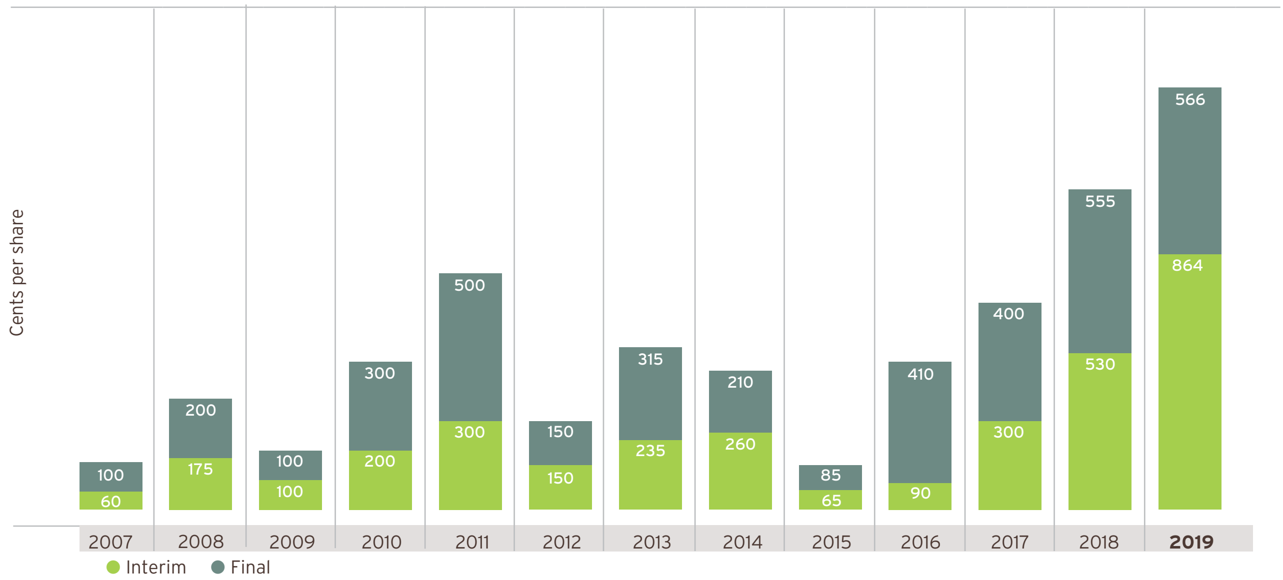
Additionally, Exxaro is targeting a gearing ratio below 1.5 times net debt to EBITDA.

The board of directors has declared a cash dividend comprising:

- Three times core attributable coal earnings
- Pass through of SIOC dividend of R1 412 million.

As such, Exxaro declared a final dividend of 566 cents per share for 2019, bringing the total dividend declared for 2019 to 2 327 cents per share, which includes a special dividend of 897 cents per share.

Historic dividend declarations



Chapter 1:
The year in brief continued

OUTLOOK[1]

In the first half of 2020, global economic growth stabilisation is anticipated. However, depending on the duration and spread of the coronavirus in China, recovery in thermal coal import demand in China might support the seaborne market somewhat.

We expect domestic thermal coal demand and pricing to remain relatively stable during 2020.

The API4 is expected to be under pressure as a similar liquefied natural gas (LNG) supply wave, as evident in 2019, is anticipated to continue into 2020, together with low gas prices globally.

South Africa's fiscal imbalance is set to remain a major constraint in addressing the increasing socio-economic challenges with the risk of a sovereign rating downgrade increasing. As a result, the rand/dollar exchange rate is expected to remain volatile.

As we roll out the integrated operations centres at all our business units, in terms of our digitalisation plan, increased visualisation of the mining value chain will highlight embedded inefficiencies that will be addressed through in-time decision making related to safety, productivity and cost performance. At an enterprise level, we are on schedule to implement our integrated management platform allowing us to access strategic insights across our operations, enabling future looking value-add conversations.

The expected recovery in iron ore seaborne supply with narrowing steel margins will soften the iron ore market.

Our shareholding in Tronox Holdings plc has been reduced to approximately 14.7 million shares, representing about 10% of the total outstanding shares as at 31 December 2019. We remain committed to monetising our stake in Tronox Holdings plc over time and in the best possible manner, taking into account prevailing market conditions.

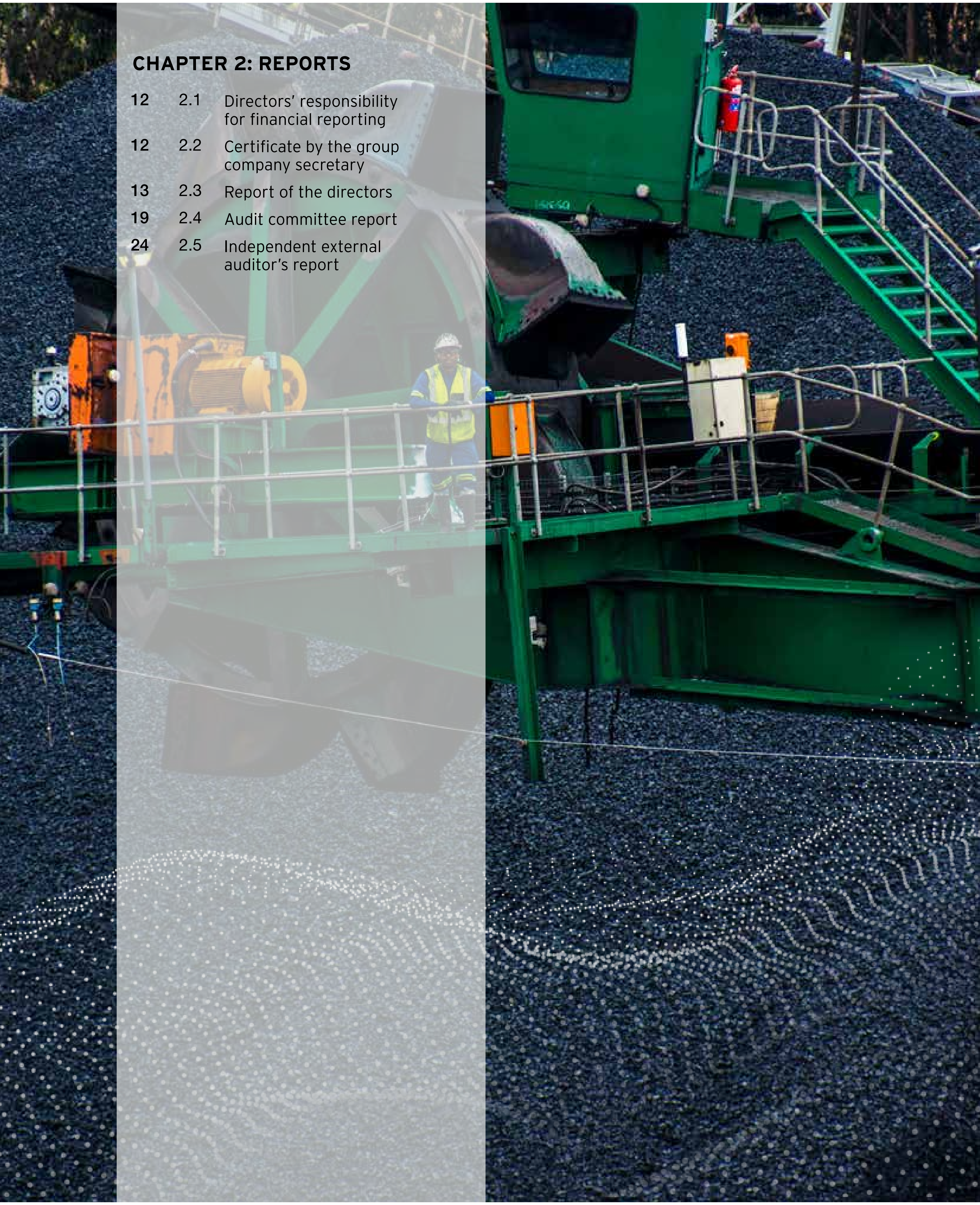
In 2017, Exxaro adopted a strategy to explore new investment opportunities based on three pillars: water security, food security and energy security. Based on our experience since then, we have now changed that strategy to focus solely on new opportunities in the energy security space. As we pursue these opportunities, our approach will continue to be measured with a view to mitigating potential risks and ensuring that the capital allocation decisions are in line with appropriate metrics.

With regard to the Moranbah South hard coking coal project, Exxaro, together with Anglo Coal, are in the process of reassessing the potential development plan for the project.

In August 2019, we reported that we would share our climate response strategy, including our progress in incorporating the recommendations from the Financial Services Board Task Force on Climate-related Financial Disclosures (TCFD), which highlight climate change transitional and physical risks confronting our business and the related financial impacts of these risks. Our climate change position statement contains details on our approach to climate change mitigation and adaptation. The document also includes our aspirational target of scope 1 and 2 carbon neutrality by 2050. We have developed climate change scenarios that take into account the 2°C world as per the recommendation of the TCFD. We will be using these scenarios to conduct a detailed analysis to quantify the financial risks and opportunities in our operations.

Subsequent to year-end and the finalisation of the financial statements, the COVID-19 (the virus) pandemic required us to support government protocols and directives to contain the spread of the virus. We have undertaken to act responsibly in preventing the further spread of the virus and therefore implemented our Crisis Management Plan (CMP) and Business Continuity Plan (BCP) across the breadth of our businesses that includes Health and Safety controls and preventative measures. Additionally, it is important to recognise the impact on the South African economy and the cumulative negative impact of the lockdown period, which commenced on midnight, 26 March 2020 and is foreseen to last longer than anticipated. We have received the necessary approval to continue with our production activities during this period, albeit at varying reduced levels in terms of volumes and people, as these activities are considered to be essential services and the necessary measures have been taken to prevent possible infections. Refer note 18.3 for more details.

[1] *Opinions expressed herein are by nature subjective to known and unknown risks uncertainties. Changing information or circumstances may cause the actual results, plans and objectives of Exxaro to differ materially from those expressed or implied in the forward-looking statements. Financial forecasts and data given herein are estimates based on the reports prepared by experts who in turn relied on management estimates. Undue reliance should not be placed on such opinions, forecasts or data. No representation is made as to the completeness or correctness of the opinions, forecasts or data contained herein. Neither the company nor any of its affiliates, advisers or representatives accept any responsibility for any loss arising from the use of any opinion expressed or forecast or data herein. Forward-looking statements apply only as of the date on which they are made and the company does not undertake any obligation to publicly update or revise any of its opinions or forward-looking statements whether to reflect new data or future events or circumstances.*



CHAPTER 2: REPORTS

Chapter 2:
Reports

2.1 DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors

- Mr J (Jeffrey) van Rooyen (chairman)
- Ms GJ (Geraldine) Fraser-Moleketi (lead independent director)
- Mr PA (Riaan) Koppeschaar (finance director)
- Ms L (Likhapha) Mbatha
- Mr MDM (Mxolisi) Mgojo (chief executive officer)
- Mr VZ (Zwelibanzi) Mntambo
- Mr MJ (Mark) Moffett
- Mr LI (Isaac) Mophatlane
- Mr EJ (Ras) Myburgh
- Mr V (Vuyisa) Nkonyeni
- Ms A (Anuradha) Sing
- Mr PCCH (Peet) Snyders
- Ms MW (Monhla) Hlahla (resigned on 31 December 2019)

hereby confirm that:

(a) The annual financial statements of the group and company as set out on pages 31 to 166, fairly present in all material respects the financial position, financial performance and cash flows of the group and company in accordance with IFRS

(b) No facts have been omitted or untrue statements made that would make the annual financial statements of the group and company false or misleading

(c) Internal financial controls have been in place and functional to ensure that information, relating to the company and its subsidiaries, used to prepare the group and company annual financial statements is correct in all material respects

(d) The internal financial controls are adequate and effective and can be relied upon in compiling the group and company annual financial statements

(e) We have fulfilled our role and function within the combined assurance model, pursuant to principle 15 of King IV™.

Where we were not satisfied, we have:

- Disclosed to the audit committee and the independent external auditor the deficiencies in design and operational effectiveness of the internal financial controls including, if any, fraud that may have or has involved directors.
- Taken the necessary remedial action to correct the deficiencies and/or prevent further loss, if any.

MDM Mgojo
Chief executive officer

PA Koppeschaar
Finance director

Centurion
20 April 2020

2.2 CERTIFICATE BY THE GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I, SE (Saret) van Loggerenberg, in my capacity as group company secretary, confirm that, to the best of my knowledge and belief, Exxaro has filed with the Companies and Intellectual Property Commission all such returns and notices for the year ended 31 December 2019, as required of a public company in terms of the Companies Act, and that all such returns and notices appear to be true, correct and up to date.

SE van Loggerenberg
Group company secretary

Centurion
20 April 2020

2.3 REPORT OF THE DIRECTORS

The directors have pleasure in presenting the group and company annual financial statements of Exxaro Resources Limited for the year ended 31 December 2019.

NATURE OF BUSINESS

Exxaro is a large South African-based diversified resources group with interests in the coal, TiO_2, ferrous and energy markets. Exxaro's assets vary between controlled and operated assets as well as equity-accounted investments. The major controlled assets are the coal operations, with Exxaro being one of the top five coal producers in South Africa and, in turn, Grootegeluk is acknowledged as one of the most efficient mining operations globally and runs the world's largest coal beneficiation complex.

While coal is the core of our business now and for decades to come, Exxaro understands the finite nature of the fossil-fuel sector and changing global imperatives. Exxaro therefore holds a 50% (2018: 50%) interest in Cennergi, a wind-farm energy generation company, which aims to be the leading cleaner energy IPP in South Africa. As announced on 17 September 2019, Exxaro has concluded an agreement with Khopoli, a wholly owned subsidiary of Tata Power, to acquire Khopoli's 50% shareholding in Cennergi for an amount of R1 550 million, subject to normal working capital adjustments. The transaction will result in Exxaro becoming the sole owner of Cennergi. The agreement is subject to, among others, the normal regulatory approvals customary for this type of transaction. The last condition on precedent was met in March 2020.

Exxaro's investments in associates include its 20.62% (2018: 20.62%) equity interest in SIOC, which extracts and processes iron ore. It also includes a 26% (2018: 26%) equity interest in Tronox SA and a 10.38% (2018: 23.35%) equity interest in Tronox Holdings plc, a vertically integrated mining and inorganic chemical business.

Exxaro is a public company incorporated in South Africa and is listed on the JSE. It is also a constituent of the JSE's Top 40 index, as well as the top 30 in the FTSE/JSE Responsible Investment Index with headquarters in Centurion, South Africa.

In 2017, Exxaro adopted a strategy to explore new investment opportunities based on three pillars: water security, food security and energy security. Based on our experience since then, we have now changed that strategy to focus solely on new opportunities in the energy security spaces. As we pursue these opportunities, our approach continues to be measured with a view to mitigating potential risks and ensuring that the capital allocation decisions are in line with appropriate metrics.

Performance of Replacement BEE Transaction

We are proud to report that Eyesizwe, our BEE shareholder, fully settled its acquisition debt in October 2019, three years earlier than anticipated. The early settlement was funded from dividends received from Exxaro. From an accounting perspective, this resulted in the outside shareholders of Eyesizwe being treated as non-controlling interests for the Exxaro group from 1 November 2019.

Furthermore, we undertook to transfer at least 10% of our 24.9% shareholding in Eyesizwe into structures for the benefit of Exxaro's employees and communities adjacent to our operations. The transaction agreements have been concluded in the first quarter of 2020 with implementation of the employee scheme expected in April 2020 and the implementation of the community scheme dependent on the registration of the company as a public benefit organisation in terms of section 18A of the Income Tax Act.

Divestment of non-core assets and investments

Arnot operation

On 22 February 2019, Exxaro signed a transfer agreement with the Arnot OpCo Proprietary Limited Consortium (the consortium), subject to conditions precedent, for the transfer of the Arnot operation. The shareholders of the consortium are former employees of Arnot and Wescoal. This ground-breaking deal will enable the consortium to restart the mine and supply coal to the national electricity provider for its Arnot power station.

On 31 January 2020, the Arnot operation was transferred to Arnot OpCo Proprietary Limited Consortium. The transfer will be recognised in 2020 (refer note 18.3).

2.3 REPORT OF THE DIRECTORS continued

Black Mountain

During the second half of 2019, the Exxaro board of directors approved a decision to divest from its 26% interest in Black Mountain. On 30 November 2019, the investment was classified as a non-current asset held-for-sale and the application of the equity method ceased.

Tronox Holdings Plc

In September 2017, the directors of Exxaro formally decided to dispose of the investment in Tronox Holdings plc. As part of this decision, Tronox Limited was required to publish an automatic shelf registration statement of securities of well-known seasoned issuers, which allowed for the conversion of Exxaro's Class B Tronox Limited ordinary shares to Class A Tronox Limited ordinary shares. Subsequently, Exxaro sold 22 425 000 Class A Tronox Limited ordinary shares during October 2017. During May 2019, Tronox Holdings plc repurchased 14 000 0000 Tronox Holdings plc ordinary shares from Exxaro after Tronox Limited had redomiciled to the UK.

Tronox UK

In February 2019, Exxaro received total cash of R2 057 million from Tronox UK for the redemption of Exxaro's 26% membership interest, of which R460 million was a members' distribution.

INTEGRATED REPORT AND SUPPLEMENTAL INFORMATION

The integrated report and supplementary information contain material information on the activities and performance of the group and its various divisions. These reports are unaudited. The board of directors acknowledge its responsibility to ensure the integrity of the integrated report and supplemental information. We have accordingly applied our minds to the integrated report and believe the report addresses all material issues, and fairly presents the integrated performance, impact and sustainability of the organisation.

CORPORATE GOVERNANCE

The directors endorse and acknowledge the principles contained in King IV™. The principles are applied by Exxaro and therefore the disclosures made in the integrated report are essential to allow stakeholders to assess whether the principles and recommended practices are integrated into the business processes of Exxaro. Furthermore, we acknowledge that effective corporate governance should form part of everything we say and do. Corporate governance forms part of the foundational layers of our strategy and effective governance is therefore entrenched as a way of doing business. Full details on how these principles are applied in Exxaro are set out in the integrated report 2019.

COMPARABILITY OF RESULTS

The results for the years ended 31 December 2019 and 2018 are not comparable due to the key transactions reported in Table 1 of chapter 1.

ACCOUNTING POLICIES

The accounting policies applied during the year ended 31 December 2019 are consistent, in all material respects, with those applied in the group and company annual financial statements for the year ended 31 December 2018 except for the adoption of IFRS 16 *Leases*, which became effective for the first time for the year commencing 1 January 2019. The impact of the adoption and the new accounting policies are disclosed in notes 11.1 and 11.2 respectively.

REGISTRATION DETAILS

The company registration number is 2000/011076/06. The registered office is the conneXXion, 263B West Avenue, Die Hoewes, Centurion. Refer chapter 19: annexure 3 for further details.

CAPITAL MANAGEMENT

In terms of the capital allocation framework (adopted in 2018), free cash flow generated will be prioritised as illustrated in the diagram below.

The framework is in line with Exxaro's commitment to sustainably returning cash to shareholders through the cycle while retaining a high level of balance sheet strength.

SHARE CAPITAL

The share capital of the company has remained unchanged and is summarised as follows:

	Number of shares	
At 31 December	**2019**	**2018**
Authorised ordinary shares of R0.01 each	500 000 000	500 000 000
Issued ordinary shares of R0.01 each	358 706 754	358 706 754
Treasury shares held by Kumba Resources Management Share Trust	158 218	158 218
Treasury shares held by Eyesizwe	107 612 026	107 612 026

SHAREHOLDERS

An analysis of shareholders and the respective percentage shareholdings appears in chapter 19: annexure 1.

2.3 REPORT OF THE DIRECTORS continued

INVESTMENTS IN SUBSIDIARIES

The financial information in respect of investments and interests in subsidiaries of the company is disclosed in note 17.6.

DIVIDEND PAYMENTS

The dividend policy is to consider an interim and final dividend for each financial year. At its discretion, the board of directors may consider a special dividend where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may approve the payment of dividends.

Exxaro's dividend policy comprises two components: firstly, a pass through of the SIOC dividend received and, secondly, a dividend based on a targeted cover ratio of 2.5 times to 3.5 times core attributable coal earnings.

Exxaro declared the following dividends relating to 2019:

Dividend number 33

Interim dividend number 33 of 864 cents per share was approved by the board of directors on 20 August 2019 and declared in South African rand in respect of the six-month period ended 30 June 2019. The dividend payment date was Monday, 14 October 2019, to shareholders recorded on the register of the company at close of business on Friday, 11 October 2019.

Special dividend

Following the partial disposal of Exxaro's shareholding in Tronox Holdings plc and the redemption of the membership interest in Tronox UK, a special dividend of 897 cents per share was approved by the board of directors on 20 August 2019. The special dividend payment date was Monday, 14 October 2019, to shareholders recorded on the register of the company at close of business on Friday, 11 October 2019.

Dividend number 34

Final dividend number 34 of 566 cents per share was approved on 10 March 2020 and declared in South African rand in respect of the year ended 31 December 2019. The final dividend payment date is Tuesday, 28 April 2020 to shareholders recorded on the register of the company at close of business on Friday, 24 April 2020 (record date).

To comply with the requirements of Strate, the last date to trade cum dividend is Tuesday, 21 April 2020. The shares will commence trading ex-dividend on Wednesday, 22 April 2020.

The final dividend declared is subject to dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local final dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 452.80000 cents per share. The number of ordinary shares in issue at the date of this declaration is 358 706 754. Exxaro company's tax reference number is 9218/098/14/4.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2019, the following notable events occurred:

- On 17 January 2020, the outstanding conditions for the sale of the EMJV business to Scinta Energy Proprietary Limited were met
- On 31 January 2020, the Arnot operation was transferred to Arnot OpCo Proprietary Limited Consortium
- On 20 February 2020, Exxaro announced its intention to divest from the ECC group as well as the Leeuwpan operation
- As announced on 17 September 2019, Exxaro has concluded an agreement with Khopoli, a wholly owned subsidiary of Tata Power, to acquire Khopoli's 50% shareholding in Cennergi for an amount of R1 550 million, subject to normal working capital adjustments, which will result in Exxaro becoming the sole owner of Cennergi. The last condition precedent was met in March 2020
- On 2 April 2020, Exxaro's secondary listing on A2X became effective. Exxaro will retain its primary listing on the JSE and its issued share capital will be unaffected by the secondary listing on A2X. Exxaro's shares will be available to be traded on the JSE and A2X from the listing date
- Subsequent to year end and the finalisation of the financial statements, the COVID-19 pandemic required us to support government protocols and directives to contain the spread of the virus. Refer note 18.3 for further details on Exxaro's actions taken.

Refer to the dividends payment section regarding the final dividend declared for 2019.

The directors are not aware of any matter or circumstance that has arisen since the end of the financial year not dealt with in the integrated report 2019 or in the group and company annual financial statements 2019 that would significantly affect the operations or the results of the group and company. Refer note 18.3 for further details.

DIRECTORATE AND SHAREHOLDINGS OF DIRECTORS

Details of the directors in office at the date of this report are set out in the integrated report 2019.

Details of directors' shareholdings are contained in note 14.5.3.

During 2019, two directors resigned from the board of directors: Ms D (Daphne) Mashile-Nkosi who resigned as a non-executive director of the company with effect from 11 October 2019 and Ms MW (Monhla) Hlahla who resigned as an independent non-executive director of the company with effect from 31 December 2019. The board of directors will fill these casual vacancies after running a thorough and transparent appointment process through its remuneration and nomination committee.

The importance and promotion of broader diversity at board level is recognised by the board of directors, specifically focusing on the diversity attributes of gender, race, culture, age, field of expertise, skills and experience. The nomination of the new appointments will be executed by the remuneration and nomination committee in accordance with the policy of broad diversity. The nominees will then be subject to approval by the shareholders for appointment.

In accordance with the memorandum of incorporation, the appointments by the board of directors are required to be confirmed through election by the shareholders at the forthcoming AGM to be held on 28 May 2020.

At the date of compilation of this report, the following individuals were directors of the company:
- Mr J (Jeffrey) van Rooyen (chairman)
- Ms GJ (Geraldine) Fraser-Moleketi (lead independent director)
- Mr PA (Riaan) Koppeschaar (finance director)
- Ms L (Likhapha) Mbatha
- Mr MDM (Mxolisi) Mgojo (chief executive officer)
- Mr VZ (Zwelibanzi) Mntambo
- Mr MJ (Mark) Moffett
- Mr LI (Isaac) Mophatlane
- Mr EJ (Ras) Myburgh
- Mr V (Vuyisa) Nkonyeni
- Ms A (Anuradha) Sing
- Mr PCCH (Peet) Snyders

DIRECTORS' SERVICE CONTRACTS

All executive directors' employment contracts are subject to six calendar months' notice. Non-executive directors are not bound by service contracts. There are no restraints of trade associated with the service contracts of executive directors. A detailed analysis of the directors' and prescribed officers' remuneration is included in note 14.5.

GROUP COMPANY SECRETARY

Mrs SE (Saret) van Loggerenberg, a Fellow of the Institute of Chartered Secretaries, is the group company secretary. Contact details of Saret van Loggerenberg appear in chapter 19: annexure 3.

INDEPENDENT EXTERNAL AUDITOR

PwC was re-elected as independent external auditor on 23 May 2019 in accordance with section 90 of the Companies Act and has again been proposed for re-election in respect of the 2020 financial year to occur at the forthcoming AGM on 28 May 2020.

AUDIT COMMITTEE

The audit committee report appears on pages 19 to 23, as well as in the integrated report 2019.

2.3 REPORT OF THE DIRECTORS continued

BORROWING POWERS AND FINANCIAL ASSISTANCE

	Group	
	2019 Rm	2018 Rm
Amount approved[1]	43 470	52 308
Total borrowings (excluding lease liabilities)	(7 041)	(4 414)
Unutilised borrowing capacity	36 429	47 894

[1] *Decrease mainly relates to the increase in NCI.*

The borrowing powers were set at 125% of shareholders' funds attributable to owners of the parent for both the 2019 and 2018 financial years.

Pursuant to the authorisation granted at the AGM held on 23 May 2019, shareholders approved, in accordance with section 45 of the Companies Act, the granting of financial assistance to related and inter-related companies of Exxaro.

The directors resolved that the company will satisfy the solvency and liquidity test, as contemplated in section 45 of the Companies Act and detailed in section 4 of the Companies Act, post such assistance. The terms under which such assistance will be provided are fair and reasonable to the company.

EMPLOYEE INCENTIVE SCHEMES

Details of the employee incentive schemes are set out in note 14.3 as well as the remuneration and nomination committee report in the integrated report 2019 and the supplementary information.

RELATED-PARTY TRANSACTIONS

Details of related-party transactions are set out in note 15.1.

GOING CONCERN

The directors believe that the group and company have adequate financial resources to continue in operation for the foreseeable future and, accordingly, the group and company annual financial statements 2019 have been prepared on a going-concern basis.

The directors are not aware of any new material changes, or any material non-compliance with statutory or regulatory requirements that may adversely impact the group or company.

SPONSOR

Absa Limited acted as sponsor to the company for the financial year ended 31 December 2019.

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited serves as the South African registrar of the company.

AGM

The 19th (nineteenth) AGM of shareholders of Exxaro will be held (subject to any adjournment or postponement) at the conneXXion, 263B West Avenue, Die Hoewes, Centurion, South Africa, at 11:00 on Tuesday, 28 May 2020 to consider and, if deemed fit, pass with or without modification, the resolutions.

2.4 AUDIT COMMITTEE REPORT

The audit committee (the committee) is pleased to present its report for the year ended 31 December 2019.

ROLE AND PURPOSE

The committee is constituted as a statutory committee of the company in terms section 94 of the Companies Act and a committee of the board of directors of the company in terms of all other duties assigned to it by the board of directors. In terms of the Companies Act, this committee has an independent role with accountability to the board of directors and shareholders of the company. The committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management, nor does it assume accountability of the functions performed by other committees of the board of directors.

The role of the committee is to fulfil the statutory duties as set out in section 94(7) of the Companies Act and, in addition, to assist the board of directors in providing independent oversight over the following:

- Quality and integrity of the financial statements and related public announcements
- Integrity and content of the integrated reporting process
- Qualification and independence of the external auditor
- Scope and effectiveness of the external audit function
- Scope and effectiveness of the overall combined/integrated assurance process
- Effectiveness of the internal controls and internal audit function
- Integrity and efficacy of the risk management process relating specifically to internal controls and financial reporting risks through assurance over the system controls and policies in place.

COMPOSITION

The committee members are elected annually by shareholders at the AGM of the company on the recommendation of the board of directors (via the remuneration and nomination committee). The board of directors ensures, through its recommendations, that there is a balanced blend of skills and experience, with specific focus on financial literacy, to enable the committee to discharge its functions.

For the year under review, the committee at all times consisted of a minimum of four independent non-executive directors.

The board of directors is satisfied that the committee members have the necessary academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs, information technology or human resource management.

A standing invitation to meetings of this committee is issued to the:

- Chief executive officer
- Finance director
- Chief audit executive
- Representatives of the external auditor and internal auditor.

MEETINGS

Four quarterly meetings were held in 2019. Attendance of almost 100% throughout the year demonstrates high levels of engagement by our committee members.

The following table provides an overview of designations and attendance since appointment:

Name	Designation	Attendance
Mr V Nkonyeni	Independent non-executive director and chairman	100%
Mr MJ Moffett	Independent non-executive director	75%
Mr LI Mophatlane	Independent non-executive director	100%
Mr EJ Myburgh	Independent non-executive director	100%

Bi-annually, two additional sessions (aligned with approval of the interim and annual financial results) are held with the independent external auditor and internal auditor, respectively, where management is not present to facilitate an exchange of views and concerns to further strengthen the independent oversight by the committee.

2.4 AUDIT COMMITTEE REPORT continued

STATEMENTS

Finance director and finance function

The committee has reviewed an internal assessment of the expertise and experience of Mr PA Koppeschaar (CA)SA, the finance director, and is satisfied that he has the appropriate expertise and experience to meet his responsibilities. The evaluation also considered the appropriateness of the expertise and adequacy of resources of the finance function.

External auditor

The independent external auditor is PwC. Fees paid to the external auditor are disclosed in note 6.1.3 to the group and company annual financial statements for the year ended 31 December 2019. Exxaro has an approved policy to regulate the use of non-audit services by the independent external auditor, which differentiates between permitted and prohibited non-audit services and specifies a monetary threshold against which approvals are considered. In the review period, PwC was paid R36 million (2018: R32 million), which included R28 million (2018: R26 million) for the statutory audit and related activities as well as R8 million (2018: R6 million) for non-audit services, mainly for tax advisory and tax compliance services, management accounting services, sustainability assurance, agreed upon procedures and other advisory services. The committee is satisfied with the level and extent of non-audit services rendered during the year by PwC and that these did not affect its independence.

The committee annually assess the independence of PwC and completed this assessment at its meeting on 6 March 2020. PwC was required to confirm that:

- It is not precluded from reappointment due to any impediment in section 90(2)(b) of the Companies Act
- It remains independent, as required by section 94(7)(a) of the Companies Act and the JSE Listings Requirements.

Included in its assessment of the suitability of the independent external auditor, PwC was also requested to provide its accreditation information, as detailed in the JSE Listings Requirements.

Based on this assessment, the committee again nominated PwC as independent external auditor for the year ending 31 December 2020. Shareholders will therefore be requested to re-elect PwC in this capacity for the 2020 financial year at the AGM on 28 May 2020, which is contained in the notice of the AGM for 2020.

Mandatory audit firm rotation will only become effective on 1 April 2023 in terms of section 10 of the Auditing Profession Act of 2005. Notwithstanding the fact that the board of directors is satisfied with the independence, conduct and quality of audit services being rendered by PwC, the board of directors, through this committee, decided to undertake a formal process to appoint a new firm as independent external auditor, which is accredited on the JSE list of auditors.

Following an assessment process, this committee, with the endorsement of the board of directors, will recommend the appointment of a new independent external auditor to the shareholders, as contained in the notice of the AGM for 2020. The appointment will be in respect of the financial year ending 31 December 2021 and will be effective from the conclusion of PwC's external audit responsibilities for the financial year ending 31 December 2020.

Internal auditor

The internal audit function is outsourced to EY and its responsibilities are detailed in an internal audit charter, which is reviewed and approved annually by the committee. Its main function remains to express an opinion on the effectiveness of risk management and the internal control environment. The committee is satisfied with the overall performance of the internal audit function provided by EY.

To allow for audit firm rotation (notwithstanding the fact that the board of directors is satisfied with the independence, conduct and quality of internal audit services being rendered by EY), the committee also recommended the appointment of a new, independent internal auditor through a formal process in the first quarter of 2020 and will propose the appointment of a replacement internal audit function with effect from 1 January 2021.

Annual financial statements

The committee reviewed the group and company annual financial statements 2019 and accounting practices in detail, and is satisfied that the information contained in these statements, as well as the application of accounting policies and practices, are reasonable.

Statement on effectiveness of internal financial controls

The committee, with input and reports from the independent external auditor and internal auditor, reviewed the system of internal financial reporting procedures, as underpinned by the enterprise risk management framework, during the year. The review included consideration of all Exxaro entities to ensure that the committee had access to all the financial information to allow for the effective preparation and reporting on the group and company annual financial statements 2019. Informed by these reviews, the committee confirmed that there were no material areas of concern that would render the internal financial controls ineffective and that the reporting procedures are operating.

Combined assurance

In terms of King IV™, assurance has been broadened to cover all sources of assurance, including external assurance, internal audit, management oversight and regulatory inspectors. In addition, the combined assurance model has been expanded to incorporate and optimise all assurance services and functions so that, taken as a whole, these enable an effective control environment and also support the integrity of information used for internal decision-making by management, the governing body and its committees, and the organisation's external reports.

An annual audit plan is submitted for approval to this committee, detailing all proposed assurance activities within the group, including the level of assurance to be provided. The committee ensures alignment of the combined assurance plan, internal audit plans and external audit plans. New protocols have also been adopted dealing with risk acceptance, level 1 finding disclosure process and risk extension requests.

The combined assurance forum (the forum) has been constituted to coordinate the assurance activities within the group in compliance with the enhanced requirements of King IV™. The forum implements and embeds the combined assurance framework principles, as approved by the committee, within the organisation. This is a management meeting and permanent invitees to the forum are representatives of the independent external auditor, internal auditor, other major assurance providers as well as members of the committee and the sustainability, risk and compliance committee of the board of directors.

The committee is satisfied with the arrangements in place for ensuring an effective and efficient combined assurance model.

2019 OVERVIEW

Implementation of IFRS 16 *Leases*

A two-phased approach with regard to the implementation of IFRS 16 was approved by the committee to ensure that the adoption of the new standard was executed appropriately. Phase 1 focused on the group reporting requirements and phase 2 focused on the subsidiary reporting in terms of the new standard.

JSE proactive monitoring: thematic review

Exxaro was selected to be reviewed by the JSE as part of the proactive monitoring: thematic review process, which focused on the application of IFRS 9 and IFRS 15. The committee received a letter containing the outcome as well as the detailed findings of the review. The committee noted that the JSE concluded that the adoption of IFRS 9 and IFRS 15 were at an acceptable standard and that Exxaro's disclosure of the disaggregation criteria of IFRS 15 was listed as good reporting.

Tax compliance status and reporting

Reporting to the committee includes reporting on all tax matters, including tax audits, returns and payments. The committee was also appraised of the carbon tax implications for Exxaro during phase 1.

Internal audit report

A quarterly internal audit report was submitted to the committee, detailing progress made on the approved internal audit plan, audits being conducted, tracking of findings marked ready for audit as well as the close out of any internal audit findings.

External audit report

The external auditor submitted quarterly reports to the committee dealing with various financial, tax and compliance matters as well as the implementation of IFRS 16. The external auditor submitted quarterly reports to the committee, where feedback was reported on the audit of the statutory financial statements in terms of the Companies Act as well as the review of the interim financial statements in accordance with the International Standards on Review Engagements (ISRE 410).

Other key issues that received attention during the year included:
- The adoption of IFRS 16 *Leases*
- Recognition of BEE NCI
- Assessments of investments held-for-sale for compliance with IFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations*
- Assessing the carrying value of property, plant and equipment and significant investments
- Audit of mine closure costs.

2.4 AUDIT COMMITTEE REPORT continued

Other key issues

Other key issues that received attention during the year included, among others, the following:

- Going concern statement and solvency and liquidity assessment in terms of section 46 and 48 of the Companies Act as at 30 June 2019 and 31 December 2019
- Financial results and dividend declarations for the six-month period ended 30 June 2019 and year ended 31 December 2019
- Trading statement for the six-month period ended 30 June 2019 and year ended 31 December 2019
- Information management steering committee report
- Mine closure cost calculations
- Valuation of group carrying amounts in respect of various investments as at 30 June 2019 and 31 December 2019
- Status on completion of subsidiary rationalisation process
- Audit of the annual mineral resource and mineral reserve statement.

KEY PERFORMANCE INDICATORS (KPIs)

2019 KPIs	Evaluation score
Review audit committee KPIs (including the new rand/tonne KPI) quarterly, understand management plans for out-of-appetite KPIs and periodically review management plans	Achieved
Oversee the splitting of the audit and risk functions to ensure the enhancement of corporate governance in Exxaro	Achieved
Review the macro-assumptions to be used for budgets	Achieved
Review the IT strategy and ensure alignment with the Exxaro strategy	Achieved
Approve the levels of materiality to be used for internal and external audit (including the audit protocols and the classification of findings)	Achieved
Ensure alignment of the combined assurance plan, internal audit and external audit plan	Achieved
Ensure that there is a link between internal audit findings and the Exxaro risk profile	Achieved
Track the closing of level 1 internal audit findings and understand the root causes attached to level 1 internal audit findings and repeat internal audit findings	Achieved
Sign-off of the integrity of the integrated report	Achieved

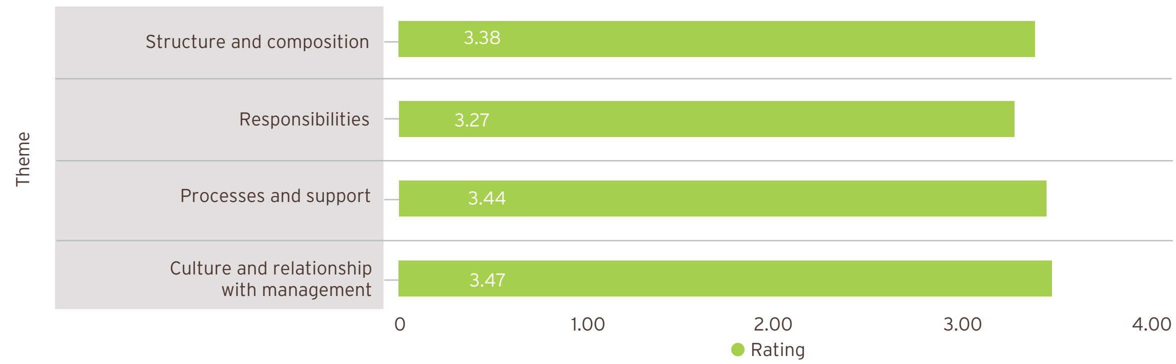
2020 KPIs
Review audit committee KPIs quarterly and review management plans for out-of-appetite KPIs
Review the IM strategy in relation to deployment of new post-modern ERP solutions to ensure acceptable cost, risk and alignment with the Exxaro strategy
Ensure alignment of the combined assurance process, internal audit and external audit plan in terms of a risk-based approach
Review Exxaro's future strategy in relation to insurance cover and self-insurance, taking into account global resistance to thermal coal and the impact on insurance markets
Track the closing of level 1 internal audit findings, understand the root causes of level 1 internal audit findings and repeat internal audit findings
Oversee the assurance process associated with disclosures in the integrated report
Oversee the project plan for financial and risk-based disclosures in terms of Exxaro's aim to comply with Task Force on Climate-related Financial Disclosures
Guidance and assistance to the chief audit officer specifically in relation to the internal audit and external audit tender processes
Ensure alignment with JSE proactive monitoring framework for financial reporting
Benchmarking and measurement of the effectiveness of assurance spend
Proactive influencing rather than mere reporting of tier 3 assurance at business units

PERFORMANCE ASSESSMENT

The effectiveness and performance of the committee was independently evaluated during the reporting period. The general outcome of the assessment was that the overall performance of the committee is more than satisfactory. The evaluation concluded that the committee was satisfied with the committee's overall responsibilities and there were only a few areas that warranted consideration and attention to further strengthen the performance and effectiveness of the committee.

The themes that formed part of the assessment (a rating of 4 being the highest rating representing "in line with best practice" and a rating of 1 "needs significant improvement") and the ratings achieved are as follows:

Rating per theme



Highlights of the assessment were:

- The committee, the CEO and the finance director have created a relationship that promotes open and frank discussion between the committee and management (average rating of 3.67)
- Relationships and communication within the committee are constructive and built on mutual trust and respect (average rating of 3.67).

The recommendations made as well as other points to consider will be included in the annual work plan for 2020.

CONCLUSION

The committee, in carrying out its duties, has due regard to its terms of reference, the Companies Act, the JSE Listings Requirements as well as the principles and recommended practices of King IV™. The committee is satisfied that it has considered and discharged its responsibilities in accordance with its terms of reference and fulfilled its mandate in terms of the Companies Act and King IV™.

On behalf of the committee

Mr V Nkonyeni

Chairman

Centurion
20 April 2020

Chapter 2:
Reports continued

2.5 INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EXXARO RESOURCES LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Exxaro Resources Limited (the company) and its subsidiaries (together the group) as at 31 December 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Exxaro Resources Limited's consolidated and separate financial statements set out on pages 31 to 166 comprise:
- The group and company statements of financial position as at 31 December 2019
- The group and company statements of comprehensive income for the year then ended
- The group and company statements of changes in equity for the year then ended
- The group and company statements of cash flows for the year then ended
- The notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the group in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (revised January 2018*), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

OUR AUDIT APPROACH

Overview

Key audit matters
- Environmental rehabilitation provision
- Impairment of investment in Exxaro Coal Central Proprietary Limited (ECC).

Group audit scope
- We conducted full scope audit procedures at seven business units and specified audit procedures at 12 business units.

Overall group materiality
- Overall group materiality: R429 million, which represents 5% of consolidated profit before tax from continuing operations, adjusted for once-off items.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

OUR AUDIT APPROACH continued

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R429 million
How we determined it	5% of consolidated profit before tax from continuing operations, adjusted for the following once-off items as disclosed in note 6.1.3 to the consolidated financial statements, namely: • Gain on the disposal of operation • Loss on control of subsidiary • Gain on disposal of associate • Impairment charges relating to investment in associate • Impairment reversal relating to property, plant and equipment.
Rationale for the materiality benchmark applied	We chose consolidated profit before tax from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. The consolidated profit before tax was adjusted to exclude items that are not reflective of the ongoing operations of the business. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Financially significant business units were identified based on scoping benchmarks such as the business unit's contribution to key financial statement line items (consolidated profit before consolidated tax, consolidated revenue and consolidated total assets) and the risk associated with the business unit.

We conducted full scope audit procedures at seven financially significant business units and performed specified audit procedures at a further 12 business units in order to obtain sufficient appropriate audit evidence over the consolidated numbers.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, component auditors from other PwC network firms and non-PwC firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

The group engagement team performed audit procedures, among others, over the company financial statements, the consolidation process, financial statement disclosure and significant accounting positions taken by the group. Risk assessment analytics were performed for non-significant entities.

2.5 INDEPENDENT AUDITOR'S REPORT continued

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Environmental rehabilitation provision *This key audit matter relates to the consolidated financial statements* *Refer to notes 13.1, 13.2 and 13.3 to the consolidated and company financial statements.* As of 31 December 2019, the group's environmental rehabilitation provision amounted to R4 404 million. In determining the environmental rehabilitation provision, management applies significant judgement and assumptions to estimate the closure costs (estimated future costs) and discount rates. We considered the provision for environmental rehabilitation to be a matter of most significance to our current year audit due to the following: • The significant judgement and estimates applied by management • The significance of the balance to the financial statements as a whole.	Through discussions with management, we obtained an understanding of management's process of calculating the environmental rehabilitation provision. We made use of our sustainability and climate change expertise to perform the following procedures: • On a business unit sample basis, we assessed the reasonableness of the process followed by management to determine the closure costs by comparing it to industry practice. We found the process followed by management to be reasonable. • We assessed the objectivity, competence and experience of management experts by obtaining evidence relating to their qualifications and professional membership. In doing so, we inspected their CVs and considered whether the management experts, where applicable, were in good standing with the relevant professional bodies. • We assessed whether the closure costs used by management's expert considered the requirements of the relevant laws and regulations, such as water treatment costs, in order to identify potential environmental liabilities that were not provided for and process-related omissions on the closure costs estimation that could be of material significance. We made use of our valuations expertise to test the reasonableness of the discount rates applied by management by independently modelling bond curves over the range of discounting periods utilised by management, taking into account market-related information. We found management's discount rates to be within a reasonable range.

KEY AUDIT MATTERS continued

Key audit matter	How our audit addressed the key audit matter
Impairment of investment in ECC *This key audit matter relates to the consolidated and separate financial statements.* Refer to notes 10.1.2 and 17.3.4 to the consolidated and separate financial statements. IAS 36 *Impairment of Assets* requires the group to assess for impairment when impairment indicators are identified. At the reporting date, management identified the decline in the market conditions as an indicator of impairment for the ECC cash-generating unit (CGU). As a result of this, management performed an impairment assessment to determine the recoverable amount of the ECC CGU. The recoverable amount was determined based on a discounted cash flow model, taking into account cash flow forecasts and expected market and economic conditions. The most significant assumptions and estimates applied by management in determining the recoverable amount were: • Coal price forecasts (API4 and coal domestic selling prices) • R/US$ exchange rates • Discount rates. At group level, the recoverable amount determined by management exceeded the carrying amount of the ECC CGU, resulting in no impairment recognised. An impairment of R227 million was recognised for the investment in ECC held at the company level. Refer note 17.3.4 to the financial statements. We considered the impairment assessment of the ECC CGU at group level and the investment in ECC held at company level to be a matter of most significance to our current year audit due to the significant judgement and estimates applied by management in determining the recoverable amount of the ECC CGU and the investment in ECC.	We made use of our corporate finance and financial modelling expertise, and through discussions with management, we obtained an understanding of the valuation models used by management in their impairment assessments. We compared management's models to industry best practice. We found management's model to be consistent with industry practice. We benchmarked management's assumption of the long-term coal price forecasts and the exchange rates used in the valuation model against external market and third-party data and found management's assumptions to be within reasonable ranges. We used our valuation expertise to independently calculate the discount rate, taking into account data such as the risk-free rate, cost of debt, debt-equity ratio, market risk premium and beta of comparable companies which we obtained from third-party sources. We compared the results of our independent calculations to the discount rates used by management. Where the discount rates determined by us differed from those used by management, the impact of the differences was not material. We tested the accuracy of the valuation model used by management by performing a recalculation of the recoverable amount and compared the results of our recalculation to management's calculations. No material differences were noted. We compared the recalculated recoverable amount to the carrying value of the ECC CGU at group level, as well as the carrying value of the investment held at company level. No material differences noted.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Exxaro Resources Limited group and company annual financial statements for the year ended 31 December 2019", which includes the certificate by the group company secretary, the report of the directors and the audit committee report as required by the Companies Act of South Africa, and in the document titled "Exxaro Resources Limited integrated report 2019". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

2.5 INDEPENDENT AUDITOR'S REPORT continued

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit 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 group and company internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- Conclude on the appropriateness of the directors' use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in *Government Gazette Number 39475* dated 4 December 2015, we report that PricewaterhouseCoopers Inc has been the auditor of Exxaro Resources Limited for nine years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Director: TD Shango
Registered auditor

Waterfall City
20 April 2020

CHAPTER 3: SEGMENTAL REPORTING

Chapter 3:
Segmental reporting

3.1 ACCOUNTING POLICY RELATING TO SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the reportable operating segments. The chief operating decision maker is the group executive committee. Segments reported are based on the group's different commodities and operations.

3.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICY

In applying IFRS 8 *Operating Segments,* judgements have been made by management with regards to the identification of reportable segments of the group. The basis on which management identify the reportable segments is described further in note 3.3 and represents management's view of the segments.

3.3 OPERATING SEGMENTS

During the first half of 2019, the chief operating decision maker revised the segment in which the remaining NBC assets and liabilities are reported on. These assets and liabilities are reported as part of the coal other operating segment instead of the coal commercial Mpumalanga operating segment. The comparative segmental information has been represented to reflect this change.

The export revenue and related export cost items are allocated between the coal operating segments based on the origin of the initial coal production.

The reportable operating segments, as described below, offer different goods and services, and are managed separately based on commodity, location and support function grouping. The group executive committee reviews internal management reports on these operating segments at least quarterly.

COAL

The coal reportable segment is split between commercial (Waterberg and Mpumalanga), tied and other operations. Commercial Mpumalanga operations include a 50% (2018: 50%) investment in Mafube (a joint venture with Anglo). The 10.36% (2018: 10.82%) effective equity interest in RBCT is included in the other coal operations. The 49% equity interest in Tumelo continues to be reported as part of the commercial Mpumalanga operations although it is no longer accounted for as a subsidiary, but as an associate since 1 January 2019 (refer note 17.2.1). The coal operations produce thermal coal, metallurgical coal and SSCC.

FERROUS

The ferrous reportable segment mainly comprises the 20.62% (2018: 20.62%) equity interest in SIOC (located in the Northern Cape province) reported within the other ferrous operating segment as well as the FerroAlloys operation (referred to as Alloys). The Alloys operation manufactures ferrosilicon.

TiO_2

The TiO_2 reportable segment comprises a 10.38% (2018: 23.35%) equity interest in Tronox Holdings plc, which was classified as a non-current asset held-for-sale on 30 September 2017 (refer note 8.4), and a 26% (2018: 26%) equity interest in Tronox SA (both South African-based operations). The 26% member's interest in Tronox UK was redeemed on 15 February 2019.

ENERGY

The energy reportable segment comprises a 50% (2018: 50%) investment in Cennergi (a South African joint venture with Tata Power), which operates two wind-farms, an equity interest of 28.59% (2018: 28.98%) in LightApp, as well as an equity interest of 22% in GAM which was acquired in 2019 (refer note 9.4).

OTHER

The other reportable segment comprises an equity interest in Curapipe of 15% (2018: 10.53%), an equity interest in Insect Technology of 25.86% (2018: 26.37%), the Ferroland agricultural operation as well as the corporate office which renders services to operations and other customers. The 26% (2018: 26%) equity interest in Black Mountain (located in the Northern Cape province) was classified as a non-current asset held-for-sale and a discontinued operation on 30 November 2019 (refer note 8.4).

Chapter 3:
Segmental reporting continued

3.3 OPERATING SEGMENTS continued

Analysis of the group's profit or loss and assets and liabilities by reportable operating segment:

		Coal			
		Commercial			
For the year ended 31 December 2019	Note	**Waterberg Rm**	**Mpumalanga Rm**	**Tied Rm**	**Other Rm**
External revenue	6.1.2	14 012	7 240	4 038	292
Segmental net operating profit/(loss)		5 752	(318)	136	(1 623)
– Continuing operations		5 752	(318)	136	(1 623)
– Discontinued operations					
External finance income	12.1.2	57	21		30
External finance costs	12.1.2	(54)	(165)		(27)
Income tax (expense)/benefit	7.3	(1 627)	120	(47)	627
– Continuing operations		(1 627)	120	(47)	627
– Discontinued operations					
Depreciation and amortisation	6.1.3	(1 383)	(382)	(23)	(3)
Loss on loss of control of subsidiary	8.3		(35)		
Gain on disposal of operation			76		
Share of income/(loss) of equity-accounted investments	9.3		127		1
– Continuing operations			127		1
– Discontinued operations					
Cash generated by/(utilised in) operations	6.1.5	6 062	(253)	201	(1 042)
Capital spend		(2 951)	(2 776)		(90)
At 31 December 2019					
Segmental assets and liabilities					
Deferred tax[1]	7.5			(107)	340
Equity-accounted investments	9.4		1 335		2 067
Loans to associates	10.2.2		133		
External assets		28 832	10 499	1 210	3 951
Assets		28 832	11 967	1 103	6 358
Non-current assets held-for-sale	8.4				
Total assets per statement of financial position		28 832	11 967	1 103	6 358
External liabilities		1 951	2 336	938	2 684
Deferred tax[1]	7.5	6 411	715		68
Liabilities		8 362	3 051	938	2 752
Non-current liabilities held-for-sale	8.4		1 410		
Total liabilities per statement of financial position		8 362	4 461	938	2 752

[1] *Offset per legal entity and tax authority.*

Ferrous		TiO_2 Rm	Energy Rm	Other		
Alloys Rm	**Other ferrous Rm**			**Base metals Rm**	**Other Rm**	**Total Rm**
130					14	25 726
(3)	(1)	2 400	(58)		114	6 399
(3)	(1)	270	(58)		114	4 269
		2 130				2 130
					210	318
(1)					(108)	(355)
3		(65)			(44)	(1 033)
3					(44)	(968)
		(65)				(65)
(5)					(116)	(1 912)
						(35)
						76
	4 413	234	18	52	(152)	4 693
	4 413	234	18		(152)	4 641
				52		52
1					304	5 273
					(259)	(6 076)
11					223	467
	9 835	2 472	350		571	16 630
						133
279	25	65			4 136	48 997
290	9 860	2 537	350		4 930	66 227
		1 741		872		2 613
290	9 860	4 278	350	872	4 930	68 840
30	6				9 460	17 405
					(56)	7 138
30	6				9 404	24 543
						1 410
30	6				9 404	25 953

Chapter 3:
Segmental reporting continued

3.3 OPERATING SEGMENTS continued

		Coal			
		Commercial			
For the year ended 31 December 2018 (Re-presented)	Note	**Waterberg Rm**	**Mpumalanga Rm**	**Tied Rm**	**Other Rm**
External revenue	6.1.2	13 289	7 984	3 665	364
Segmental net operating profit/(loss)		5 738	1 429	250	(966)
– *Continuing operations*		5 738	1 429	250	(966)
External finance income	12.1.2	48	33		19
External finance costs	12.1.2	(47)	(164)		(47)
Income tax (expense)/benefit	7.3	(1 572)	(302)	(48)	378
– *Continuing operations*		(1 572)	(302)	(48)	378
Depreciation and amortisation	6.1.3	(1 204)	(299)	(13)	
Gain on disposal of subsidiaries			69		
Gain on disposal of operation			102		
Share of income/(loss) of equity-accounted investments	9.3		114		(36)
– *Continuing operations*			114		(36)
– *Discontinued operations*					
Cash generated by/(utilised in) operations	6.1.5	6 955	1 490	99	(1 366)
Capital spend		(3 890)	(1 832)		
At 31 December 2018					
Segmental assets and liabilities					
Deferred tax[1]	7.5		35	(53)	135
Equity-accounted investments	9.4		1 237		2 157
Loans to joint ventures	10.2.2		259		
External assets		26 514	7 709	1 062	4 542
Assets		26 514	9 240	1 009	6 834
Non-current assets held-for-sale	8.4				
Total assets per statement of financial position		26 514	9 240	1 009	6 834
External liabilities		2 567	2 531	725	2 552
Deferred tax[1]	7.5	6 009	866		39
Liabilities		8 576	3 397	725	2 591
Non-current liabilities held-for-sale	8.4		1 337		
Total liabilities per statement of financial position		8 576	4 734	725	2 591

[1] *Offset per legal entity and tax authority.*

Ferrous		TiO_2 Rm	Energy Rm	Other		
Alloys Rm	**Other ferrous Rm**			**Base metals Rm**	**Other Rm**	**Total Rm**
169					20	25 491
17	(3)				(762)	5 703
17	(3)				(762)	5 703
					183	283
					(347)	(605)
(4)					(105)	(1 653)
(4)					(105)	(1 653)
					(66)	(1 582)
						69
						102
	2 592	492	61	70	(34)	3 259
	2 592	492	61		(34)	3 189
				70		70
60	(2)				(212)	7 024
					(68)	(5 790)
8	1				397	523
	9 511	2 185	473	818	665	17 046
						259
265	25				1 922	42 039
273	9 537	2 185	473	818	2 984	59 867
		5 183				5 183
273	9 537	7 368	473	818	2 984	65 050
23	5				7 291	15 694
					(40)	6 874
23	5				7 251	22 568
						1 337
23	5				7 251	23 905

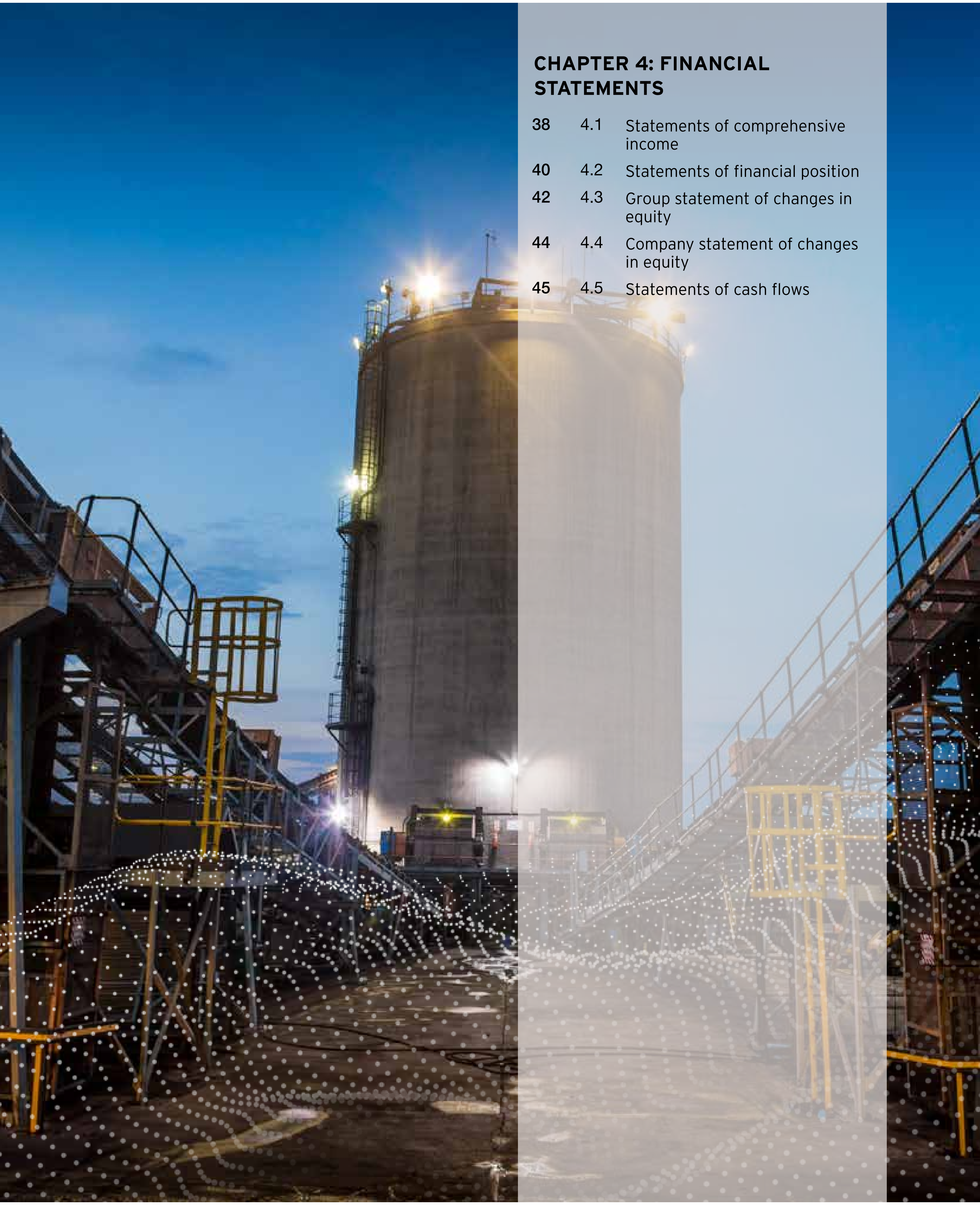
Chapter 3:
Segmental reporting continued

3.4 GEOGRAPHIC LOCATION OF SEGMENT ASSETS

	At 31 December	
	Carrying amount of non-current assets[1]	
Geographical areas	**2019 Rm**	**2018 Rm**
Country of domicile		
– RSA	53 166	48 222
Foreign countries		
– Rest of Africa	2	2
– Europe	540	643
– Asia	148	163
– Australia	109	39
Total segment	53 965	49 069

[1] *Excluding financial assets, deferred tax and non-current assets held-for-sale.*

The information per geographical area is not regularly provided to the chief operating decision maker, but included on an annual basis for additional disclosure purposes.



CHAPTER 4: FINANCIAL STATEMENTS

Chapter 4:
Financial statements

4.1 STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	Group 2019 Rm	Group (Re-presented)[1] 2018 Rm	Company 2019 Rm	Company 2018 Rm
Revenue	6.1.2	25 726	25 491	2 164	1 777
Operating expenses	6.1.3	(21 457)	(19 788)	(1 559)	(2 496)
Impairment charge of investment in subsidiary	17.3.4			(227)	
Net operating profit/(loss)		4 269	5 703	378	(719)
Finance income	12.1.2	318	283	2 140	1 327
Finance costs	12.1.2	(355)	(605)	(1 890)	(1 114)
Income from financial assets			6		5
Share of income of equity-accounted investments	9.3	4 641	3 189		
Dividend income from equity-accounted investments	9.3			4 196	2 627
Dividend income from investments in subsidiaries	17.3.2			461	382
Profit before tax		8 873	8 576	5 285	2 508
Income tax (expense)/benefit	7.3	(968)	(1 653)	(16)	231
Profit for the year from continuing operations		7 905	6 923	5 269	2 739
Profit/(loss) for the year from discontinued operations	6.1.4	2 164	139	2 087	(2 815)
Profit/(loss) for the year		10 069	7 062	7 356	(76)
Other comprehensive (loss)/income, net of tax		(710)	246	2	
Items that will not be reclassified to profit or loss:		71	66		
– Remeasurement of retirement employee obligations		19	39		
– Changes in fair value of equity investments at fair value through other comprehensive income		50	21		
– Share of other comprehensive income of equity-accounted investments		2	6		
Items that may subsequently be reclassified to profit or loss:		58	194	(1)	
– Unrealised exchange differences on translation of foreign operations		(7)	67	(1)	
– Share of other comprehensive income of equity-accounted investments		65	127		
Items that have subsequently been reclassified to profit or loss:		(839)	(14)	3	
– Recycling of exchange differences on translation of foreign operations		(7)	(14)	3	
– Recycling of share of other comprehensive income of equity-accounted investments		(832)			
Total comprehensive income/(loss) for the year		9 359	7 308	7 358	(76)

[1] *Re-presented as a result of the investment in Black Mountain being classified as a discontinued operation (refer note 6.1.4).*

4.1 STATEMENTS OF COMPREHENSIVE INCOME continued

For the year ended 31 December	Group 2019 Rm	(Re-presented)[1] 2018 Rm
Profit attributable to:		
Owners of the parent	9 809	7 030
– Continuing operations	7 649	6 891
– Discontinued operations	2 160	139
Non-controlling interests	260	32
– Continuing operations	256	32
– Discontinued operations	4	
Profit for the year	10 069	7 062
Total comprehensive income attributable to:		
Owners of the parent	9 108	7 276
– Continuing operations	7 778	7 135
– Discontinued operations	1 330	141
Non-controlling interests	251	32
– Continuing operations	247	32
– Discontinued operations	4	
Total comprehensive income for the year	9 359	7 308

[1] Re-presented as a result of the investment in Black Mountain being classified as a discontinued operation (refer note 6.1.4).

	Note	Group 2019 Cents	(Re-presented)[1] 2018 Cents
Attributable earnings per share	5.2		
Aggregate[2]			
– Basic		3 908	2 801
– Diluted		3 908	2 156
Continuing operations			
– Basic		3 047	2 746
– Diluted		3 047	2 113
Discontinued operations			
– Basic		861	55
– Diluted		861	43

[1] Re-presented as a result of the investment in Black Mountain being classified as a discontinued operation (refer note 6.1.4).
[2] In 2020, the BEE Parties will share in the consolidated Eyesizwe results for the 12-month period as opposed to two months in 2019.

4.2 STATEMENTS OF FINANCIAL POSITION

At 31 December	Note	Group 2019 Rm	Group (Re-presented)[1] 2018 Rm	Company 2019 Rm	Company (Re-presented)[1] 2018 Rm
ASSETS					
Non-current assets		57 106	52 226	20 521	16 407
Property, plant and equipment	10.1.3	33 562	28 825	602	451
Right-of-use assets	11.4	462		439	
Inventories	6.2.2	101			
Equity-accounted investments	9.4	16 630	17 046	2 735	2 721
Investments in subsidiaries	17.4			9 287	9 246
Financial assets	10.2.2	2 674	2 634	7 153	3 606
Lease receivables	11.6	61	66		
Deferred tax	7.5	467	523	296	374
Other assets	10.3	3 149	3 132	9	9
Current assets		9 121	7 641	6 905	3 489
Inventories	6.2.2	1 809	1 604	3	
Financial assets	10.2.2	272	134	4 539	2 583
Trade and other receivables	6.2.3	3 241	3 140	630	213
Lease receivables	11.6	6	5		
Cash and cash equivalents		2 695	2 080	1 649	676
Other assets	10.3	1 098	678	84	17
Non-current assets held-for-sale	8.4	2 613	5 183	2 377	4 725
Total assets		68 840	65 050	29 803	24 621

4.2 STATEMENTS OF FINANCIAL POSITION continued

At 31 December	Note	Group 2019 Rm	Group (Re-presented)[1] 2018 Rm	Company 2019 Rm	Company (Re-presented)[1] 2018 Rm
EQUITY AND LIABILITIES					
Capital and other components of equity					
Share capital	12.2.2	1 021	1 021	11 265	11 265
Other components of equity		2 723	8 028	1 055	939
Retained earnings/(accumulated deficit)		31 032	32 797	(5 856)	(4 903)
Equity attributable to owners of the parent		34 776	41 846	6 464	7 301
Non-controlling interests	17.7	8 111	(701)		
Total equity		42 887	41 145	6 464	7 301
Non-current liabilities		19 364	15 745	7 528	4 566
Interest-bearing borrowings	12.1.3	6 991	3 843	6 991	3 233
Lease liabilities	11.5	461		448	
Other payables	6.2.4	121	152		
Provisions	13.3	4 305	3 952	37	36
Retirement employee obligations	14.4	181	193		
Financial liabilities	12.1.7		713		1 297
Deferred tax	7.5	7 138	6 874		
Other liabilities	12.1.8	167	18	52	
Current liabilities		5 179	6 823	15 811	12 754
Interest-bearing borrowings	12.1.3	50	571	50	572
Lease liabilities	11.5	27	2	17	
Trade and other payables	6.2.4	2 603	2 960	177	176
Provisions	13.3	99	70		2
Financial liabilities	12.1.7	498	757	14 398	10 839
Overdraft		976	1 531	976	1 046
Other liabilities	12.1.8	926	932	193	119
Non-current liabilities held-for sale	8.4	1 410	1 337		
Total liabilities		25 953	23 905	23 339	17 320
Total equity and liabilities		68 840	65 050	29 803	24 621

[1] *The investments in associates and joint ventures have been aggregated as both are accounted for as equity-accounted investees. In addition, the non-current intangible assets, biological assets and current tax receivables have been reclassified as part of other assets respectively. Similarly, the current tax payables have been reclassified as part of other liabilities. These reclassifications have been made to remove these immaterial items from the face of the statement of financial position so as to provide a better presentation of assets and liabilities for the users.*

4.3 GROUP STATEMENT OF CHANGES IN EQUITY

		Other components of equity		
	Share capital Rm	**Foreign currency translation Rm**	**Financial instruments revaluation Rm**	**Equity-settled Rm**
At 31 December 2017	1 021	2 520	(41)	5 872
Adjustment on initial application of IFRS 9, net of tax				
Adjustment on initial application of IFRS 15, net of tax				
Adjusted balance at 1 January 2018	1 021	2 520	(41)	5 872
Total comprehensive income		171	9	
– Profit for the year				
– Other comprehensive income for the year[1]		171	9	
Transactions with owners of the company				(338)
– Dividends paid[2]				
– Share-based payments movement[3]				(338)
Changes in ownership interest				
– Adjustment to NCI				
– Disposal of subsidiary				
At 31 December 2018	1 021	2 691	(32)	5 534
Adjustment on initial application of IFRS 16, net of tax[4]				
Adjusted balance at 1 January 2019	1 021	2 691	(32)	5 534
Total comprehensive (loss)/income		(785)	(3)	10
– Profit for the year				
– Other comprehensive (loss)/income for the year[1]		(785)	(3)	10
Transactions with owners of the company				(4 483)
– Dividends paid[2]				
– Share-based payments movement[3]				(1 875)
– Reclassifications within equity[5]				(2 608)
Changes in ownership interest				(178)
– Recognition of NCI[6]				
– Loss of control of subsidiary[7]				
– Partial disposal of associate classified as non-current asset held-for-sale[8]				(178)
At 31 December 2019	1 021	1 906	(35)	883

[1] *Refer note 7.7 for details of the other comprehensive income or loss movements.*
[2] *Refer note 5.6 for details of dividends paid.*
[3] *The share-based payments movement includes an amount of R1.391 billion (2018: R247 million) paid to the BEE Parties as a dividend.*
[4] *Refer note 11.1 for details of the adjustment on initial application of IFRS 16.*
[5] *An amount of R2.608 billion was reclassified within equity upon the BEE Parties exercising their option subsequent to the settlement of the preference share liability.*
[6] *Recognition of the NCI's share of Eyesizwe's net asset value upon the exercise of the option held by the BEE Parties (refer notes 17.2.2 and 17.7).*
[7] *Derecognition of NCI reserve upon the loss of control of Tumelo (refer note 8.3).*
[8] *Tronox Holdings plc repurchased 14 000 000 Tronox Holdings plc ordinary shares from Exxaro which resulted in a net reclassification within equity from the retirement employee obligations reserve and equity-settled reserve to retained earnings.*

Retirement employee obligations Rm	Available-for-sale revaluation Rm	Financial asset FVOCI revaluation Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
(158)	(74)		1	30 962	40 103	(738)	39 365
	74	(74)		(11)	(11)		(11)
				314	314		314
(158)		(74)	1	31 265	40 406	(738)	39 668
45		21		7 030	7 276	32	7 308
				7 030	7 030	32	7 062
45		21			246		246
				(5 483)	(5 821)		(5 821)
				(5 483)	(5 483)		(5 483)
					(338)		(338)
				(15)	(15)	5	(10)
				(15)	(15)	15	
						(10)	(10)
(113)		(53)	1	32 797	41 846	(701)	41 145
				(12)	(12)		(12)
(113)		(53)	1	32 785	41 834	(701)	41 133
17		57	3	9 809	9 108	251	9 359
				9 809	9 809	260	10 069
17		57	3		(701)	(9)	(710)
				(3 204)	(7 687)		(7 687)
				(5 812)	(5 812)		(5 812)
					(1 875)		(1 875)
				2 608			
57				(8 358)	(8 479)	8 561	82
				(8 479)	(8 479)	8 479	
						82	82
57				121			
(39)		4	4	31 032	34 776	8 111	42 887

FOREIGN CURRENCY TRANSLATION
Arises from the translation of the financial statements of foreign operations within the group.

FINANCIAL INSTRUMENTS REVALUATION
Comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

EQUITY-SETTLED
Represents the fair value, net of tax, of services received from employees and settled by equity instruments granted as well as the fair value of the potential benefit to be obtained by the BEE Parties in relation to the Replacement BEE Transaction.

RETIREMENT EMPLOYEE OBLIGATIONS
Comprises remeasurements, net of tax, on the retirement employee obligations.

AVAILABLE-FOR-SALE REVALUATION
Comprises the fair value adjustments, net of tax, on the available-for-sale financial assets (pre-IFRS 9).

FINANCIAL ASSET FVOCI REVALUATION
Comprises the fair value adjustments, net of tax, on the financial assets classified at FVOCI (post-IFRS 9).

Chapter 4:
Financial statements continued

4.4 COMPANY STATEMENT OF CHANGES IN EQUITY

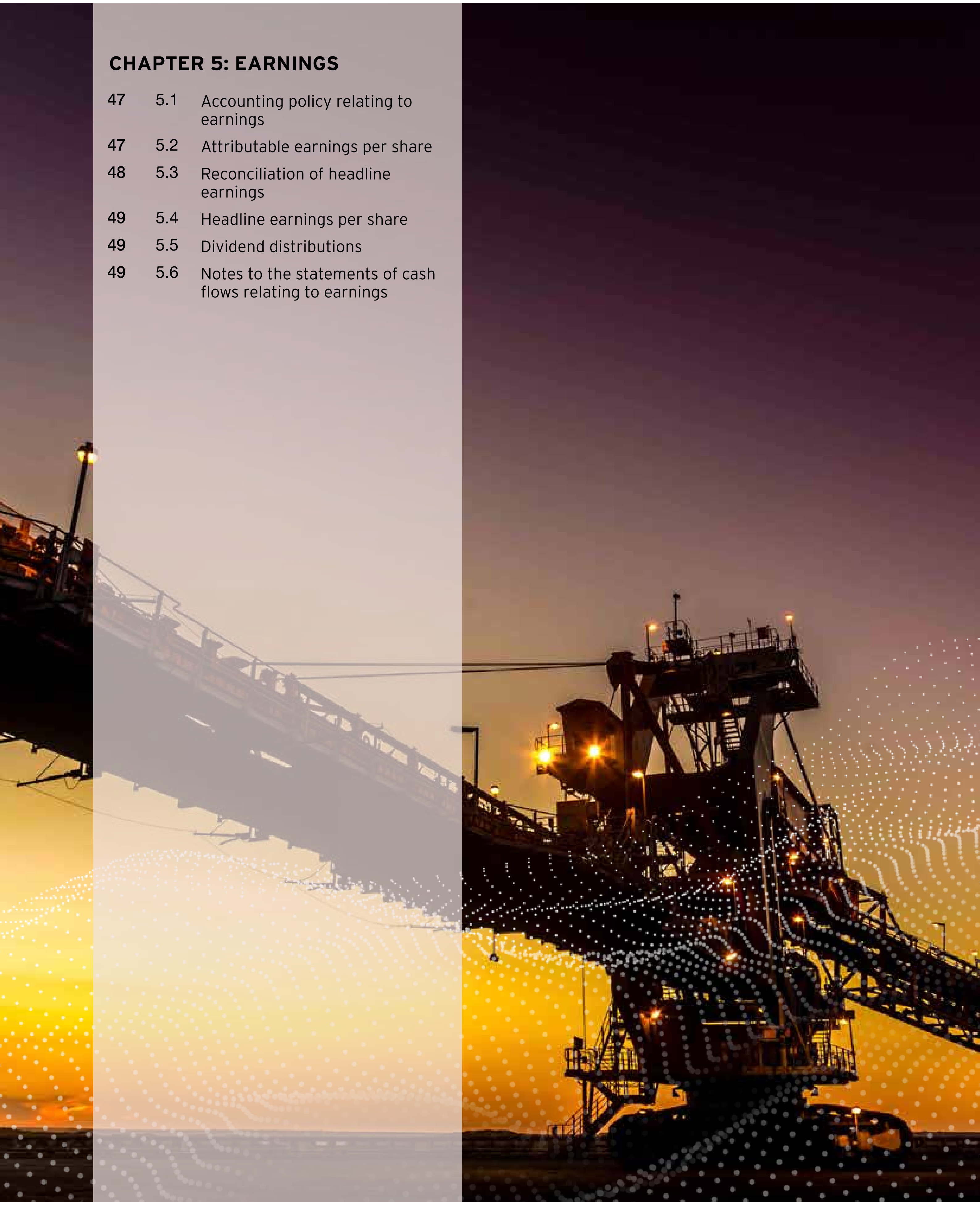
	Share capital Rm	Other components of equity: Foreign currency translation Rm	Other components of equity: Equity-settled Rm	Other components of equity: Other Rm	Retained earnings Rm	Total equity Rm
At 31 December 2017	11 265	(2)	1 595	(2 366)	3 040	13 532
Adjustment on initial application of IFRS 9, net of tax					(29)	(29)
Adjusted balance at 1 January 2018	11 265	(2)	1 595	(2 366)	3 011	13 503
Total comprehensive loss					(76)	(76)
Loss for the year					(76)	(76)
Transactions with owners of the company			(82)	1 794	(7 838)	(6 126)
– Lapse of put option[1]				1 794		1 794
– Share-based payments movement			(82)			(82)
– Dividends paid[2]					(7 838)	(7 838)
At 31 December 2018	11 265	(2)	1 513	(572)	(4 903)	7 301
Adjustment on initial application of IFRS 16, net of tax[3]					(1)	(1)
Adjusted balance at 1 January 2019	11 265	(2)	1 513	(572)	(4 904)	7 300
Total comprehensive income		2			7 356	7 358
– Profit for the year					7 356	7 356
– Other comprehensive income for the year[4]		2				2
Transactions with owners of the company			(458)	572	(8 308)	(8 194)
– Lapse of put option[1]				572		572
– Share-based payments movement			(458)			(458)
– Dividends paid[2]					(8 308)	(8 308)
At 31 December 2019	11 265		1 055		(5 856)	6 464

[1] *Exxaro derecognised its obligation to buy back its shares in terms of the put option issued to Eyesizwe which lapsed during 2019.*
[2] *Refer note 5.6 for details of dividends paid.*
[3] *Refer note 11.1 for details of the adjustment on initial application of IFRS 16.*
[4] *Recycling of foreign currency translation reserve on deregistration of a foreign entity.*

4.5 STATEMENTS OF CASH FLOWS

For the year ended 31 December	Note	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Cash flows from operating activities		(2 329)	(54)	(7 676)	(8 312)
Cash generated by/(utilised in) operations	6.1.5	5 273	7 024	757	(379)
Settlement of contingent consideration		(344)	(299)	(344)	(299)
Interest paid	12.1.6	(558)	(518)	(1 881)	(1 107)
Interest received	12.1.6	289	229	2 140	1 327
Tax paid	7.6	(1 177)	(1 007)	(40)	(16)
Dividends paid	5.6	(5 812)	(5 483)	(8 308)	(7 838)
Cash flows from investing activities		2 974	(3 195)	5 894	2 983
Property, plant and equipment acquired		(6 076)	(5 790)	(256)	(66)
Intangible assets acquired		(5)	(1)	(2)	
Proceeds from disposal of property, plant and equipment		83	268		131
Decrease in other financial assets at amortised cost		82	82		
Increase in enterprise and supplier development loans		(121)	(125)	(121)	(125)
Decrease in enterprise and supplier development loans		39		39	
Decrease in non-current financial assets				408	
Deferred consideration paid for acquisition of associates		(306)		(306)	
Decrease in loan to joint venture		250	186		186
Increase in loan to joint venture			(250)		
Increase in loan to associate		(40)			
Decrease in lease receivables		15	14		
Increase in environmental rehabilitation funds		(148)	(135)	(1)	
Proceeds from disposal of operation		76	17		
Proceeds from disposal of subsidiaries			75		
Proceeds from disposal of financial asset			24		
Acquisition of associates	9.5	(14)	(263)	(14)	(263)
Increase in investment in subsidiary				(307)	
Increase in non-interest-bearing loans to subsidiaries				(19)	(66)
Increase in non-interest-bearing loans from subsidiaries				256	144
Increase in interest-bearing loans to subsidiaries				(2 974)	(41)
Dividend income received from equity-accounted investments	9.3	4 146	2 627	4 146	2 627
Proceeds from disposal of associates classified as non-current assets held-for-sale	6.1.4; 8.3	4 486		4 486	
Dividend income from financial assets and non-current assets held-for-sale		507	76	97	74
Dividend income from subsidiaries				461	382
Cash flows from financing activities		526	(2 861)	2 777	(574)
Interest-bearing borrowings raised	12.1.5	4 250	14	4 250	
Interest-bearing borrowings repaid	12.1.5	(1 622)	(2 161)	(1 020)	(250)
Lease liabilities paid	12.1.5	(33)		(15)	
Shares acquired in the market to settle share-based payments		(678)	(467)	(438)	(324)
Dividends paid to BEE Parties	17.3.2	(1 391)	(247)		
Net increase/(decrease) in cash and cash equivalents		1 171	(6 110)	995	(5 903)
Cash and cash equivalents/(overdraft) at beginning of the year		549	6 617	(370)	5 518
Translation difference on movement in cash and cash equivalents		(1)	42	48	15
Cash and cash equivalents/(overdraft) at end of the year	16.4	1 719	549	673	(370)

CHAPTER 5: EARNINGS



Chapter 5:
Earnings

5.1 ACCOUNTING POLICY RELATING TO EARNINGS

5.1.1 DIVIDEND DISTRIBUTIONS

Dividends are recognised in the period in which the dividends are declared. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividends proposed or declared subsequent to the year end are not recognised at the financial year end, but are disclosed in the notes to the annual financial statements as an event after the reporting period.

All unclaimed dividends are held in a trust until claimed by the relevant shareholder or the relevant shareholder's claim to such dividends prescribes. In total, 75% of the unclaimed dividends which have prescribed are allocated to be utilised by the Exxaro Chairman's Fund, while 25% of the unclaimed dividends are retained in the company to allow funding for any future dividend claims which the company might want to settle despite the prescription period having lapsed.

5.2 ATTRIBUTABLE EARNINGS PER SHARE

	Group	
For the year ended 31 December	**2019**	**2018**
Profit for the year attributable to equity holders of the parent (Rm)[1]	9 809	7 030
– Continuing operations (Rm)	7 649	6 891
– Discontinued operations (Rm)	2 160	139
Weighted average number of ordinary shares in issue (million)	251	251
Basic earnings per share (cents)[1]	3 908	2 801
– Continuing operations (cents)	3 047	2 746
– Discontinued operations (cents)	861	55
Diluted weighted average number of ordinary shares (million)	251	326
Weighted average number of ordinary shares in issue (million)	251	251
Adjusted for share-based payment instruments (million)		75
Diluted earnings per share (cents)[1]	3 908	2 156
– Continuing operations (cents)	3 047	2 113
– Discontinued operations (cents)	861	43

[1] *In 2020, the BEE Parties will share in the consolidated Eyesizwe results for the 12-month period as opposed to two months in 2019.*

Exxaro did not issue any ordinary shares during 2019 nor 2018.

Chapter 5:
Earnings continued

5.3 RECONCILIATION OF HEADLINE EARNINGS

	Group			
For the year ended 31 December 2019	**Gross Rm**	**Tax Rm**	**Non-controlling interests Rm**	**Net Rm**
Profit attributable to owners of the parent				9 809
Adjusted for:	(2 286)	62	14	(2 210)
– IFRS 10 Loss on loss of control of subsidiary	35			35
– IAS 16 Gain on disposal of operation	(76)		17	(59)
– IAS 16 Net gains on disposal of property, plant and equipment		(3)	(3)	(6)
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(49)	14	8	(27)
– IAS 21 Net gains on translation differences recycled to profit or loss on partial disposal of associate	(832)			(832)
– IAS 21 Net gains on translation differences recycled to profit or loss on dilution of associates	(1)			(1)
– IAS 21 Net gain on translation differences recycled to profit or loss on liquidation of foreign subsidiary	(10)			(10)
– IAS 21 Net loss on translation differences recycled to profit or loss on deregistration of foreign entity	3		(1)	2
– IAS 28 Losses on dilution of investments in associates	42			42
– IAS 28 Net gains on disposal of associates[1]	(1 504)	65		(1 439)
– IAS 28 Share of equity-accounted investments' separately identifiable remeasurements	71	(14)	(12)	45
– IAS 36 Net impairment of non-current assets	35		5	40
Headline earnings				7 599
Continuing operations				7 437
Discontinued operations				162

[1] *Includes a gain of R1 234 million on the partial disposal of Tronox Holdings plc and a gain of R270 million on the redemption of the membership interest in Tronox UK.*

	Group		
For the year ended 31 December 2018 (Re-presented)	**Gross Rm**	**Tax Rm**	**Net Rm**
Profit attributable to owners of the parent			7 030
Adjusted for:	(348)	25	(323)
– IFRS 10 Gain on disposal of subsidiaries	(69)		(69)
– IAS 16 Gain on disposal of operation	(102)		(102)
– IAS 16 Net gains on disposal of property, plant and equipment	(122)	13	(109)
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(57)	16	(41)
– IAS 21 Net gain on translation differences recycled to profit or loss on liquidation of foreign subsidiary	(14)		(14)
– IAS 28 Share of equity-accounted investments' separately identifiable remeasurements	16	(4)	12
Headline earnings			6 707
Continuing operations			6 568
Discontinued operations			139

5.4 HEADLINE EARNINGS PER SHARE

For the year ended 31 December	Note	Group 2019	Group 2018
Headline earnings (Rm)	5.3	7 599	6 707
– Continuing operations (Rm)		7 437	6 568
– Discontinued operations (Rm)		162	139
Weighted average number of ordinary shares in issue (million)		251	251
Headline earnings per share (cents)		3 027	2 672
– Continuing operations (cents)		2 962	2 617
– Discontinued operations (cents)		65	55
Diluted weighted average number of ordinary shares (million)		251	326
Diluted headline earnings per share (cents)		3 027	2 057
– Continuing operations (cents)		2 962	2 014
– Discontinued operations (cents)		65	43

5.5 DIVIDEND DISTRIBUTIONS

For the year ended 31 December	2019 Cents	2018 Cents
Dividends declared		
Dividend per share in respect of the interim period	864	530
Dividend per share in respect of the special dividend	897	1 255
Final dividend per share in respect of the financial year	566	555
Total dividends declared for the financial year	2 327	2 340

Total dividends paid in 2019 amounted to R5 812 million. This amount was made up of:
- A final dividend relating to the 2018 financial year of 555 cents per share (amounting to R1 393 million to external shareholders) paid in May 2019
- A special dividend of 897 cents per share (amounting to R2 251 million to external shareholders) paid in October 2019, following the partial disposal of Exxaro's shareholding in Tronox Holdings plc and the redemption of the membership interest in Tronox UK
- An interim dividend of 864 cents per share (amounting to R2 168 million to external shareholders) paid in October 2019.

A final cash dividend, number 34, for 2019 of 566 cents per share, was approved by the board of directors on 10 March 2020. The dividend is payable on 28 April 2020 to shareholders who will be on the register on 24 April 2020. This final dividend, amounting to approximately R1 420 million (to external shareholders), has not been recognised as a liability in 2019. It will be recognised in shareholders' equity in the year ending 31 December 2020.

The final dividend declared will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 452.80000 cents per share. The number of ordinary shares in issue at the date of this declaration is 358 706 754 (including treasury shares of 107 770 244).

Exxaro company's tax reference number is 9218/098/14/4.

The salient dates relating to the payment of the dividend:

Last day to trade cum dividend on the JSE	Tuesday, 21 April 2020
First trading day ex dividend on the JSE	Wednesday, 22 April 2020
Record date	Friday, 24 April 2020
Payment date	Tuesday, 28 April 2020

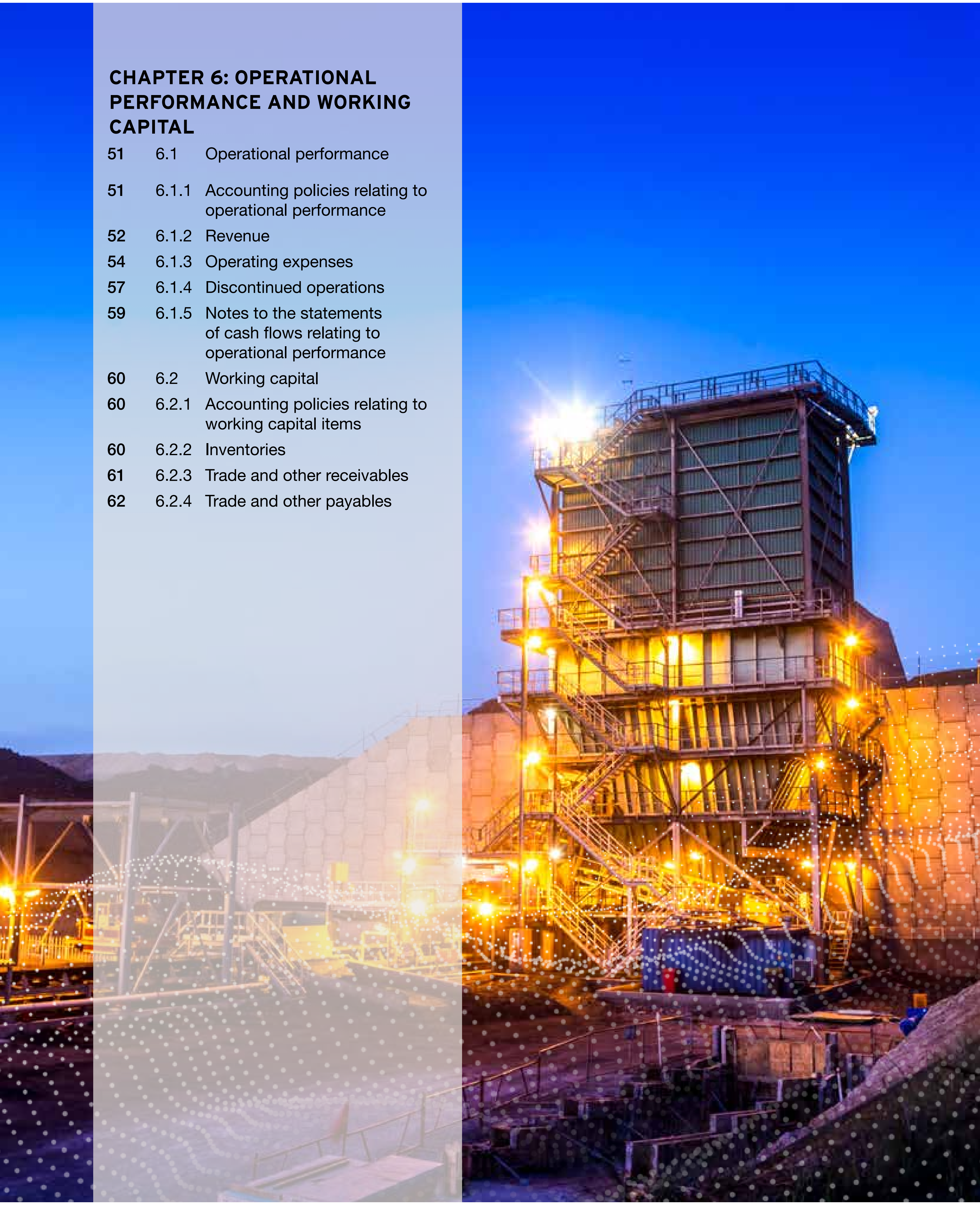
No share certificate may be dematerialised or re-materialised between Wednesday, 22 April 2020 and Friday, 24 April 2020, both days inclusive. Dividends for certificated shareholders will be transferred electronically to their bank accounts on payment date. Shareholders who hold dematerialised shares will have their accounts at their central securities depository participant or broker credited on Tuesday, 28 April 2020.

5.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO EARNINGS

	Group		Company	
For the year ended 31 December	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Dividends paid				
Final dividend (relating to prior year)	(1 393)	(1 004)	(1 991)	(1 435)
Special dividend	(2 251)	(3 149)	(3 218)	(4 502)
Interim dividend (current year)	(2 168)	(1 330)	(3 099)	(1 901)
Total dividends paid for the financial year	(5 812)	(5 483)	(8 308)	(7 838)

The group dividends paid is different from the company dividends paid due to the dividends on treasury shares, which are eliminated on consolidation.

CHAPTER 6: OPERATIONAL PERFORMANCE AND WORKING CAPITAL



Chapter 6:
Operational performance and working capital

6.1 OPERATIONAL PERFORMANCE

6.1.1 ACCOUNTING POLICIES RELATING TO OPERATIONAL PERFORMANCE

6.1.1.1 Revenue

Revenue is derived from contracts with customers for the supply of goods and rendering of services.

Timing of recognition

Revenue is recognised when (or as) Exxaro satisfies a performance obligation by transferring a promised good or service to a customer. A promised good or service is transferred when (or as) the customer obtains control of that promised good or service.

Measurement on recognition

The amount of revenue recognised is the amount of the transaction price that is allocated to a satisfied performance obligation. The amount is determined on a gross basis, when Exxaro acts as a principal, or on a net basis when Exxaro acts as an agent.

The total transaction price in a customer contract is allocated to the performance obligations identified in the contract based on their standalone selling prices. The standalone selling prices are determined based on listed prices at which those goods or services are sold in separate transactions. Exxaro's contracts with customers generally contain only one performance obligation and therefore the contract consideration generally reflects the standalone selling price of the performance obligation.

As a permitted practical expedient, no adjustment is made to the transaction price for the effects of the time value of money as the period of time between the delivery of goods or rendering of services and receipt of payment ranges between two weeks and 60 days, which is considered not to result in a significant financing component.

Nature of goods and services

Below is a summary of the different types of revenue depicting the standard terms and performance obligations for each type:

Revenue type	Performance obligation	Timing of when performance obligation is satisfied	Payment terms
Coal (domestic supply)	Delivery of coal at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Coal (FOB export supply)	Delivery of coal at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Coal (CFR export supply)	Delivery of coal at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 60 days
	Rendering of freight services over time	As services are performed (over time)	Range: 15 to 60 days
Ferrosilicon	Delivery of ferrosilicon at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Biological goods	Delivery of biological goods at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Stock yard management services	Rendering of stock yard management services over time	As services are performed (over time)	Within 30 days
Project engineering services	Rendering of project engineering services over time	As services are performed (over time)	Within 30 days
Other mine management services	Rendering of other mine management services over time	As services are performed (over time)	Within 30 days
Transportation services	Rendering of freight or other transportation services over time (including CFR basis for exports and special transportation arrangements by customers)	As services are performed (over time)	Range: 15 to 60 days
Corporate management services (company)	Rendering of corporate services over time	As services are performed (over time)	Within 30 days
Other services	Mainly rendering of storage services over time	As services are performed (over time)	Within 30 days

6.1.1.2 Discontinued operations

Discontinued operations are significant, distinguishable components of an operation that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance. The profit or loss on the sale or abandonment of a discontinued operation is determined from the formalised discontinuance date and accounted for in profit or loss.

Management applies judgement on a case-by-case basis to determine whether an operation meets the criteria to be classified as a discontinued operation (disposal group) (refer note 6.1.4).

Chapter 6:
Operational performance and working capital continued

6.1 OPERATIONAL PERFORMANCE continued

6.1.2 REVENUE

Revenue is derived from contracts with customers. Revenue has been disaggregated based on timing of revenue recognition, major type of goods and services, major geographic area and major customer industries.

	Group						
	Coal				Ferrous	Other	
	Commercial						
For the year ended 31 December 2019	**Waterberg Rm**	**Mpumalanga Rm**	**Tied Rm**	**Other Rm**	**Alloys Rm**	**Other Rm**	**Total Rm**
Segmental revenue reconciliation							
Segmental revenue based on origin of coal production	14 012	7 240	4 038	292	130	14	25 726
Export sales allocated to selling entity	(1 494)	(5 468)		6 962			
Total revenue from contracts with customers	12 518	1 772	4 038	7 254	130	14	25 726
By timing and major type of goods and services							
Sale of goods at a point in time	12 518	1 721	3 414	6 870	122	12	24 657
Coal	12 518	1 721	3 414	6 870			24 523
Ferrosilicon					122		122
Biological goods						12	12
Rendering of services over time		51	624	384	8	2	1 069
Stock yard management services			130				130
Project engineering services			494				494
Other mine management services				292			292
Transportation services[1]		51		92	2		145
Other services					6	2	8
Total revenue from contracts with customers	12 518	1 772	4 038	7 254	130	14	25 726
By major geographic area of customer[2]							
Domestic	12 518	1 772	4 038	292	130	13	18 763
Export				6 962		1	6 963
Europe				3 617		1	3 618
Asia				3 159			3 159
Other				186			186
Total revenue from contracts with customers	12 518	1 772	4 038	7 254	130	14	25 726
By major customer industries							
Public utilities	10 211	1 009	4 038	467			15 725
Merchants	179	326		6 475			6 980
Steel	1 378	68		43			1 489
Mining	81	133		266	103		583
Manufacturing	279				24		303
Food and beverage	200					1	201
Chemicals		167					167
Cement	148						148
Other	42	69		3	3	13	130
Total revenue from contracts with customers	12 518	1 772	4 038	7 254	130	14	25 726

[1] *Relates mainly to the rendering of export freight services over time (in terms of incoterm CFR) and separate transport requests from customers.*
[2] *Determined based on the customer supplied by Exxaro.*

6.1 OPERATIONAL PERFORMANCE continued

6.1.2 REVENUE continued

	Group						
	Coal				Ferrous	Other	
	Commercial						
For the year ended 31 December 2018 (Re-presented)[1]	**Waterberg Rm**	**Mpumalanga Rm**	**Tied Rm**	**Other Rm**	**Alloys Rm**	**Other Rm**	**Total Rm**
Segmental revenue reconciliation							
Segmental revenue based on origin of coal production	13 289	7 984	3 665	364	169	20	25 491
Export sales allocated to selling entity	(1 796)	(6 254)		8 050			
Total revenue from contracts with customers	11 493	1 730	3 665	8 414	169	20	25 491
By timing and major type of goods and services							
Sale of goods at a point in time[1]	11 493	1 730	3 145	8 050	163	16	24 597
Coal[1]	11 493	1 730	3 145	8 050			24 418
Ferrosilicon					163		163
Biological goods						16	16
Rendering of services over time[1]			520	364	6	4	894
Stock yard management services			224				224
Project engineering services[1]			296				296
Other mine management services				364			364
Transportation services							
Other services					6	4	10
Total revenue from contracts with customers	11 493	1 730	3 665	8 414	169	20	25 491
By major geographic area of customer[2]							
Domestic	11 493	1 730	3 665	364	169	15	17 436
Export				8 050		5	8 055
Europe				4 920		2	4 922
Asia				2 455		3	2 458
Other				675			675
Total revenue from contracts with customers	11 493	1 730	3 665	8 414	169	20	25 491
By major customer industries							
Public utilities	9 101	301	3 665	701			13 768
Merchants	141	835		6 458			7 434
Steel	1 557	165		36			1 758
Mining	88	43		747	144		1 022
Manufacturing	291	33		101	22		447
Cement	156	202					358
Food and beverage	89						89
Chemicals		96					96
Other	70	55		371	3	20	519
Total revenue from contracts with customers	11 493	1 730	3 665	8 414	169	20	25 491

[1] *Represented for a separate performance obligation identified in the sale of coal contract, being the project engineering services. There has been no impact on the amount of revenue recognised as both performance obligations have been fulfilled during the year.*
[2] *Determined based on the customer supplied by Exxaro.*

The group derives revenue from an external customer which accounts for at least 10% or more of the group's revenues, being 61% or R15 508 million (2018: 53% or R13 394 million). The revenue from this customer was included in the tied coal, commercial coal (both Waterberg and Mpumalanga) and other coal operations.

Chapter 6:
Operational performance and working capital continued

6.1 OPERATIONAL PERFORMANCE continued

6.1.2 REVENUE continued

For the year ended 31 December	Note	Company 2019 Rm	Company 2018 Rm
Rendering of services over time			
Corporate management services rendered to subsidiaries	17.3.1	2 164	1 777
Total revenue from contracts with customers		2 164	1 777

6.1.3 OPERATING EXPENSES

	Group		Company	
For the year ended 31 December	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Cost by nature				
Operational expense items				
Raw materials and consumables	3 760	3 175	91	19
Depreciation and amortisation	1 912	1 582	129	77
Movement in inventories	(103)	226		
Staff costs	5 248	4 622	893	831
Other employee-related costs	231	165	75	24
Contract mining	2 308	1 818		
Repairs and maintenance	2 251	2 213	26	7
Railage and transport	2 353	1 787	1	1
Insurance	206	161	2	2
Exploration expenditure	7	9		
Royalties	459	427		
Water	153	138	1	1
Energy	679	632	5	8
Information management costs	515	373	453	327
Legal and professional fees	742	776	538	483
Movement in provisions	141	(175)	(3)	(1)
Travel and subsistence	95	88	39	36
Security and office cleaning services	128	117	3	3
Licences	5	4		
Stock yard management services	130	224		
Project engineering services	494	296		
Financial gains or losses				
Currency exchange differences	(101)	83	(103)	142
Loss on disposal of financial asset at fair value through profit or loss		2		
Write-off of trade and other receivables and indebtedness by subsidiaries	10	7		2
Expected credit losses on financial assets at amortised cost	165	64	15	
Fair value (gains)/losses on financial assets at fair value through profit or loss	(195)	71	(26)	
Fair value (gains)/losses on financial liabilities at fair value through profit or loss	(296)	357	(308)	358

6.1 OPERATIONAL PERFORMANCE continued

6.1.3 OPERATING EXPENSES continued

		Group		Company	
For the year ended 31 December	Note	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
General items and expenses					
Gain on the disposal of operation[1]		(76)	(102)		
Loss on loss of control of subsidiary	8.3	35			
Gain on disposal of subsidiaries			(69)		
Loss on dilution of investment in associates	9.5	42			
Gain on disposal of associate	8.3	(270)		(506)	
Insurance recoveries for business interruption		(99)			
Insurance recoveries for property, plant and equipment		(49)	(57)		
Net (gains)/losses on disposal of property, plant and equipment			(122)	18	(47)
Impairment charges relating to investment in associate	9.4	58		58	
Impairment reversal relating to property, plant and equipment	10.1.3	(23)			
Inventories write-down to net realisable value		12			
Expenses relating to short-term leases		180		14	
Expenses relating to leases of low-value assets		11		10	
Operating lease rental expenses			232		33
Operating lease income		(39)	(37)	(5)	
Gain on termination of lease		(1)			
Research and development costs		4	1	3	1
Own work capitalised[2]		(782)	(155)		(1)
General charges		1 157	855	136	190
Total operating expenses		21 457	19 788	1 559	2 496

[1] *2019 relates to the disposal of the Paardeplaats mining right which formed part of the NBC operation. 2018 relates to the sale of certain assets and liabilities of the NBC operation.*

[2] *Relates to operating expenses incurred that are capitalised to projects where qualifying criteria are met.*

Chapter 6:
Operational performance and working capital continued

6.1 OPERATIONAL PERFORMANCE continued

6.1.3 OPERATING EXPENSES continued

For the year ended 31 December	Note	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Further disaggregation of certain operating expense items:					
Staff costs		5 248	4 622	893	831
– Salaries and wages		4 080	3 785	569	529
– Share-based payment expense		266	405	166	268
– Termination benefits[1]		476	45	120	
– Pension and medical costs		426	387	38	34
Consultancy fees[2]		634	680	465	431
External auditor's remuneration[2]		36	32	19	17
– Audit fees		28	26	13	13
– Other services		8	6	6	4
Depreciation and amortisation		1 912	1 582	129	77
– Depreciation of property, plant and equipment	10.1.3	1 849	1 579	86	75
– Depreciation of right-of-use assets	11.4	59		41	
– Amortisation of intangible assets		4	3	2	2
Movement in provisions		141	(175)	(3)	(1)
– Movement in environmental rehabilitation and site closure cost provisions	13.3	127	(194)	(3)	(1)
– Movement in retirement employee obligation	14.4	14	19		
ECLs on financial assets at amortised cost (impairment losses/(reversal of impairment losses)):		165	64	15	(2)
Non-current					
Other financial assets at amortised cost		3	(2)		
– Non-performing		3	(2)		
Non-interest-bearing loans to subsidiaries					3
– Non-performing					3
Current					
Trade and other receivables		111	67	11	
Trade receivables		14	13		
– Performing		(3)	1		
– Under-performing		1			
– Non-performing		16	12		
Other receivables		97	54	11	
– Non-performing		97	54	11	
Indebtedness by subsidiaries					(1)
– Non-performing					(1)
Non-interest-bearing loans to subsidiaries				2	
– Performing				1	
– Non-performing				1	
Other financial assets at amortised cost		1	(1)	1	(2)
– Performing			1		
– Non-performing		1	(2)	1	(2)
Loans to associates		49			
– Under-performing		49			
ESD loans		1		1	
– Performing		1		1	

6.1 OPERATIONAL PERFORMANCE continued

6.1.3 OPERATING EXPENSES continued

	Group		Company	
For the year ended 31 December	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Further aggregation of certain operating expense items				
Fair value (gains)/losses recognised on financial assets at FVPL	(195)	71	(26)	
– Equity investments		8		
– Derivative financial assets	(19)	62	33	
– Debt investments	(176)	1	(59)	
Fair value (gains)/losses recognised on financial liabilities at FVPL	(296)	357	(308)	358
– Put option			(12)	1
– Contingent consideration[3]	(296)	357	(296)	357
Currency exchange differences	(101)	83	(103)	142
– Net realised losses/(gains)	9	(42)	(19)	22
– Net (gain)/loss on translation differences recycled to profit or loss[4]	(7)	(14)	3	
– Net unrealised (gains)/losses	(103)	139	(87)	120
Operating lease rental expenses		232		33
– Property		25		20
– Equipment		207		13
[1] Includes the following amounts for the TVPs:	*459*		*120*	

[2] Disclosed as part of legal and professional fees.
[3] Relates to the ECC acquisition.
[4] Relates to recycling of FCTR on deregistration of Exxaro Australia Iron Investments Proprietary Limited (gain of R10 million) and foreign entity (loss of R3 million).

6.1.4 DISCONTINUED OPERATIONS

Tronox Holdings

On 30 September 2017, Exxaro classified the Tronox Limited investment as a non-current asset held-for-sale (refer note 8.4). During March 2019, Tronox Limited redomiciled from Australia to the UK by "top-hatting" Tronox Limited with a new holding company incorporated under the laws of England and Wales called Tronox Holdings plc. Each Tronox Limited shareholder received one share in the newly incorporated company in exchange for each share held in the Australian-incorporated Tronox Limited, which shares are listed on the New York Stock Exchange. On 9 May 2019, Tronox Holdings plc repurchased 14 000 000 shares from Exxaro. The remaining investment in Tronox Holdings plc is still classified as a non-current asset held-for-sale.

It was concluded that the related performance and cash flow information be presented as a discontinued operation as the Tronox Holdings plc investment represents a major geographical area of operation as well as the majority of the TiO_2 reportable operating segment.

Black Mountain

On 30 November 2019, Exxaro classified the Black Mountain investment as a non-current asset held-for-sale (refer note 8.4). It was concluded that the related performance and cash flow information be presented as a discontinued operation as Black Mountain investment represents the base metal operating segment which management view to be a separate major operation.

Chapter 6:
Operational performance and working capital continued

6.1 OPERATIONAL PERFORMANCE continued

6.1.4 DISCONTINUED OPERATIONS continued

Financial information relating to the discontinued operations are set out below:

	Group		Company	
For the year ended 31 December	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Financial performance				
Losses on financial instruments revaluations recycled to profit or loss	(1)			
Net gains on translation differences recycled to profit or loss on partial disposal of investment in foreign associate	832			
Indemnification asset movement[1]	65		65	
Gain/(loss) on remeasurement to fair value less costs of disposal[2]			723	(2 884)
Operating profit/(loss)	896		788	(2 884)
Gain on partial disposal of associate	1 234		1 317	
– Cash consideration	2 889		2 889	
– Carrying value of investment sold	(1 655)		(1 572)	
Net operating profit/(loss)	2 130		2 105	(2 884)
Share of income of equity-accounted investment[3]	52	70		
Dividend income received from non-current assets held-for-sale	47	69	47	69
Profit/(loss) before tax	2 229	139	2 152	(2 815)
Income tax expense	(65)		(65)	
Profit/(loss) for the year from discontinued operations	2 164	139	2 087	(2 815)
Other comprehensive (loss)/income, net of tax	(830)	2		
Items that have subsequently been reclassified to profit or loss:	(831)			
– Recycling of share of other comprehensive income of equity-accounted investments	(831)			
Items that will not be reclassified to profit or loss:	1	2		
– Share of other comprehensive income of equity-accounted investments	1	2		
Total comprehensive income/(loss) for the year	1 334	141	2 087	(2 815)
Cash flow information				
Cash flow attributable to investing activities	47	69	47	69
Proceeds from partial disposal of associate classified as non-current asset held-for-sale	2 889		2 889	
Cash flow attributable to discontinued operation	2 936	69	2 936	69

[1] The indemnification asset movement arose on the repurchase of the Tronox Holdings plc ordinary shares as Tronox Holdings plc has indemnified Exxaro from any tax obligation which may arise on the disposal of any of the Tronox Holdings plc ordinary shares held by Exxaro since the redomicile.

[2] At 31 December 2019, Tronox Holdings plc's share price strengthened to US$11.42 per share (2018: US$7.78 per share). The carrying amount on 31 December 2019 of R1 654 million was less than the fair value less costs of disposal of R2 377 million, resulting in the recognition of a gain amounting to R723 million. The carrying amount on 31 December 2018 of R6 110 million exceeded the fair value less costs of disposal of R3 226 million, resulting in a loss amounting to R2 884 million.

[3] Relates to Black Mountain.

6.1 OPERATIONAL PERFORMANCE continued

6.1.5 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO OPERATIONAL PERFORMANCE

6.1.5.1 Cash generated by/(utilised in) operations

		Group		Company	
For the year ended 31 December	Note	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Net operating profit/(loss)		6 399	5 703	2 483	(3 603)
– Continuing operations		4 269	5 703	378	(719)
– Discontinued operations		2 130		2 105	(2 884)
Adjusted for non-cash movements:					
– Depreciation and amortisation	6.1.3	1 912	1 582	129	77
– (Gain)/loss on remeasurement of associate to fair value less costs of disposal	6.1.4			(723)	2 884
– Impairment charge of investment in associate	6.1.3	58		58	
– Impairment charge of subsidiary	17.3.4			227	
– Impairment reversal of property, plant and equipment		(23)			
– ECLs on financial assets at amortised costs	6.1.3	165	64	15	
– Write-off of trade and other receivables and indebtedness by subsidiaries	6.1.3	10	7		2
– Movement in provisions	6.1.3	141	(175)	(3)	(1)
– Foreign exchange revaluations and fair value adjustments		(577)	489	(438)	479
– Gain on termination of lease		(1)			
– Net (gain)/loss on disposal of property, plant and equipment			(122)	18	(47)
– Net gain on disposal of operation and subsidiaries		(76)	(171)		
– Loss on disposal of financial asset at fair value through profit or loss			2		
– Loss on loss of control of subsidiary		35			
– Gain on disposal of associates	6.1.4, 8.3	(1 504)		(1 823)	
– Loss on dilution of investment in associates	6.1.3	42			
– Indemnification asset movement		(139)	(69)	(65)	
– Share-based payment expense		266	405	166	268
– Translation of net investment in foreign operations			(1)		
– Translation of foreign currency items		127	(154)		
– Amortisation of transaction costs		(5)	5	(5)	5
– Non-cash recoveries		239	120		
– Net gains on translation differences recycled to profit or loss		(840)			
– Other non-cash movements		(13)	(9)	52	(1)
Cash before working capital movements		6 216	7 676	91	63
Working capital movements					
– Increase in inventories		(286)	(466)	(3)	
– (Increase)/decrease in trade and other receivables		(392)	(661)	(533)	289
– Increase in treasury facilities with subsidiaries at amortised cost (receivable)				(2 428)	(970)
– (Decrease)/increase in trade and other payables		(192)	533	70	(101)
– Increase in treasury facilities with subsidiaries at amortised cost (payable)				3 561	349
– Utilisation of provisions	13.3	(73)	(58)	(1)	(9)
Cash generated by/(utilised in) operations		5 273	7 024	757	(379)

6.2 WORKING CAPITAL

6.2.1 ACCOUNTING POLICIES RELATING TO WORKING CAPITAL ITEMS

Inventories

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value.

The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and fixed production overheads, but excludes interest charges. Fixed production overheads are allocated on the basis of normal capacity.

Net realisable value represents the estimated selling price in the ordinary course of business less applicable selling expenses. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Inventory is presented as non-current when it is not expected to be sold or used within the normal business operating cycle.

Trade receivables

Trade receivables are amounts due from customers for the sale of goods and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Also refer note 16.1.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Also refer note 16.1.

6.2.2 INVENTORIES

	Group		Company	
At 31 December	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Non-current				
Finished products	101			
Total non-current inventories	101			
Current				
Finished products[1]	1 152	1 080		
Work-in-progress	44	30		
Raw materials	8	14		
Plant spares and stores	597	474	3	
Merchandise	8	6		
Total current inventories	1 809	1 604	3	
Total inventories	1 910	1 604	3	
[1] Includes inventory carried at net realisable value amounting to:	*45*			

Included in merchandise are biological assets classified as inventories. No inventories were pledged as security for liabilities in neither 2019 nor 2018.

6.2 WORKING CAPITAL continued

6.2.3 TRADE AND OTHER RECEIVABLES

	Group		Company	
At 31 December	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Trade receivables	2 928	2 971		
– Gross	3 023	3 052		
– Impairment allowances	(95)	(81)		
Other receivables	313	169	15	19
– Gross[1]	464	223	26	19
– Impairment allowances	(151)	(54)	(11)	
Indebtedness by subsidiaries			615	194
– Gross			615	194
Total trade and other receivables	3 241	3 140	630	213

[1] *Includes sundry receivables and reclassifications of creditors with debit balances.*

6.2.3.1 Impairment allowances and write-offs

Trade and other receivables are stated after the following allowances for impairment:

	Group		Company	
At 31 December	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Trade receivables				
Opening balance	(81)	(68)		
– Performing	(8)	(7)		
– Non-performing	(73)	(61)		
Movement in impairment allowances	(14)	(13)		
– Performing	3	(1)		
– Under-performing	(1)			
– Non-performing	(16)	(12)		
At end of the year	(95)	(81)		
– Performing	(5)	(8)		
– Under-performing	(1)			
– Non-performing	(89)	(73)		
Other receivables				
Opening balance	(54)			
– Non-performing	(54)			
Movement in impairment allowances	(97)	(54)	(11)	
– Non-performing	(97)	(54)	(11)	
At end of the year	(151)	(54)	(11)	
– Non-performing	(151)	(54)	(11)	
Indebtedness by subsidiaries				
Opening balance				(1)
– Non-performing				(1)
Movement in impairment allowance				1
– Non-performing				1
At end of the year				
– Non-performing				

Chapter 6:
Operational performance and working capital continued

6.2 WORKING CAPITAL continued

6.2.3 TRADE AND OTHER RECEIVABLES continued

6.2.3.1 Impairment allowances and write-offs continued

Trade and other receivables are stated after the following write-offs recognised in profit or loss:

	Group		Company	
For the year ended 31 December	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Trade receivables	(10)	(5)		
Other receivables		(2)		(2)
	(10)	(7)		(2)

For a detailed age analysis of the trade and other receivables refer note 16.3.3.4.2.

6.2.4 TRADE AND OTHER PAYABLES

	Group		Company	
At 31 December	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Non-current				
Other payables[1]	121	152		
Total non-current other payables	121	152		
Current				
Trade payables	1 164	1 456	102	36
Other payables[2]	1 439	1 504	75	135
Indebtedness to subsidiaries				5
Total current trade and other payables	2 603	2 960	177	176
Total trade and other payables	2 724	3 112	177	176

[1] Relates to retention creditors.
[2] Includes sundry payables and reclassification of receivables with credit balances.

CHAPTER 7: TAXATION

Chapter 7:
Taxation

7.1 ACCOUNTING POLICIES RELATING TO TAXATION

7.1.1 INCOME TAX EXPENSE

Income tax expense or benefit comprises the sum of current and deferred tax.

The current tax payable or receivable is based on taxable profit for the year. Taxable profit or loss differs from profit or loss as reported in the statements of comprehensive income as it excludes items of income or expense that are taxable or deductible in other years in the determination of taxable profit or loss (temporary differences), and it further excludes items that are never taxable or deductible (non-temporary differences). The group's liability for tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

7.1.2 DEFERRED TAX

Deferred tax is provided using the balance sheet method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for tax purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated using tax rates that have been enacted at the reporting date. The effect on deferred tax of any changes in taxation rates is charged to the statements of comprehensive income, except to the extent that it relates to items previously charged directly to equity.

Deferred tax assets and liabilities are set off when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to and has the ability to settle its current tax assets and liabilities on a net basis.

7.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This requires management to make assumptions, on a subsidiary-by-subsidiary level, of future taxable profits in determining the deferred tax asset to be raised.

7.3 INCOME TAX (EXPENSE)/BENEFIT

	Group		Company	
For the year ended 31 December	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
South African normal tax				
Current	(748)	(841)	(50)	4
– Current year	(815)	(810)	(17)	
– Prior year	67	(31)	(33)	4
Deferred	(258)	(777)	(31)	227
– Current year	(317)	(772)	(59)	258
– Prior year	59	(5)	28	(31)
Foreign normal tax				
Current	(13)	(25)		
– Current year	(13)	(25)		
– Prior year				
Dividend withholding tax	(14)	(10)		
– Non-resident	(13)	(9)		
– Resident	(1)	(1)		
Total income tax (expense)/benefit through profit or loss	(1 033)	(1 653)	(81)	231
– Continuing operations	(968)	(1 653)	(16)	231
– Discontinued operations	(65)		(65)	

7.4 RECONCILIATION OF TAX RATES

For the year ended 31 December	Group 2019 %	Group (Re-presented) 2018 %	Company 2019 %	Company 2018 %
Tax as a percentage of profit/(loss) before tax from continuing operations	10.9	19.3	0.3	(9.2)
Tax effect of:				
– Net capital gains[1]	1.0	0.2	1.2	9.5
– Expenses not deductible for tax purposes[2]	1.5	(1.6)	2.2	(4.8)
– Exempt income (not subject to tax)[3]		0.1	24.4	33.6
– Special tax allowances	0.1	0.1		
– Post-tax equity-accounted income[4]	14.7	10.4		
– Remeasurements of foreign tax rate differences	0.3	0.6		
– Prior year tax adjustments[5]	1.4	(0.4)	(0.1)	(1.1)
– Deferred tax assets not recognised[6]	(1.6)	(0.1)		
– Imputed income from controlled foreign companies and investments	(0.3)	(0.6)		
Standard tax rate	28.0	28.0	28.0	28.0
Effective tax rate for continuing operations, excluding income from equity-accounted investments	22.9	30.3		
[1] Redemption of membership interest in Tronox UK.				
[2] Expenses not deductible for tax purposes:	*1.5*	*(1.6)*	*2.2*	*(4.8)*
– Consulting, legal and other professional fees	*(0.7)*	*(0.4)*	*(1.1)*	*(1.4)*
– ESD grants	*(0.1)*	*(0.1)*	*(0.2)*	*(0.5)*
– Share-based payments	*1.3*	*0.5*	*1.5*	*1.2*
– Penalties and interest on taxes	*(0.1)*	*(0.1)*		*0.1*
– Contingent consideration fair value adjustment	*1.3*	*(1.2)*	*2.2*	*(4.2)*
– Other	*(0.2)*	*(0.3)*	*(0.2)*	

[3] For company, mainly includes dividend income from equity-accounted investments.

[4] The increase is as a result of the increase in the SIOC equity-accounted income (refer note 9.3).

[5] For group, a significant part of the prior year adjustments relates to:

[5] (i) An overprovision in the prior years of an income tax liability as a result of a controlled foreign company imputation that was disputed by SARS. A settlement was reached with SARS and therefore the prior year overprovision has been reversed in the current year.

[5] (ii) The most favoured nation court ruling was issued during the 2019 tax year and as a result Exxaro International BV's withholding tax previously paid in the Netherlands was refunded.

For company, the prior year adjustment relates to the correction of the prior years' fair value adjustment on the ECC contingent consideration incorrectly claimed for tax purposes. SARS approved a voluntary disclosure programme application in this regard.

[6] The majority of the deferred tax assets not recognised comprises assets relating to tax losses, provisions and unredeemed capital expenditure.

7.5 DEFERRED TAX

At 31 December	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
The movements on deferred tax are as follows:				
At beginning of the year	(6 351)	(5 417)	374	165
Items charged to profit or loss	(258)	(777)	(31)	227
– Current year	(317)	(772)	(59)	258
– Prior year	59	(5)	28	(31)
Items charged directly to equity	(72)	(147)	(47)	(18)
– Share-based payments movement	(72)	(29)	(47)	(20)
– Adjustments on initial application of IFRS 9		4		2
– Adjustments on initial application of IFRS 15		(122)		
Items charged directly to other comprehensive income	(7)	(27)		
– Revaluation of financial asset at FVOCI		(12)		
– Retirement employee obligations	(7)	(15)		
Reclassification from non-current assets held-for-sale		17		
Derecognised on loss of control of subsidiary	17			
At end of the year	(6 671)	(6 351)	296	374
– Deferred tax asset	467	523	296	374
– Deferred tax liability	(7 138)	(6 874)		

Chapter 7:
Taxation continued

7.5 DEFERRED TAX continued

	At 31 December 2018		
	Assets Rm	**Liabilities Rm**	**Total net liability Rm**
Property, plant and equipment	131	(6 319)	(6 188)
Right-of-use assets			
Share-based payments	165	58	223
Other accruals and provisions	(197)	489	292
Bad debt reassessment	16	38	54
Restoration provisions	348	356	704
Decommissioning provisions	58	68	126
Leave pay accrual	24	24	48
Retention payables	2	86	88
Prepayments	(6)	(29)	(35)
Environmental rehabilitation funds	(192)	(287)	(479)
Income received in advance	5	1	6
Inventories	(9)	34	25
Unrealised foreign currency gains/(losses)	1		1
Lease receivables		(20)	(20)
Local tax losses carried forward	334	224	558
Revaluation of financial assets at FVOCI	27	(109)	(82)
Retirement employee obligations	54	5	59
Deferred tax assets not recognised or derecognised	(235)	(1 297)	(1 532)
Investment in RBCT	(11)	(197)	(208)
Unclaimed donations	8		8
Lease liabilities		1	1
Total	523	(6 874)	(6 351)

Group							
Movement during the year					At 31 December 2019		
Recognised in profit or loss Rm	Loss of control of subsidiary Rm	Recognised in other comprehensive income Rm	IFRS 16 adjustment Rm	Recognised directly in equity Rm	Assets Rm	Liabilities Rm	Total net liability Rm
(502)	17		4		588	(7 257)	(6 669)
(120)			(19)		(141)	2	(139)
4				(72)	115	40	155
220					(41)	553	512
(9)					21	24	45
(23)					425	256	681
26					96	56	152
9					28	29	57
76					57	107	164
(2)					(14)	(23)	(37)
(72)					(294)	(257)	(551)
1					7		7
(16)					(8)	17	9
			(1)				
1						(19)	(19)
(193)					310	55	365
						(82)	(82)
4		(7)			51	5	56
206					(879)	(447)	(1 326)
12						(196)	(196)
2					10		10
118			16		136	(1)	135
(258)	17	(7)		(72)	467	(7 138)	(6 671)

Chapter 7:
Taxation continued

7.5 DEFERRED TAX continued

	At 31 December 2018	Company: Movement during the year			At 31 December 2019
	Asset Rm	IFRS 16 adjustment Rm	Recognised in profit or loss Rm	Recognised directly in equity Rm	Assets[1] Rm
Property, plant and equipment	(56)		18		(38)
Right-of-use assets		(5)	(118)		(123)
Share-based payments	142		4	(47)	99
Other accruals and provisions	29		22		51
Bad debt reassessment			3		3
Restoration provisions	10				10
Leave pay accrual	4		3		7
Environmental rehabilitation funds	(7)		(1)		(8)
Unrealised foreign currency gains/ (losses)	1		(1)		
Lease liabilities		5	125		130
Capital losses	227		(62)		165
Assessed losses	24		(24)		
Total	374		(31)	(47)	296

[1] *The deferred tax asset recognised for the company is supported by sufficient forecast profits to be utilised. The forecast profits are based on agreements in place with commodity businesses within Exxaro and other external parties.*

Calculated tax losses

	Group		Company	
At 31 December	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Tax losses available for set off against future taxable profits on which deferred tax was raised				
– Local	(1 304)	(1 993)		(86)
Current year tax losses on which no deferred tax assets were raised	329	52		

7.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO TAXATION

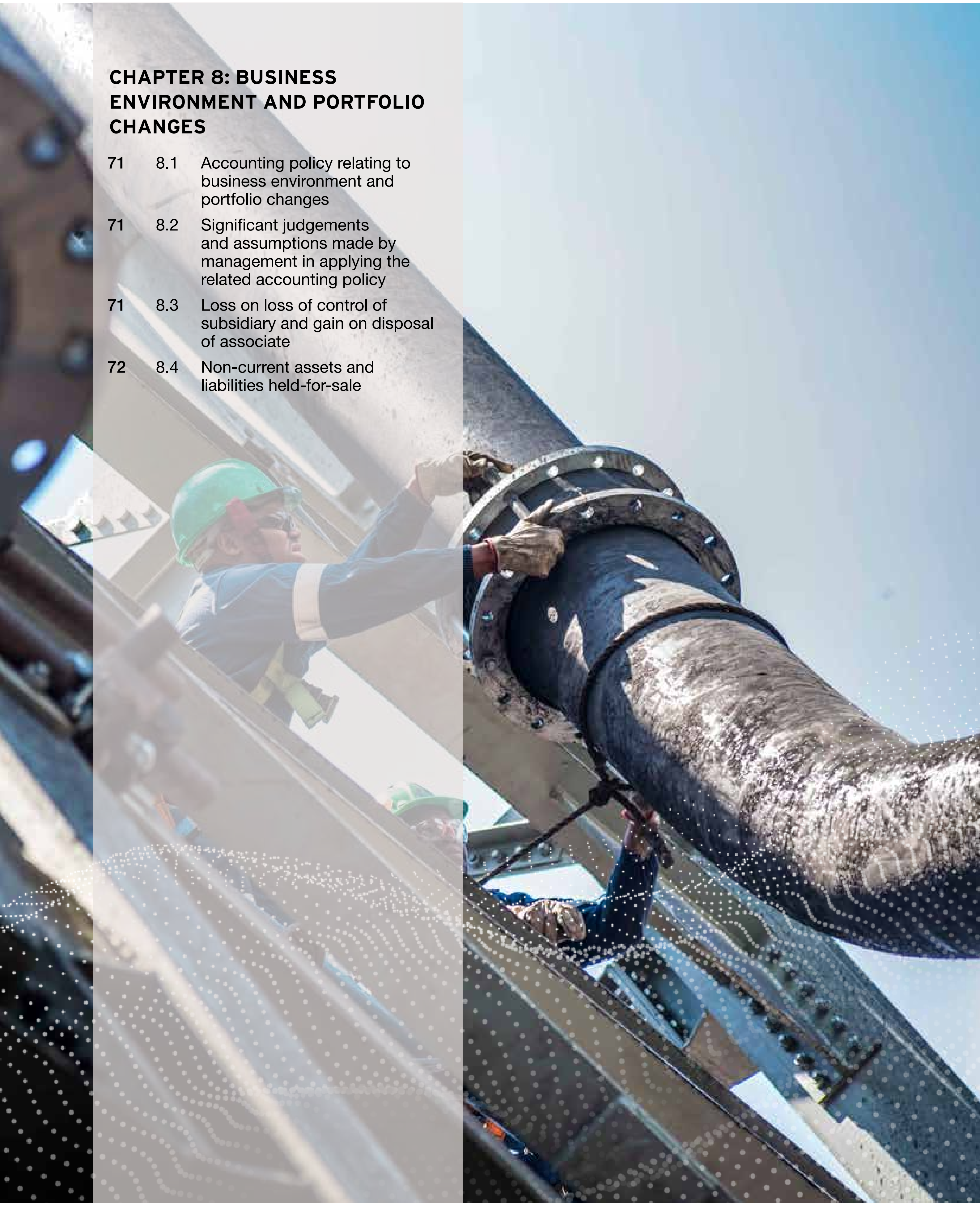
7.6.1 TAX PAID

	Group		Company	
For the year ended 31 December	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Amounts payable at beginning of the year	(186)	(340)		(20)
Amounts receivable at beginning of the year: non-current assets held-for-sale		27		
Amounts charged to the statements of comprehensive income	(775)	(876)	(50)	4
Arising on translation of foreign operations	(1)	(4)		
Amounts (receivable)/payable at end of the year	(215)	186	10	
Tax paid	(1 177)	(1 007)	(40)	(16)

7.7 TAX EFFECT OF OTHER COMPREHENSIVE INCOME

	Group						
	2019				2018		
For the year ended 31 December	Gross before tax and NCI Rm	Tax Rm	NCI Rm	Net of tax Rm	Gross before tax Rm	Tax Rm	Net of tax Rm
Unrealised exchange differences on translation of foreign operations	(7)		8	1	67		67
Changes in fair value of equity investment at FVOCI	50		7	57	33	(12)	21
Remeasurement of retirement employee obligations	26	(7)	(4)	15	54	(15)	39
Recycling of foreign currency translation reserve on liquidation of subsidiary	(7)		(1)	(8)	(14)		(14)
Recycling of foreign currency translation reserve on partial disposal of associate	(832)			(832)			
Recycling of financial instruments revaluation reserve on partial disposal of associate	1			1			
Recycling of foreign currency translation reserve on dilution of associate	(1)			(1)			
Share of other comprehensive income of equity-accounted investments	68	(1)	(1)	66	136	(3)	133
– Share of unrealised exchange differences on translation of foreign operations	44		11	55	118		118
– Share of revaluation of financial instruments	8		(12)	(4)	13	(3)	10
– Share of equity-settled reserve movement	10			10			
– Share of other reserve movement	3			3			
– Share of remeasurement of retirement employee obligations	3	(1)		2	6		6
Total	(702)	(8)	9	(701)	276	(30)	246

	Company	
	2019	
For the year ended 31 December	Gross before tax and NCI Rm	Net of tax Rm
Unrealised exchange differences on translation of foreign entity	(1)	(1)
Recycling of foreign currency translation reserve on deregistration of a foreign entity	3	3
Total	2	2



CHAPTER 8: BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES

Chapter 8:
Business environment and portfolio changes

8.1 ACCOUNTING POLICY RELATING TO BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES

8.1.1 NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE

When the carrying amount of non-current assets and liabilities (or a disposal group) will be recovered principally through a disposal rather than through continuing use, such assets and liabilities are classified as non-current assets and liabilities held-for-sale and are measured at the lower of carrying amount and fair value less costs of disposal. This condition is regarded as met only when the disposal is highly probable and the assets and liabilities (or a disposal group) are available for immediate disposal in its present condition. Management must be committed to the disposal, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

8.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICY

In applying IFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations* (IFRS 5), management has made judgements as to which non-current assets and discontinued operations meet the criteria to be classified and measured in terms of IFRS 5 (refer notes 8.4 and 6.1.4).

8.3 LOSS ON LOSS OF CONTROL OF SUBSIDIARY AND GAIN ON DISPOSAL OF ASSOCIATE

For the year ended 31 December 2019	Group Tumelo subsidiary[1] Rm	 Tronox UK associate[2] Rm
Consideration:		
– Cash		1 597
– Loan to associate	142	
Total disposal consideration	142	1 597
Carrying amount of net assets/investment sold	(177)	(1 327)
– Property, plant and equipment	(21)	
– Investment in associate[3]	(92)	(1 327)
– Financial assets at amortised cost	(12)	
– Deferred tax asset	(10)	
– Other current assets	(1)	
– Provisions	9	
– Deferred tax liability	27	
– Trade and other payables	4	
– Other current liabilities	1	
– Non-controlling interests	(82)	
(Loss) on loss of control/gain on disposal[4]	(35)	270

[1] *On 1 January 2019, Exxaro lost control over the management function of Tumelo. This resulted in Tumelo being accounted for as an associate at an initial carrying value of nil.*
[2] *Relates to the redemption of membership interest in Tronox UK.*
[3] *The carrying amount reduced during the year by R460 million as a result of a dividend distribution received from Tronox UK.*
[4] *After tax of nil.*

For the year ended 31 December 2019	Company Tronox UK associate[1] Rm
Consideration:	
– Cash	1 597
Total disposal consideration	1 597
Carrying amount of investment sold	(1 091)
– Investment in associate	(1 091)
Gain on disposal[2]	506

[1] *Relates to the redemption of membership interest in Tronox UK.*
[2] *After tax of nil.*

Chapter 8:
Business environment and portfolio changes continued

8.4 NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE

TRONOX HOLDINGS PLC

In September 2017, the directors of Exxaro formally decided to dispose of the investment in Tronox Limited. As part of this decision, Tronox Limited was required to publish an automatic shelf registration statement of securities of well-known seasoned issuers which allowed for the conversion of Exxaro's Class B Tronox Limited ordinary shares to Class A Tronox Limited ordinary shares. From this point, it was concluded that the Tronox Limited investment should be classified as a non-current asset held-for-sale as all the criteria in terms of IFRS 5 were met. As of 30 September 2017, the Tronox Limited investment, totalling 42.66% of Tronox Limited's total outstanding voting shares, was classified as a non-current asset held-for-sale and the application of the equity method ceased.

Subsequently, Exxaro sold 22 425 000 Class A Tronox Limited ordinary shares during October 2017. During May 2019, Tronox Holdings plc repurchased 14 000 0000 Tronox Holdings plc ordinary shares from Exxaro after Tronox Limited had redomiciled to the UK. On 31 December 2019, management concluded that the remaining investment in Tronox Holdings plc continues to meet the criteria to be classified as a non-current asset held-for-sale in terms of IFRS 5. Exxaro continues to assess market conditions for further possible sell downs of the remaining 14 729 280 Tronox Holdings plc ordinary shares.

The Tronox Holdings plc investment is presented within the total assets of the TiO_2 reportable operating segment and is presented as a discontinued operation (refer note 6.1.4).

BLACK MOUNTAIN

During the second half of 2019, the Exxaro board approved a decision to divest from its 26% interest in Black Mountain. A non-binding offer from an interested party was received. On 30 November 2019, the investment was classified as a non-current asset held-for-sale as all the criteria of IFRS 5 were met and the application of the equity method ceased.

EMJV

As part of the ECC acquisition in 2015, Exxaro acquired non-current liabilities held-for-sale relating to the EMJV. The sale of the EMJV business is conditional on section 43 consent required in terms of the MPRDA for transfer of the environmental liabilities and rehabilitation obligations of the EMJV to Scinta Energy Proprietary Limited. The liabilities remain classified as non-current liabilities held-for-sale for the Exxaro group as at 31 December 2019 as the required approvals were still pending. Subsequent to 31 December 2019, the required approvals have been obtained (refer note 18.3).

The EMJV does not meet the criteria to be classified as a discontinued operation since it neither represents a separate major line of business, nor does it represent a major geographical area of operation.

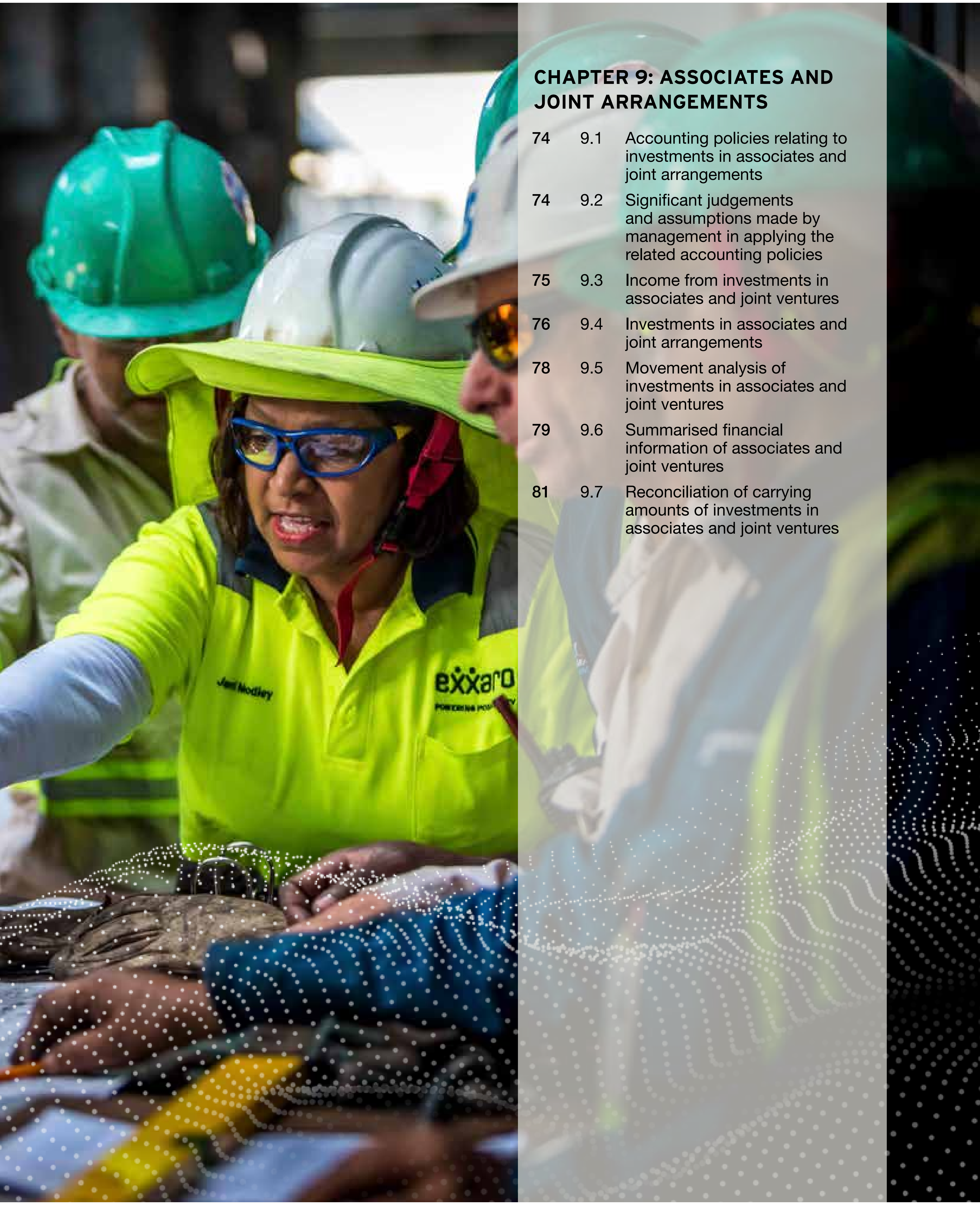
The major classes of assets and liabilities classified as non-current assets and liabilities held-for-sale are as follows:

	Group		Company	
At 31 December	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Assets				
Investments in associates	2 613	5 183	2 377	4 317
– Tronox Holdings plc	1 741	3 396	2 377	3 226
– Tronox UK		1 787		1 091
– Black Mountain	872			
Non-current other financial asset at amortised cost				408
Non-current assets held-for-sale	2 613	5 183	2 377	4 725
Liabilities				
Non-current provisions[1]	(1 393)	(1 320)		
Retirement employee obligations[1]	(17)	(17)		
Non-current liabilities held-for-sale	(1 410)	(1 337)		
Net non-current assets held-for-sale	1 203	3 846	2 377	4 725

[1] *Relates to the EMJV.*

The following items of other comprehensive income that may subsequently be reclassified to profit or loss relate to non-current assets classified as held-for-sale:

	Group	
	2019 Rm	**2018 Rm**
– Unrealised gains on translation of foreign operations	876	1 708
– Losses on financial instrument revaluations	(1)	(1)



CHAPTER 9: ASSOCIATES AND JOINT ARRANGEMENTS

Chapter 9:
Associates and joint arrangements

9.1 ACCOUNTING POLICIES RELATING TO INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

9.1.1 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

Associates are those entities in which the group has significant influence, but not control nor joint control, over the financial and operating policies. Significant influence is presumed to exist when Exxaro holds between 20% and 50% of the voting rights of another entity, however, the determination of whether significant influence exists is also subject to the consideration of other facts and circumstances which are a matter of judgement.

Joint arrangements are arrangements in which the group has joint control, established by contracts requiring unanimous consent for decisions on the activities that significantly affect the arrangements' returns. Joint arrangements are classified and accounted for as follows:

- Joint operation: when the group has rights to the assets and obligations for the liabilities relating to an arrangement, each of its assets and liabilities, including its share of those held or incurred jointly, are proportionately accounted for in relation to the joint operation
- Joint venture: when the group has rights only to the net assets of the arrangements, its interest is accounted for using the equity method, similar to the accounting treatment for associates.

The company carries its investments in associates and joint ventures at cost less accumulated impairment losses.

The cost of investments in associates and joint ventures is the fair value at the date of acquisition or the fair value at the date of loss of control of a former subsidiary where the company retains an associate or joint venture interest in the former subsidiary.

For group, investments in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The group financial statements include Exxaro's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of Exxaro, from the date that significant influence commences until the date that significant influence ceases.

The cumulative post-acquisition movements in profit or loss and other comprehensive income are adjusted against the carrying amount of the investment in the group financial statements.

The group's interest in associates and joint ventures is carried in the statements of financial position at an amount that reflects its share of the net assets and the goodwill on acquisition.

Dilution gains and losses arising on investments in associates are recognised in profit or loss.

Unrealised gains from downstream transactions with equity-accounted investees are eliminated against the investment to the extent of Exxaro's interest in the investee. Unrealised gains from upstream transactions with equity-accounted investees are eliminated against related assets to the extent of Exxaro's interest in the investee.

Dividend income is recognised when the right to receive payment is established.

9.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

In applying IAS 28 *Investments in Associates*, management has assessed the level of influence that the group has. The following judgements have been applied in relation to the assessment of significant influence:

- RBCT: management concluded that significant influence exists on its 10.36% (2018: 10.82%) effective investment in RBCT as a result of Exxaro's representation on the board of directors of RBCT
- Curapipe: management concluded that significant influence exists on its 15.00% (2018: 10.53%) investment in Curapipe as a result of Exxaro's representation on the board of directors of Curapipe
- Tronox Holdings plc: management concluded that significant influence exists on its 10.38% investment in Tronox Holdings plc as a result of Exxaro's right to have representation on the board of directors of Tronox Holdings plc. The investment has been classified as a non-current asset held-for-sale (refer note 8.4).

In applying IFRS 11 *Joint Arrangements*, management assessed the level of influence that the group has on its investments in joint arrangements and subsequently classified the investments in Cennergi and Mafube as joint ventures due to the fact that unanimous consent is required for board decisions.

9.3 INCOME/(LOSS) FROM INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Group		Company	
	Share of income/(loss) of equity-accounted investments		Dividend income from equity-accounted investments	
For the year ended 31 December	2019 Rm	(Re-presented) 2018 Rm	2019 Rm	2018 Rm
Associates	4 468	3 009	4 101	2 569
– SIOC	4 413	2 592	4 051	2 569
– Tronox SA	234	382		
– Tronox UK[1]		110	50	
– RBCT	1	(36)		
– Curapipe	(4)	(3)		
– Insect Technology	(148)	(31)		
– LightApp	(28)	(5)		
Joint ventures	173	180	95	58
– Mafube	127	114		
– Cennergi	46	66	95	58
Income from investments in associates and joint ventures	4 641	3 189	4 196	2 627

[1] *Application of the equity method ceased on 30 November 2018 when the investment was classified as a non-current assets held-for-sale. The income from Tronox UK, for company, comprises a dividend distribution in 2019.*

Chapter 9:

Associates and joint arrangements continued

9.4 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

At 31 December	Note	Nature of business[1]	Country of incorporation	Percentage interest 2019 %	Percentage interest 2018 %
Unlisted					
Associates					
SIOC[3]		M	RSA	20.62	20.62
Tronox SA		M	RSA	26.00	26.00
RBCT[4]		T	RSA	10.36	10.82
Black Mountain[5]		M	RSA	26.00	26.00
Curapipe[6]		R&D	Israel	15.00	10.53
Insect Technology[7]		WC	UK	25.86	26.37
LightApp[8]		EN	Israel	28.59	28.98
Tumelo[4]		M	RSA	49.00	
GAM[9]		EN	RSA	22.00	
– Gross					
– Accumulated impairment	9.5				
Joint ventures					
Mafube		M	RSA	50.00	50.00
Cennergi		EN	RSA	50.00	50.00
Total equity-accounted investments per statement of financial position	9.5				
Unincorporated joint operations					
Moranbah coal project		M	AUS	50.00	50.00
Refer below for other balances relating to associates and joint ventures					
Included in non-current assets held-for-sale:	8.4				
Associates					
Listed: Tronox Holdings plc		M	UK	10.38	23.35
Unlisted: Tronox UK		F	UK		26.00
Unlisted: Black Mountain[5]					
Other financial assets					
Unlisted: Tronox UK					
Included in financial assets:	10.2.2				
Loan to associate: Tumelo					
– Current gross					
– Current impairment allowances					
Loan to joint venture: Mafube					
– Non-current gross					
– Current gross					

[1] M – Mining, F – Financing, EN – Energy, T – Export terminal, R&D – Research and Development, WC – Waste Conversion.
[2] Fair value represents the directors' valuation at the reporting date.
[3] The fair value of SIOC is determined by applying an adjusted equity valuation technique, based on the share price of KIO on 31 December 2019 of R417.05 per share (31 December 2018: R283.05 per share), adjusted for a liquidity discount rate of 20% (2018: 20%).
[4] On 1 January 2019, Exxaro lost control of the management function of Tumelo. This resulted in Tumelo being accounted for as an associate at an initial carrying value of nil, and a dilution of the effective interest in RBCT.
[5] The investment in Black Mountain was classified as a non-current asset held-for-sale (refer note 8.4) and a discontinued operation (refer note 6.1.4) on 30 November 2019. Black Mountain's financial year end is 31 March and therefore not co-terminous with that of Exxaro. Financial information has been obtained from published information or management accounts as appropriate.
[6] On 25 January 2019, Exxaro acquired an additional 4.47% equity interest in Curapipe.
[7] The equity interest in Insect Technology was acquired on 31 May 2018. During 2019 the interest has been diluted as a result of a new share issue to further expand the Insect Technology group as well as share options being exercised. Insect Technology develops municipal organic water-conversion plants to generate high-quality, natural protein sold for use in animal feed and agriculture.
[8] The equity interest in LightApp was acquired on 18 September 2018. During 2019 the interest has been diluted as a result of share options being exercised. LightApp is one of the leading start-ups in industrial energy analytics.
[9] A 22% equity interest in GAM was acquired in exchange for the settlement of the Lebonix debt. The investment has been fully impaired. GAM is in the business of recycling waste tyres into bio-fuel.

	Group		Company		Fair value[2]		Fair value hierarchy level	Valuation technique
	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm		
	15 056	15 477	2 039	2 025				
	9 835	9 511			29 033	19 705	2	Adjusted equity value
	2 472	2 185	1 181	1 181				
	2 067	2 157						
		818						
	37	22	41	27				
	534	643	674	674				
	111	141	143	143				
	58		58					
	(58)		(58)					
	1 574	1 569	696	696				
	1 335	1 237						
	239	332	696	696				
	16 630	17 046	2 735	2 721				
	2 613	5 183	2 377	4 725				
	2 613	5 183	2 377	4 317				
	1 741	3 396	2 377	3 226				
		1 787		1 091				
	872							
				408				
				408				
	133	259						
	133							
	182							
	(49)							
		259						
		250						
		9						

Restrictions
There are no significant restrictions on the ability of associates or joint ventures to transfer funds to Exxaro in the form of cash dividends, or to repay loans or advances made by Exxaro.

Risks
Refer note 10.1.4 for details with regard to capital commitments relating to associates and joint ventures.
Refer note 16.3.4 for details with regard to loan commitments relating to associates and joint ventures.

Chapter 9:
Associates and joint arrangements continued

9.5 MOVEMENT ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

		Group					
		Associates		Joint ventures		Total equity-accounted investments	
At 31 December	Note	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Gross carrying amount							
At beginning of the year		15 477	15 810	1 569	1 479	17 046	17 289
Share of equity-accounted investments' adjustment from the adoption of IFRS 16	11.1.1.2	(11)				(11)	
Balance at 1 January 2019		15 466	15 810	1 569	1 479	17 035	17 289
Interests acquired[1]		72	818			72	818
Interests diluted	6.1.3	(42)				(42)	
Loss of control of subsidiary	8.3	(92)				(92)	
Reclassification to non-current assets held-for-sale		(872)	(1 787)			(872)	(1 787)
Net share of results	8.4	4 521	3 081	145	199	4 666	3 280
– Share of income (continuing operations)	9.3	4 468	3 009	173	180	4 641	3 189
– Share of income (discontinued operations)	6.1.4	52	70			52	70
– Elimination of intergroup profits (continuing operations)		1	2	(28)	19	(27)	21
Dividends received		(4 051)	(2 569)	(95)	(58)	(4 146)	(2 627)
Share of movement in reserves		112	124	(45)	9	67	133
Transfer from loans receivable to joint ventures equity-accounted investment					(60)		(60)
At end of the year		15 114	15 477	1 574	1 569	16 688	17 046
Accumulated impairment							
At beginning of the year							
Impairment charge	6.1.3	(58)				(58)	
At end of the year	9.4	(58)				(58)	
Net carrying amount at end of the year		15 056	15 477	1 574	1 569	16 630	17 046

[1] *In 2019, relates to an additional equity interest of 4.47% acquired in Curapipe (R14 million) and a 22% equity interest in GAM which was acquired in exchange for the settlement of the Lebonix debt (R58 million). In 2018, relates mainly to the interests acquired in LightApp and Insect Technology.*

9.6 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES

The summarised financial information set out below relates to the associates and joint ventures that are material to the group and represents 100% of the entity's financial performance and position, adjusted to reflect adjustments made by Exxaro when using the equity method.

	Associates			Joint ventures	
	Tronox SA Rm	SIOC Rm	RBCT Rm	Mafube Rm	Cennergi Rm
Statements of comprehensive income					
For the year ended 31 December 2019					
Revenue	9 035	64 285	1 659	2 031	1 161
Operating expenses	(7 441)	(35 284)	(1 372)	(1 732)	(400)
Net operating profit	1 594	29 001	287	299	761
Finance income	45	769		12	32
Finance costs	(378)	(406)	(320)	(40)	(613)
Profit/(loss) before tax	1 261	29 364	(33)	271	180
Income tax (expense)/benefit	(363)	(7 908)	42	(73)	(70)
Profit for the year	898	21 456	9	198	110
Other comprehensive income/(loss)	207	(87)	6		(96)
Total comprehensive income for the year	1 105	21 369	15	198	14
Dividends paid to Exxaro		4 051			95
Statements of financial position					
At 31 December 2019					
Non-current assets	11 766	40 678	23 678	3 506	5 187
Current assets	5 734	26 445	373	677	618
Total assets	17 500	67 123	24 051	4 183	5 805
Equity and liabilities					
Total equity	9 509	47 710	19 952	2 671	543
Non-current liabilities	4 989	12 595	2 982	1 170	5 135
Current liabilities	3 002	6 818	1 117	342	127
Total equity and liabilities	17 500	67 123	24 051	4 183	5 805
Included above in joint ventures:					
Cash and cash equivalents				165	373
Financial liabilities (excluding trade and other payables and provisions)					5 072
– Non-current					4 981
– Current					91
Depreciation and amortisation				251	194

Chapter 9:
Associates and joint arrangements continued

9.6 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES continued

	Associates			Joint ventures	
	Tronox SA Rm	**SIOC Rm**	**RBCT Rm**	**Mafube Rm**	**Cennergi Rm**
Statements of comprehensive income					
For the year ended 31 December 2018					
Revenue	9 370	45 725	1 139	1 515	1 050
Operating expenses	(6 959)	(29 395)	(1 405)	(1 066)	(315)
Net operating profit/(loss)	2 411	16 330	(266)	449	735
Finance income	146	484		9	44
Finance costs	(543)	(221)	(110)	(71)	(612)
Profit/(loss) before tax	2 014	16 593	(376)	387	167
Income tax (expense)/benefit	(546)	(3 944)	36	(123)	(34)
Profit/(loss) for the year from continuing operations	1 468	12 649	(340)	264	133
Loss for the year from discontinued operations		(82)			
Profit/(loss) for the year	1 468	12 567	(340)	264	133
Other comprehensive income	12	522	6		
Total comprehensive income/(loss) for the year	1 480	13 089	(334)	264	133
Dividends paid to Exxaro		2 569			58
Statements of financial position					
At 31 December 2018					
Non-current assets	11 365	41 431	22 546	3 544	5 570
Current assets	10 019	21 921	229	751	500
Total assets	21 384	63 352	22 775	4 295	6 070
Equity and liabilities					
Total equity	8 403	46 145	19 937	2 473	730
Non-current liabilities	9 131	11 559	1 621	1 499	5 311
Current liabilities	3 850	5 648	1 217	323	29
Total equity and liabilities	21 384	63 352	22 775	4 295	6 070
Included above in joint ventures:					
Cash and cash equivalents				329	264
Financial liabilities (excluding trade and other payables and provisions)				533	5 135
– Non-current				533	5 135
Depreciation and amortisation				143	181

9.7 RECONCILIATION OF CARRYING AMOUNTS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Set out below is a reconciliation of the equity attributable to owners of the parent (closing net assets) in note 9.6, to the carrying value of the equity-accounted investment.

	Associates			Joint ventures	
	Tronox SA Rm	**SIOC Rm**	**RBCT Rm**	**Mafube Rm**	**Cennergi Rm**
Group					
At 31 December 2019					
Closing net assets	9 509	47 710	19 952	2 671	543
Interest in equity-accounted investment (%)	26.00	20.62	10.36	50.00	50.00
Interest in equity-accounted investment	2 472	9 838	2 067	1 335	272
Unrealised profit in closing balances		(3)			(33)
Carrying value	2 472	9 835	2 067	1 335	239
At 31 December 2018					
Closing net assets	8 403	46 145	19 937	2 473	730
Interest in equity-accounted investment (%)	26.00	20.62	10.82	50.00	50.00
Interest in equity-accounted investment	2 185	9 515	2 157	1 237	365
Unrealised profit in closing balances		(4)			(33)
Carrying value	2 185	9 511	2 157	1 237	332

CHAPTER 10: ASSETS

Chapter 10:
Assets

10.1 PROPERTY, PLANT AND EQUIPMENT

10.1.1 ACCOUNTING POLICIES RELATING TO PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

Land and assets under construction are stated at cost and are not depreciated. Buildings, including certain non-mining residential buildings, and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses. The group's cherry trees qualify as bearer plants under the definition of IAS 41 *Agriculture* and are therefore accounted for under the requirements for plant and equipment. The cherry trees are classified as immature until the produce can be commercially harvested. At that point depreciation commences. Immature cherry trees are measured at accumulated cost.

Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual values of the assets. Useful life is either the period of time over which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset.

Items of property, plant and equipment are capitalised in components where components have a different useful life to the main item of property, plant and equipment to which the component can be logically assigned.

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives of items of property, plant and equipment are:

	2019			2018		
	Coal	**Ferrous**	**Other**	**Coal**	**Ferrous**	**Other**
Mineral properties	5 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A	5 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A
Residential buildings	1 to 40 years	N/A	N/A	1 to 40 years	N/A	N/A
Buildings and infrastructure	1 to 40 years	10 to 20 years	20 to 25 years	1 to 40 years	10 to 20 years	25 years
Machinery, plant and equipment	13 000 to 50 000 hours or 1 to 40 years or 6.7Mt to 72.7Mt	5 to 25 years	1 to 20 years	13 000 to 50 000 hours or 1 to 40 years or 6.7Mt to 72.7Mt	5 to 25 years	1 to 20 years
Site preparation, mining development and rehabilitation	1 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A	1 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A
Bearer plants (mature)	N/A	N/A	7 years	N/A	N/A	7 years

Exploration costs

Exploration and evaluation costs are expensed until management (as determined per project) concludes that future economic benefits (as determined per project) are more likely than not of being realised. In evaluating if expenditure meets the criteria to be capitalised, the directors utilise several sources of information depending on the level of exploration. While the criteria for determining capitalisation is based on the probability of future economic benefits, the information that management uses to make that determination depends on the level of exploration.

Development costs

Development expenditure incurred by or on behalf of the group is accumulated separately for each area in which economically recoverable resources (as determined per project) have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure, including the cost of material, direct labour and an appropriate proportion of production overheads. Development costs are capitalised once approval for such development is obtained from management (as determined per project). Development expenditure is net of proceeds from the sale of ore extracted during the development phase. On completion of development, all assets included in assets under construction are reclassified as either plant and equipment or other mineral assets.

Chapter 10:
Assets continued

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.1 ACCOUNTING POLICIES RELATING TO PROPERTY, PLANT AND EQUIPMENT continued

Impairment of non-current assets

The carrying amounts of non-current assets (or CGUs) are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indicators of impairment exist, the recoverable amount of the asset is estimated as the higher of the fair value less costs of disposal and the value-in-use.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the CGU exceeds its recoverable amount.

A previously recognised impairment loss is reversed (or partially reversed) if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised in prior years.

10.1.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

Depreciation and useful lives

The depreciable amounts of assets are allocated on a systematic basis over their useful lives. In determining the depreciable amount, management makes assumptions in respect to the residual value of assets based on the expected estimated amount that the entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal. If an asset is expected to be abandoned the residual value is estimated at zero. In determining the useful life of assets, management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights as well as obsolescence.

Management makes estimates of coal resources and coal reserves in accordance with the SAMREC Code (2009) for South African properties and the Joint Ore Reserves Committee (JORC) Code (2012) for Australian properties. Such estimates relate to the category for the resource (measured, indicated or inferred), the quantum and the grade.

Impairment of non-current assets

Impairment assessments are performed whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable. Management, in particular, have identified and track indicators such as the movement in group market capitalisation, volatility in exchange rates, commodity prices and the economic environment in which the businesses operate, to assess whether there is an indication of impairment.

Assets, previously impaired, are reviewed for possible reversal of impairment at each reporting date.

Estimates are made in determining the recoverable amount of assets which includes the estimation of cash flows and discount rates used. In estimating the cash flows, management bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets. The discount rates used reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted.

ECC CGU impairment consideration

The recoverable amount of the ECC CGU was assessed for impairment on 31 December 2019 as the current decline in market conditions were viewed by management as an impairment indicator. The recoverable amount, being the fair value less costs of disposal marginally exceeds the carrying amount of the CGU at Exxaro group level (impairment of R227 million for company was recognised (refer note 17.3.4)). The recoverable amount was derived using a DCF model and is a level 3 valuation technique in the fair value hierarchy. The model was performed in real terms in South African rand.

Key assumption made in the valuation included the following (all in real terms):
- Post-tax discount rate: 7.87%
- R/US$ exchange rate range: R12.99 to R14.22
- Coal API4 long-term price (per tonne): US$81
- Coal domestic selling price range (per tonne): R508 to R563.

Sensitivity analysis

If all other assumptions are held constant, the following changes in assumptions would result in the recoverable amount being equivalent to the carrying value of the ECC CGU for group purposes, and would result in a further R123 million impairment loss of the company' investment in subsidiary, for company purposes:
- Post-tax discount rate increase of 0.8%
- R/US$ exchange rate decrease of 1.7%
- Coal API4 long-term price (US$/tonne) decrease of 1.7%
- Domestic selling price (R/tonne) decrease of 0.8%.

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS

		Group								
At 31 December 2019	Note	**Land and buildings Rm**	**Mineral properties Rm**	**Residential land and buildings Rm**	**Buildings and infra-structure Rm**	**Machinery, plant and equipment Rm**	**Site preparation, mining develop-ment and rehabilitation Rm**	**Bearer plants Rm**	**Assets under con-struction Rm**	**Total Rm**
Gross carrying amount										
At beginning of the year		444	2 151	661	4 933	21 417	467	2	6 669	36 744
Transfer to right-of-use assets	11.4					(16)				(16)
Balance at 1 January 2019		444	2 151	661	4 933	21 401	467	2	6 669	36 728
Additions		73	1	30	462	1 472	361		3 800	6 199
Transfer from right-of-use assets	11.4					14				14
Changes in decommissioning assets	13.3				(7)	(21)	7		17	(4)
Borrowing costs capitalised	12.1.2								448	448
Loss of control of subsidiary			(17)		(9)	(2)				(28)
Disposals				(36)	(70)	(360)	(99)			(565)
Transfer between classes				131	400	640	1		(1 172)	
Exchange differences on translation		(3)								(3)
At end of the year		514	2 135	786	5 709	23 144	737	2	9 762	42 789
Accumulated depreciation										
At beginning of the year			(664)	(175)	(907)	(5 891)	(154)			(7 791)
Transfer to right-of-use assets	11.4					2				2
Balance at 1 January 2019			(664)	(175)	(907)	(5 889)	(154)			(7 789)
Charges for the year	6.1.3		(39)	(24)	(193)	(1 555)	(38)			(1 849)
Disposals				35	68	307	99			509
Loss of control of subsidiary					6	1				7
At end of the year			(703)	(164)	(1 026)	(7 136)	(93)			(9 122)
Accumulated impairment										
At beginning of the year					(18)	(108)			(2)	(128)
Impairment reversals					4	18			1	23
At end of the year					(14)	(90)			(1)	(105)
Net carrying amount at end of the year		514	1 432	622	4 669	15 918	644	2	9 761	33 562

Chapter 10:
Assets continued

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS continued

		Group								
At 31 December 2018	Note	**Land and buildings Rm**	**Mineral properties Rm**	**Residential land and buildings Rm**	**Buildings and infra-structure Rm**	**Machinery, plant and equipment Rm**	**Site preparation, mining develop-ment and rehabilitation Rm**	**Bearer plants Rm**	**Assets under con-struction Rm**	**Total Rm**
Gross carrying amount										
At beginning of the year		446	2 223	660	4 137	20 429	252	20	3 322	31 489
Additions					311	965	205		4 456	5 937
Changes in decommissioning assets	13.3				(5)	(11)			4	(12)
Re-measurement		(4)			4			(18)		(18)
Borrowing costs capitalised	12.1.2								187	187
Disposals			(12)	(2)	(103)	(659)	(5)			(781)
Net reclassification to non-current assets held-for-sale			(60)							(60)
Transfer between classes				3	589	693	15		(1 300)	
Exchange differences on translation		2								2
At end of the year		444	2 151	661	4 933	21 417	467	2	6 669	36 744
Accumulated depreciation										
At beginning of the year			(683)	(152)	(777)	(5 045)	(145)			(6 802)
Charges for the year	6.1.3		(47)	(22)	(163)	(1 336)	(11)			(1 579)
Disposals			6	1	31	490	2			530
Net reclassification to non-current assets held-for-sale			60							60
Transfer between classes				(2)	2					
At end of the year			(664)	(175)	(907)	(5 891)	(154)			(7 791)
Accumulated impairment										
At beginning of the year					(89)	(230)	(4)		(2)	(325)
Disposals					71	122	4			197
At end of the year					(18)	(108)			(2)	(128)
Net carrying amount at end of the year		444	1 487	486	4 008	15 418	313	2	6 667	28 825

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS continued

At 31 December 2019	Note	Company Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	Total Rm
Gross carrying amount					
At beginning of the year			788	132	920
Additions		1	93	161	255
Disposals			(90)		(90)
Transfer between classes			40	(40)	
At end of the year		1	831	253	1 085
Accumulated depreciation					
At beginning of the year			(469)		(469)
Charges for the year	6.1.3		(86)		(86)
Disposals			72		72
At end of the year			(483)		(483)
Net carrying amount at end of the year		1	348	253	602

At 31 December 2018	Note	Company Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	Total Rm
Gross carrying amount					
At beginning of the year			789	91	880
Additions			6	60	66
Disposals			(26)		(26)
Transfer between classes			19	(19)	
At end of the year			788	132	920
Accumulated depreciation					
At beginning of the year			(418)		(418)
Charges for the year	6.1.3		(75)		(75)
Disposals			24		24
At end of the year			(469)		(469)
Net carrying amount at end of the year			319	132	451

10.1.4 CAPITAL COMMITMENTS

	Group		Company	
At 31 December	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Contracted	2 225	4 508	42	24
Contracted (owner-controlled)	1 985	3 533	42	24
Share of capital commitments of equity-accounted investments	240	975		
Authorised, but not contracted	3 119	2 914	134	46
Authorised, but not contracted (owner-controlled)	3 119	2 914	134	46

Capital expenditure will be financed from available cash resources, funds generated from operations and available borrowing capacity.

10.2 FINANCIAL ASSETS

10.2.1 ACCOUNTING POLICIES RELATING TO FINANCIAL ASSETS

The accounting policy for financial assets is disclosed in note 16.1 of financial instruments.

10.2.2 FINANCIAL ASSETS COMPOSITION

		Group		Company	
At 31 December	Note	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Non-current financial assets					
Financial assets at FVOCI		235	185		
Equity: unlisted – Chifeng		235	185		
Financial assets at FVPL		2 039	1 432	29	26
Debt: unlisted – environmental rehabilitation funds		2 039	1 432	29	26
Financial assets at amortised cost		400	1 017	7 124	3 580
Loans to associates and joint ventures			250		
– Joint ventures: Mafube[1]			250		
ESD loans[2]		124	80	124	80
Interest-bearing loans to subsidiaries[3]	17.5			7 000	3 500
Other financial assets at amortised cost		276	687		
– Environmental rehabilitation funds			351		
– Deferred pricing receivable[4]		279	336		
– Impairment allowances		(3)			
Total non-current financial assets	16.3	2 674	2 634	7 153	3 606
Current financial assets					
Financial assets at amortised cost		272	134	4 539	2 583
Loans to associates and joint ventures		133	9		
– Associates: Tumelo[5]		133			
– Joint ventures: Mafube[1]			9		
ESD loans[2]		82	45	82	45
Interest-bearing loans to subsidiaries[3]				60	586
Non-interest-bearing loans to subsidiaries[6]				359	341
Treasury facilities with subsidiaries at amortised cost[7]				4 038	1 611
Other current financial assets at amortised cost		57	80		
– Deferred pricing receivable[4]		57	52		
– Deferred consideration receivable[8]		1	29		
– Employee receivables		5	4	5	4
– Impairment allowances		(6)	(5)	(5)	(4)
Total current financial assets	16.3	272	134	4 539	2 583
Total financial assets		2 946	2 768	11 692	6 189

[1] Loan granted to Mafube in 2018. The loan attracted interest at JIBAR plus a margin of 4%, was unsecured and repayable within five years (ending 2023), unless otherwise agreed by the parties. The loan has been settled in full during 2019.
[2] Interest-free loans advanced to successful applicants in terms of the Exxaro ESD programme.
[3] Back-to-back loans which have similar terms as agreed with external lenders except for interest, which is charged based on JIBAR plus a margin.
[4] Relates to a deferred pricing adjustment which arose during 2017. The amount receivable will be settled over seven years (ending 2024) and bears interest at Prime Rate less 2%.
[5] Loan granted to Tumelo. The loan is interest free, unsecured and repayable on demand, unless otherwise agreed by the parties.
[6] These loans are interest free, unsecured and repayable on demand.
[7] Treasury facilities with subsidiaries have no repayments terms and are repayable on demand. Interest is charged at money-market rates.
[8] Relates to deferred consideration receivable which arose on the disposal of a mining right.

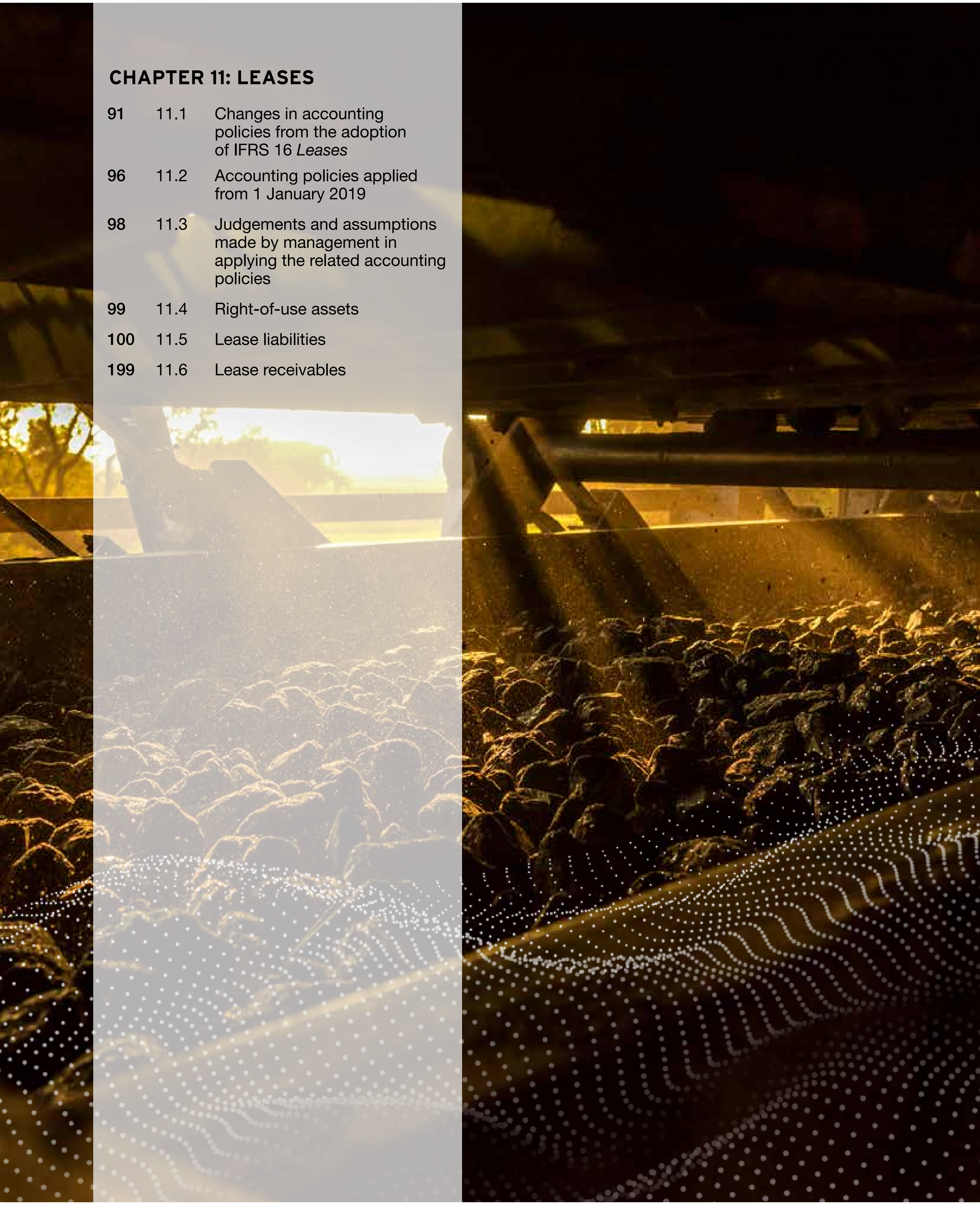
10.3 OTHER ASSETS

10.3.1 OTHER ASSETS COMPOSITION

	Group		Company	
At 31 December	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Non-current				
Reimbursements[1]	1 648	1 723		
Indemnification asset: Total S.A.[2]	1 410	1 337		
Biological assets	24	30		
Intangible assets	16	15	8	8
Other	51	27	1	1
Total non-current other assets	3 149	3 132	9	9
Current				
Indemnification asset: Tronox Holdings plc[3]	65		65	
VAT	501	480		1
Royalties	114	46		
Prepayments	120	110	10	13
Current tax receivables	265	23		
Other	33	19	9	3
Total current other assets	1 098	678	84	17
Total other assets	4 247	3 810	93	26

[1] *Amounts recoverable from Eskom in respect of the rehabilitation, environmental expenditure and retirement employee obligations of the Matla and Arnot mines at the end of life of these mines.*
[2] *Upon the acquisition of ECC in 2015, Total S.A. indemnified Exxaro from any obligations relating to the EMJV (refer note 8.4).*
[3] *Indemnification asset which arose on the repurchase of the Tronox Holdings plc ordinary shares as Tronox Holdings plc has indemnified Exxaro from any tax obligation which may arise on the disposal of any of the Tronox Holdings plc ordinary shares held by Exxaro subsequent to the redomicile.*

CHAPTER 11: LEASES



Chapter 11:
Leases

11.1 CHANGES IN ACCOUNTING POLICIES FROM THE ADOPTION OF IFRS 16 *LEASES*

This note explains the impact of the adoption of IFRS 16 and also discloses the new leases accounting policies that have been applied from 1 January 2019.

Overview of changes resulting from the adoption of IFRS 16

IFRS 16 replaces IAS 17 *Leases* (IAS 17), IFRIC 4 *Determining whether an Arrangement contains a Lease* (IFRIC 4), SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard establishes a new definition and criteria to identify whether a contract is, or contains, a lease as well as principles for the recognition, measurement, presentation and disclosure of leases. For lessee accounting, a single accounting model is introduced that requires lessees to recognise assets and liabilities for all leases. The standard, however, allows an optional exemption to recognise leases with a lease term of less than 12 months (short-term leases) or leases of low-value assets in profit or loss on a straight-line basis. For lessor accounting, IFRS 16's approach is substantially unchanged from IAS 17. Lessor's continue to classify leases as either operating leases or finance leases. Subleases are classified with reference to the underlying right-of-use asset of the head lease.

Leasing activities (as lessee)

Various land, buildings and equipment are leased as the need arises. Lease contracts are typically made for fixed periods between 18 months and 15 years but may have extension options. Lease contracts are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease contracts do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in a number of leases. These options are used to maximise operational flexibility in terms of managing lease contracts. The majority of extension and termination options held are exercisable only by the group and company and not by the respective lessor.

11.1.1 TRANSITION

11.1.1.1 Transition method, exemptions and practical expedients applied

As lessor

No adjustments were required for lessor accounting.

As lessee

IFRS 16 has been adopted using the cumulative effect method. In terms of this method, comparative information has not been restated. Instead, the cumulative effect of initially applying IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings on date of initial application (being 1 January 2019).

In applying IFRS 16 for the first time, the following practical expedients have been elected:

(a) In applying the definition of a lease:
- It has been elected not to re-assess whether a contract is, or contains, a lease at the date of initial application. Instead, the standard has been applied, at date of initial application, to all contracts previously identified as leases in terms of IAS 17 and IFRIC 4. Therefore the definition of a lease in terms of IFRS 16 will only be applied to contracts entered into or changed on or or after 1 January 2019.

(b) In determining the transition adjustments of leases previously classified as operating leases:
- Leases of low-value assets were excluded as the exemption to not apply lease accounting to these leases from 1 January 2019 was elected
- Leases with a lease term of less than 12 months on initial application were excluded and accounted for as short-term leases from 1 January 2019 (recognised through profit or loss on a straight-line basis)
- Initial direct costs of leases were excluded from the measurement of the right-of-use assets recognised on 1 January 2019
- Hindsight was applied to determine the lease term for contracts containing options to extend or terminate the lease.

Chapter 11:
Leases continued

11.1 CHANGES IN ACCOUNTING POLICIES FOR THE ADOPTION OF IFRS 16 *LEASES* continued

11.1.1 TRANSITION continued

11.1.1.2 Impact on retained earnings at 1 January 2019

The impact on retained earnings at 1 January 2019 is summarised as follows:

	Note	Group Rm
Closing balance at 31 December 2018 (IAS 17)		32 797
Adjustments from the adoption of IFRS 16, net of tax		(12)
Adjustments from Exxaro's adoption of IFRS 16, net of tax		(1)
– Portion of gross carrying amount of right-of-use assets recognised relating to the present value of lease payments incurred before 1 January 2019[1]		10
– Accumulated depreciation on right-of-use assets recognised from commencement date of leases to 1 January 2019	11.1.1.5	(11)
Share of equity-accounted investments' adjustment from the adoption of IFRS 16	9.5	(11)
Opening balance at 1 January 2019 (after IFRS 16 restatement)		32 785

[1] *Calculated as the difference between the gross carrying amount of the right-of-use assets recognised of R76 million (refer note 11.1.1.5) and the lease liabilities recognised of R66 million (refer note 11.1.1.4), that relate to leases previously classified as operating leases.*

The IFRS 16 adoption impact, net of tax, has been adjusted by R1 million, compared to the interim results presented for the six-month period ended 30 June 2019, as a result of a lease in an offshore entity being remeasured applying a foreign incremental borrowing rate.

	Note	Company Rm
Closing balance at 31 December 2018 (IAS 17)		(4 903)
Adjustments from the adoption of IFRS 16, net of tax		(1)
– Portion of gross carrying amount of right-of-use assets recognised relating to the present value of lease payments incurred before 1 January 2019[1]		2
– Accumulated depreciation on right-of-use assets recognised from commencement date of leases to 1 January 2019	11.1.1.5	(3)
Opening balance at 1 January 2019 (after IFRS 16 restatement)		(4 904)

[1] *Calculated as the difference between the gross carrying amount of the right-of-use assets recognised of R21 million (refer note 11.1.1.5) and the lease liabilities recognised of R19 million (refer note 11.1.1.4), that relate to leases previously classified as operating leases.*

11.1 CHANGES IN ACCOUNTING POLICIES FOR THE ADOPTION OF IFRS 16 *LEASES* continued

11.1.1 TRANSITION continued

11.1.1.3 Impact on the statements of financial position at 1 January 2019

The table below shows the reclassifications and adjustments recognised on initial application of IFRS 16 for each individual line item as per the statements of financial position.

		Group		
		At 31 December 2018		At 1 January 2019
Statements of financial position (extract)	Note	**As presented Rm**	**IFRS 16 adjustment Rm**	**Restated Rm**
ASSETS				
Non-current assets		52 226	54	52 280
Property, plant and equipment	11.1.1.5	28 825	(14)	28 811
Right-of-use assets	11.1.1.5		79	79
Equity-accounted investments[1]	9.5	17 046	(11)	17 035
Financial assets		2 634		2 634
Lease receivables		66		66
Deferred tax		523		523
Other assets		3 132		3 132
Current assets		7 641		7 641
Inventories		1 604		1 604
Financial assets		134		134
Trade and other receivables		3 140		3 140
Lease receivables		5		5
Cash and cash equivalents		2 080		2 080
Other assets		678		678
Non-current assets held-for-sale		5 183		5 183
Total assets		65 050	54	65 104
EQUITY AND LIABILITIES				
Capital and other components of equity				
Share capital		1 021		1 021
Other components of equity		8 028		8 028
Retained earnings		32 797	(12)	32 785
Equity attributable to owners of the parent		41 846	(12)	41 834
Non-controlling interests		(701)		(701)
Total equity		41 145	(12)	41 133
Non-current liabilities		15 745	39	15 784
Interest-bearing borrowings		3 843		3 843
Lease liabilities	11.1.1.4		39	39
Other payables		152		152
Provisions		3 952		3 952
Retirement employee obligations		193		193
Financial liabilities		713		713
Deferred tax		6 874		6 874
Other liabilities		18		18
Current liabilities		6 823	27	6 850
Interest-bearing borrowings		571		571
Lease liabilities	11.1.1.4	2	27	29
Trade and other payables		2 960		2 960
Provisions		70		70
Financial liabilities		757		757
Overdraft		1 531		1 531
Other liabilities		932		932
Non-current liabilities held-for-sale		1 337		1 337
Total liabilities		23 905	66	23 971
Total equity and liabilities		65 050	54	65 104

[1] *Relates to the share of equity-accounted investments' adjustments from the adoption of IFRS 16.*

Chapter 11:
Leases continued

11.1 CHANGES IN ACCOUNTING POLICIES FOR THE ADOPTION OF IFRS 16 *LEASES* continued

11.1.1 TRANSITION continued

11.1.1.3 Impact on the statements of financial position at 1 January 2019 continued

		Company		
		At 31 December 2018		At 1 January 2019
Statements of financial position (extract)	Note	**As presented Rm**	**IFRS 16 adjustment Rm**	**Restated Rm**
ASSETS				
Non-current assets		16 407	18	16 425
Property, plant and equipment		451		451
Right-of-use assets	11.1.1.5		18	18
Equity-accounted investments		2 721		2 721
Investments in subsidiaries		9 246		9 246
Financial assets		3 606		3 606
Deferred tax		374		374
Other assets		9		9
Current assets		3 489		3 489
Financial assets		2 583		2 583
Trade and other receivables		213		213
Cash and cash equivalents		676		676
Other assets		17		17
Non-current assets held-for-sale		4 725		4 725
Total assets		24 621	18	24 639
EQUITY AND LIABILITIES				
Capital and other components of equity				
Share capital		11 265		11 265
Other components of equity		939		939
Accumulated deficit		(4 903)	(1)	(4 904)
Total equity		7 301	(1)	7 300
Non-current liabilities		4 566	13	4 579
Interest-bearing borrowings		3 233		3 233
Lease liabilities	11.1.1.4		13	13
Provisions		36		36
Financial liabilities		1 297		1 297
Current liabilities		12 754	6	12 760
Interest-bearing borrowings		572		572
Lease liabilities	11.1.1.4		6	6
Trade and other payables		176		176
Provisions		2		2
Financial liabilities		10 839		10 839
Overdraft		1 046		1 046
Other liabilities		119		119
Total liabilities		17 320	19	17 339
Total equity and liabilities		24 621	18	24 639

11.1 CHANGES IN ACCOUNTING POLICIES FOR THE ADOPTION OF IFRS 16 *LEASES* continued

11.1.1 TRANSITION continued

11.1.1.4 Lease liability recognised on initial application

Lease liabilities were recognised for leases, previously classified as operating leases under IAS 17, that had commenced prior to 1 January 2019, excluding leases of low-value assets and short-term leases. These liabilities were measured as the present value of the remaining lease payments discounted using the incremental borrowing rate at 1 January 2019 which ranged between 7.85% and 10.42%.

The table below shows the reconciliation between operating lease commitments (disclosed under IAS 17) at 31 December 2018 and lease liabilities recognised on 1 January 2019:

	Group
	Rm
Operating lease commitments at 31 December 2018 (adjusted)[1]	1 004
Less: lease commitments relating to leases commencing on or after 1 January 2019	(864)
Less: lease commitments that relate to short-term leases	(13)
Less: lease commitments that relate to leases of low-value assets	(52)
Lease commitments (remaining lease payments) to which initial application of IFRS 16 has been applied	75
Less: discounting impact using the lessee's incremental borrowing rate at 1 January 2019	(9)
Lease liabilities recognised on 1 January 2019	66
– Non-current	39
– Current	27

[1] *Operating lease commitments at 31 December 2018, previously disclosed as R876 million, have been adjusted to an amount of R1 004 million, to include an additional R128 million worth of lease commitments (in terms of IAS 17 and IFRIC 4) that was erroneously excluded.*

	Company
	Rm
Operating lease commitments at 31 December 2018 (adjusted)[1]	862
Less: lease commitments relating to leases commencing on or after 1 January 2019	(778)
Less: lease commitments that relate to short-term leases	(13)
Less: lease commitments that relate to leases of low-value assets	(50)
Lease commitments (remaining lease payments) to which initial application of IFRS 16 has been applied	21
Less: discounting impact using the lessee's incremental borrowing rate at 1 January 2019	(2)
Lease liabilities recognised on 1 January 2019	19
– Non-current	13
– Current	6

[1] *Operating lease commitments at 31 December 2018, previously disclosed as R682 million, have been adjusted to an amount of R862 million, to include an additional R180 million worth of lease commitments (in terms of IAS 17 and IFRIC 4) that was erroneously excluded.*

For leases previously classified as finance leases, the carrying amount of the lease liability immediately before transition was recognised as the carrying amount of the lease liability at the date of initial application. Therefore no adjustment was required for finance lease liabilities at 1 January 2019. The measurement principles of IFRS 16 have been applied since 1 January 2019.

11.1.1.5 Right-of-use assets recognised on initial application

Right-of-use assets were recognised for leases, previously classified as operating leases under IAS 17, that had commenced prior to 1 January 2019, excluding leases of low-value assets and short-term leases. These assets were measured as if IFRS 16 had been applied since the commencement date of the leases, but discounted using the incremental borrowing rate at date of initial application. In other words, the gross carrying amount of the right-of-use assets were determined taking into account the present value of all remaining lease payments at the commencement date of the leases, but discounted at the incremental borrowing rate of 1 January 2019. The accumulated depreciation was measured from the commencement date of the leases until 1 January 2019.

The right-of-use assets recognised at 1 January 2019 were considered for impairment in terms of IAS 36 *Impairment of Assets*, however, as the recoverable amounts are in excess of the carrying amounts, no impairment adjustments were required.

For assets acquired in terms of finance leases, as previously classified under IAS 17, the group recognised the carrying amount of these assets immediately before transition as the carrying amount of the right-of-use assets at 1 January 2019. Therefore no adjustment was required except that the carrying amount of these assets has been reclassified from property, plant and equipment to right-of-use assets. The measurement principles of IFRS 16 have been applied since 1 January 2019.

Chapter 11:
Leases continued

11.1 CHANGES IN ACCOUNTING POLICIES FOR THE ADOPTION OF IFRS 16 *LEASES* continued

11.1.1 TRANSITION continued

11.1.1.5 Right-of-use assets recognised on initial application continued

The table below shows the right-of-use assets, by class of asset, at 1 January 2019, reconciled to the reclassifications and adjustments made on initial application of IFRS 16:

	Group		
	Gross carrying amount Rm	Accumulated depreciation Rm	Net carrying amount Rm
Land and buildings	1		1
Residential land and buildings	4		4
Buildings and infrastructure	33	(4)	29
Machinery, plant and equipment	54	(9)	45
Total right-of-use assets	92	(13)	79
– Relating to leases previously classified as operating leases recognised retrospectively on 1 January 2019	76	(11)	65
– Relating to leases previously classified as finance leases reclassified from property, plant and equipment[1]	16	(2)	14

[1] *Included in machinery, plant and equipment.*

	Company		
	Gross carrying amount Rm	Accumulated depreciation Rm	Net carrying amount Rm
Buildings and infrastructure	21	(3)	18
Total right-of-use assets	21	(3)	18

11.2 ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2019

The group and company have elected as an accounting policy choice not to apply IFRS 16 to leases of intangible assets.

At inception of a contract, an assessment is made of whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the following is assessed:

- Whether the contract involves the use of an identified asset, this may be specified explicitly or implicitly, and must be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified
- Whether the group and company have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use
- Whether the group and company have the right to direct the use of the asset. The group and company have this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the group and company have the right to direct the use of the asset if either:
  – The group and company have the right to operate the asset or
  – The group and company designed the asset in a way that predetermines how and for what purpose it will be used.

The definition has been applied to contracts entered into or changed on or after 1 January 2019.

At inception, or on reassessment, of a contract that contains a lease component, the consideration in the contract is allocated to each lease and non-lease component on the basis of their relative standalone prices.

11.2 ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2019 continued

As lessee

(a) Recognition

Leases are recognised as a lease liability and corresponding right-of-use asset at the commencement date of the leases. Each lease payment is allocated between the settlement of the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, except, when there is a purchase option which is expected to be exercised, in which case it is depreciated over the asset's useful life.

Non-lease components, contained in a lease, are recognised as an expense in profit or loss when incurred.

(b) Measurement

(i) Initial measurement

Right-of-use assets	Lease liabilities
Measured at cost which is: • The amount of the initial measurement of the lease liability • Plus any lease payments made at or before the commencement date • Less any lease incentives received • Plus any initial direct costs • Plus estimated restoration costs.	Measured at the present value of the following lease payments: • Fixed payments (including in-substance fixed payments), less any lease incentives receivable • Variable lease payments that are based on an index or a rate • Amounts expected to be payable by the lessee under residual value guarantees • The exercise price of a purchase option if the lessee is reasonably certain to exercise that option • Payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, an incremental borrowing rate is applied.

(ii) Subsequent measurement

Right-of-use assets	Lease liabilities
After commencement date of the lease, the right-of-use asset is measured applying the cost model where a right-of-use asset falls within the scope of IAS 16 *Property, Plant and Equipment*. Measured at: Cost less: • Any accumulated depreciation and any accumulated impairment losses • Adjusted for any remeasurements or modifications of the lease liability. *Useful lives:* Land and buildings – 15 years Residential land and buildings – 10 years Buildings and infrastructure – three to 10 years Machinery, plant and equipment – two to five years	After commencement date of the lease, the lease liability is measured by: • Increasing the carrying amount to reflect interest on the lease liability • Reducing the carrying amount to reflect the lease payments made • Remeasuring the carrying amount to reflect any reassessment or lease modification or to reflect revised in-substance fixed lease payments. *Incremental borrowing rates:* Lease term greater than 12 months but less than 18 months – 7.85% Lease term greater than 18 months – 10.42 to 10.44%

Chapter 11:
Leases continued

11.2 ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2019 continued

As lessee continued

(c) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis, over the lease term, as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Leases of low-value assets comprise IT equipment, furniture, fittings and appliances as well as tools and other small equipment used at the plants.

As lessor

When the group and company act as a lessor, it determines at lease inception whether a lease is a finance lease or an operating lease.

To classify a lease, an overall assessment is made of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease. If not, then it is an operating lease. As part of this assessment, the group and company consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the group and company act as an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the group and company apply the exemption described above, then it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the group and company apply IFRS 15 to allocate the consideration in the contract.

Lease income from operating leases is recognised as income on a straight-line basis over the lease term in profit or loss.

The group recognises the net investment in finance leases, which is the aggregate of the minimum lease payments receivable, discounted at the interest rate implicit in the lease at the commencement of the lease. On conclusion of the lease agreement the leased asset is derecognised and depreciation ceases. Each lease payment received is allocated between the receivable and finance income. The interest element is recognised in profit or loss over the lease period.

11.3 JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

(a) Useful lives of right-of-use assets

In determining the useful lives of right-of-use assets, management considers all available information about the lease term as well as the asset's useful life itself. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

(b) Incremental borrowing rates

In determining the incremental borrowing rates, management considers the term of the lease, the nature of the asset being leased and the funding strategy and principles applied by the group's treasury department.

(c) Extensions and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

11.4 RIGHT-OF-USE ASSETS

At 31 December 2019	Group Land and buildings Rm	Residential land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Total Rm
Gross carrying amount					
Transfer from property, plant and equipment[1]				16	16
Recognised on initial application of IFRS 16	1	4	33	38	76
Balance at 1 January 2019	1	4	33	54	92
Additions		1	457	2	460
Remeasurement adjustments[2]			7		7
Lease terminations				(18)	(18)
Transfer to property, plant and equipment[3]				(16)	(16)
At end of the year	1	5	497	22	525
Accumulated depreciation					
Transfer from property, plant and equipment[1]				(2)	(2)
Recognised on initial application of IFRS 16			(4)	(7)	(11)
Balance at 1 January 2019			(4)	(9)	(13)
Charges for the period		(1)	(44)	(14)	(59)
Lease terminations				7	7
Transfer to property, plant and equipment[3]				2	2
At end of the year		(1)	(48)	(14)	(63)
Net carrying amount at end of the year	1	4	449	8	462

[1] Assets acquired in terms of finance leases transferred from property, plant and equipment on adoption of IFRS 16.
[2] Relates to remeasurements arising from changes in CPI.
[3] Transfer to property, plant and equipment as there was a transfer in legal ownership of the underlying asset.

At 31 December 2019	Company Buildings and infrastructure Rm	Total Rm
Gross carrying amount		
Recognised on initial application of IFRS 16	21	21
Balance at 1 January 2019	21	21
Additions	457	457
Remeasurement adjustments[1]	5	5
At end of the year	483	483
Accumulated depreciation		
Recognised on initial application of IFRS 16	(3)	(3)
Balance at 1 January 2019	(3)	(3)
Charges for the period	(41)	(41)
At end of the year	(44)	(44)
Net carrying amount at end of the year	439	439

[1] Relates to remeasurements arising from changes in CPI.

Chapter 11:
Leases continued

11.5 LEASE LIABILITIES

At 31 December	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Non-current	461		448	
Current	27	2	17	
Total lease liabilities	488	2	465	
Summary of lease liabilities by period of redemption:				
– Less than six months	15	2	8	
– Six to 12 months	12		9	
– Between one and two years	28		23	
– Between two and three years	34		30	
– Between three and four years	34		32	
– Between four and five years	43		42	
– Over five years	322		321	
Total lease liabilities	488	2	465	
Analysis of movement in lease liabilities				
At beginning of the year – IAS 17	2			
Recognised on initial application of IFRS 16	66		19	
Balance at 1 January 2019	68		19	
New leases	458		456	
Lease terminations	(12)			
Lease remeasurement adjustments	7		5	
Capital repayments	(33)		(15)	
– Lease payments	(69)		(48)	
– Interest charges	36		33	
At end of the year	488		465	

The lease liabilities relate to the right-of-use assets disclosed under note 11.4. Interest is based on incremental borrowing rates ranging between 7.85% and 10.44%.

11.6 LEASE RECEIVABLES

	Group					
	Gross investment		Unearned finance income		Net investment	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Non-current	90	104	(29)	(38)	61	66
Current	14	14	(8)	(9)	6	5
Total[1]	104	118	(37)	(47)	67	71
Non-cancellable lease payments receivable are as follows:						
Not later than one year	14	14	(8)	(9)	6	5
Later than one year but not later than five years	56	56	(24)	(29)	32	27
Later than five years	34	48	(5)	(9)	29	39
Total[1]	104	118	(37)	(47)	67	71

[1] *The finance lease receivable is the present value of non-cancellable future minimum lease payments receivable.*

The lease relates to the upgrade of the Zeeland Water Treatment Works (in Lephalale, South Africa) of which Exxaro will fund the capital for a period of 15 years. The municipality's share of the capital expenditure is recovered through fixed monthly instalments over this period. The minimum lease instalments are payable monthly with no escalation and calculated at a rate of 13% per annum.

CHAPTER 12: FUNDING

Chapter 12:
Funding

12.1 DEBT

12.1.1 ACCOUNTING POLICIES RELATING TO NET FINANCING COSTS AND INTEREST-BEARING BORROWINGS

Borrowing costs, finance income and other financing expenses

Fees paid on the establishment of loan facilities are capitalised to the loan as transaction costs to the extent that it is directly related to the establishment of the loan facility. In this case, the fee is deferred until the draw down occurs in which case it is amortised using the effective interest rate method. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down (ie revolving credit facility), the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for its intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Finance income comprises interest income on cash and cash equivalents, finance leases, loans to joint ventures, indebtedness by subsidiaries as well as interest income on funds invested that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance expense comprises interest expense on borrowings, lease liabilities, unwinding of the discount rate on provisions, indebtedness to subsidiaries, recovery of unwinding of discount rate on rehabilitation costs and amortisation of transaction costs.

Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate. Other fees and commission expenses relate mainly to transaction and service fees and are expensed as the services are rendered.

Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

12.1.2 NET FINANCING (COSTS)/INCOME

		Group		Company	
For the year ended 31 December	Note	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Finance income		318	283	2 140	1 327
Interest income relating to:		312	282	2 140	1 327
– Financial assets at amortised cost		34	38	2	
– Cash and cash equivalents		212	188	159	151
– Financial assets at FVPL		43	30		
– Non-financial assets		3			
– Finance leases		9	10		
– Indebtedness by subsidiaries	17.3.3			1 979	1 176
– Loans to joint ventures		11	16		
Commitment fee income		6	1		
Finance costs		(355)	(605)	(1 890)	(1 114)
Interest expense relating to:		(542)	(515)	(1 878)	(1 102)
– Financial liabilities measured at amortised cost		(476)	(505)	(448)	(395)
– Bank overdrafts		(27)	(3)	(27)	(3)
– Non-financial liabilities		(3)	(6)	(6)	
– Indebtedness by subsidiaries	17.3.3			(1 364)	(704)
– Lease liabilities		(36)	(1)	(33)	
Unwinding of discount rate on rehabilitation costs	13.3	(414)	(408)	(3)	(3)
Recovery of unwinding of discount rate on rehabilitation costs		167	158		
Amortisation of transaction costs		(14)	(27)	(9)	(9)
Borrowing costs capitalised[1]	10.1.3	448	187		
Total net financing (costs)/income		(37)	(322)	250	213
[1] Borrowing costs capitalisation rate:		*9.98%*	*10.13%*		

12.1 DEBT continued

12.1.3 INTEREST-BEARING BORROWINGS

At 31 December	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Interest-bearing borrowings				
Non-current[1]	6 991	3 843	6 991	3 233
Loan facility	5 991	3 233	5 991	3 233
Bonds[2]	1 000		1 000	
Preference share liability[3]		610		
Current[4]	50	571	50	572
Loan facility	46	47	46	47
Bonds[2]	4	525	4	525
Preference share liability		(1)		
Total interest-bearing borrowings	7 041	4 414	7 041	3 805
Summary by interest-bearing borrowings by period of redemption:				
Less than six months	54	576	54	576
Six to 12 months	(4)	(5)	(4)	(4)
Between one and two years	2 744	(10)	2 744	(9)
Between two and three years	3 605	3 242	3 605	3 244
Between three and four years	(1)	611	(1)	(2)
Between four and five years	643		643	
Total interest-bearing borrowings	7 041	4 414	7 041	3 805
[1] The non-current portion represents:	*6 991*	*3 843*	*6 991*	*3 233*
– Capital repayments	*7 000*	*3 863*	*7 000*	*3 250*
– Reduced by the amortisation of transaction costs	*(9)*	*(20)*	*(9)*	*(17)*
[2] New bonds issued during May 2019				
[3] Capital redemption on preference share liability of:	*602*	*1 889*		
[4] The current portion represents:	*50*	*571*	*50*	*572*
– Capital repayments		*520*		*520*
– Interest capitalised	*59*	*61*	*59*	*61*
– Reduced by the amortisation of transaction costs	*(9)*	*(10)*	*(9)*	*(9)*

At 31 December	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Overdraft				
Bank overdraft	976	1 531	976	1 046

The bank overdraft is repayable on demand and interest is based on current South African money-market rates.

Chapter 12:
Funding continued

12.1 DEBT continued

12.1.4 DETAILED ANALYSIS OF INTEREST-BEARING BORROWINGS

Below is a summary of the salient terms and conditions of the facilities:

		Loan facility		
	Year	**Bullet term loan**	**Amortised term loan**	**Revolving facility**
Aggregate nominal amount (Rm)	2019	3 250	1 750	2 750
	2018	3 250	1 750	2 750
Issue date or draw down date		29 July 2016	29 July 2016	29 July 2016
Maturity date		29 July 2021	29 July 2023	29 July 2021
Capital payments		The total outstanding amount is payable on final maturity date	Four consecutive semi-annual instalments commencing on the date occurring 18 months prior to the final maturity date	The total outstanding amount is payable on final maturity date
Duration (months)		60	84	60
Secured or unsecured		Unsecured	Unsecured	Unsecured
Undrawn portion (Rm)	2019	nil	1 750	nil
	2018	nil	1 750	2 750
Interest				
Interest payment basis		Floating rate	Floating rate	Floating rate
Interest payment period		Three months	Three months	Monthly
Interest rate		JIBAR plus a margin of 325 basis points (3.25%)	JIBAR plus a margin of 360 basis points (3.60%)	JIBAR plus a margin of 325 basis points (3.25%)
Effective interest rates for the	2019	0.17%	N/A	N/A
transaction costs	2018	0.17%	0.17%	N/A
Closing rate of interest at	2019	10.04%	nil	9.63%
31 December	2018	10.28%	nil	nil

There were no defaults or breaches in terms of interest-bearing borrowings during the reporting periods.

Neither the company nor any of its subsidiaries are required to undertake any specified event(s) in respect of the interest-bearing borrowings.

12.1 DEBT continued

12.1.4 DETAILED ANALYSIS OF INTEREST-BEARING BORROWINGS continued

The group is required to comply with the following financial covenants in terms of the loan facility:

- Ratio of consolidated EBITDA (excluding non-cash BEE credential costs) to net interest paid of the group for any measurement period shall not be less than 4:1
- Ratio of consolidated net debt[1] to equity of the group for any measurement period shall be less than 0.8:1
- Ratio of consolidated net debt[1] to consolidated EBITDA (excluding non-cash BEE credential costs, including dividends received from equity-accounted investments) of the group for any measurement period shall be less than 3:1.

[1] For purposes of financial covenants, net debt is adjusted for pending litigation and other claims as well as other financial guarantees (refer note 13.4).

The group has complied with all the above mentioned contractually agreed financial covenants.

	Year	DMTN programme (bonds)	
		R357 million senior unsecured floating rate note	**R643 million senior unsecured floating rate note**
Aggregate nominal amount (Rm)		357	643
Issue date or draw down date		13 June 2019	13 June 2019
Maturity date		13 June 2022	13 June 2024
Capital payments		No fixed or determined payments, the total outstanding amount is payable on final maturity date	No fixed or determined payments, the total outstanding amount is payable on final maturity date
Duration (months)		36	60
Secured or unsecured		Unsecured	Unsecured
Interest			
Interest-payment basis		Floating rate	Floating rate
Interest-payment period		Three months	Three months
Interest rate		JIBAR plus a margin of 165 basis points (1.65%)	JIBAR plus a margin of 189 basis points (1.89%)
Closing rate of interest at 31 December	2019	8.45%	8.69%

12.1.5 NET DEBT

	Group	
	2019 Rm	**2018 Rm**
Net debt is presented by the following items on the statement of financial position:		
Non-current interest-bearing debt	(7 452)	(3 843)
Interest-bearing borrowings	(6 991)	(3 843)
Lease liabilities	(461)	
Current interest-bearing debt	(77)	(573)
Interest-bearing borrowings	(50)	(571)
Lease liabilities	(27)	(2)
Net cash and cash equivalents	1 719	549
Cash and cash equivalents	2 695	2 080
Overdraft	(976)	(1 531)
Total net debt	(5 810)	(3 867)

Chapter 12:
Funding continued

12.1 DEBT continued

12.1.5 NET DEBT continued

Analysis of movement in net cash/(debt)

	Group			
		Liabilities arising from financing activities		
	Cash and cash equivalents/ (overdraft) Rm	Non-current interest-bearing debt Rm	Current interest-bearing debt Rm	Total Rm
Net cash at 31 December 2017	6 617	(6 480)	(68)	69
Cash flows	(6 110)	2 139	8	(3 963)
Operating activities	(54)			(54)
Investing activities	(3 195)			(3 195)
Financing activities	(2 861)	2 139	8	(714)
– Interest-bearing borrowings raised	14		(14)	
– Interest-bearing borrowings repaid	(2 161)	2 139	22	
– Shares acquired in the market to settle share-based payments	(467)			(467)
– Dividends paid to BEE Parties	(247)			(247)
Non-cash movements	42	498	(513)	27
Amortisation of transaction costs			(27)	(27)
Preference dividend accrued		(1)		(1)
Interest accrued			5	5
Lease terminations		5	3	8
Transfers between non-current and current liabilities		494	(494)	
Translation difference on movement in cash and cash equivalents	42			42
Net debt at 31 December 2018	549	(3 843)	(573)	(3 867)
Cash flows	1 171	(3 148)	553	(1 424)
Operating activities	(2 329)			(2 329)
Investing activities	2 974			2 974
Financing activities	526	(3 148)	553	(2 069)
– Interest-bearing borrowings raised	4 250	(3 750)	(500)	
– Interest-bearing borrowings repaid	(1 622)	602	1 020	
– Lease liabilities paid	(33)		33	
– Shares acquired in the market to settle share-based payments	(678)			(678)
– Dividends paid to BEE Parties	(1 391)			(1 391)
Non-cash movements	(1)	(461)	(57)	(519)
Amortisation of transaction costs			(14)	(14)
Preference dividend accrued		13		13
Interest accrued			2	2
Lease remeasurements		(7)		(7)
New leases (including IFRS 16 adoption adjustment)		(524)		(524)
Lease terminations			12	12
Transfers between non-current and current liabilities		57	(57)	
Translation difference on movement in cash and cash equivalents	(1)			(1)
Net debt at 31 December 2019	1 719	(7 452)	(77)	(5 810)

12.1 DEBT continued

12.1.5 NET DEBT continued

	Company 2019 Rm	Company 2018 Rm
Net debt is presented by the following items on the statement of financial position:		
Non-current interest-bearing debt	(7 439)	(3 233)
Interest-bearing borrowings	(6 991)	(3 233)
Lease liabilities	(448)	
Current interest-bearing debt	(67)	(572)
Interest-bearing borrowings	(50)	(572)
Lease liabilities	(17)	
Net cash and cash equivalents	673	(370)
Cash and cash equivalents	1 649	676
Overdraft	(976)	(1 046)
Total net debt	(6 833)	(4 175)

	Company			
		Liabilities arising from financing activities		
	Cash and cash equivalents/ (overdraft) Rm	Non-current interest-bearing debt Rm	Current interest-bearing debt Rm	Total Rm
Net debt at 31 December 2017	5 518	(3 994)	(57)	1 467
Cash flows	(5 903)	250		(5 653)
Operating activities	(8 312)			(8 312)
Investing activities	2 983			2 983
Financing activities	(574)	250		(324)
– Interest-bearing borrowings repaid	(250)	250		
– Shares acquired in the market to settle share-based payments	(324)			(324)
Non-cash movements	15	511	(515)	11
Amortisation of transaction costs			(9)	(9)
Interest accrued		5		5
Transfers between non-current and current liabilities		506	(506)	
Translation difference on movement in cash and cash equivalents	15			15
Net debt at 31 December 2018	(370)	(3 233)	(572)	(4 175)
Cash flows	995	(3 750)	535	(2 220)
Operating activities	(7 676)			(7 676)
Investing activities	5 894			5 894
Financing activities	2 777	(3 750)	535	(438)
– Interest-bearing borrowings raised	4 250	(3 750)	(500)	
– Interest-bearing borrowings repaid	(1 020)		1 020	
– Lease liabilities paid	(15)		15	
– Shares acquired in the market to settle share-based payments	(438)			(438)
Non-cash movements	48	(456)	(30)	(438)
Amortisation of transaction costs			(9)	(9)
Interest accrued			3	3
Lease remeasurements		(5)		(5)
New leases (including IFRS 16 adoption adjustment)		(475)		(475)
Transfers between non-current and current liabilities		24	(24)	
Translation difference on movement in cash and cash equivalents	48			48
Net debt at 31 December 2019	673	(7 439)	(67)	(6 833)

Chapter 12:
Funding continued

12.1 DEBT continued

12.1.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO NET FINANCING COSTS (PAID)/RECEIVED

		Group		Company	
For the year ended 31 December	Note	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Interest received		289	229	2 140	1 327
Finance income	12.1.2	318	283	2 140	1 327
Non-cash flow items					
– Interest income accrued not yet received		(20)	(44)		
– Finance lease interest income adjustment		(9)	(10)		
Interest paid		(558)	(518)	(1 881)	(1 107)
Finance costs	12.1.2	(355)	(605)	(1 890)	(1 114)
Non-cash flow items					
– Unwinding of discount rate on rehabilitation costs	13.3	414	408	3	3
– Recovery of unwinding of discount rate on rehabilitation costs		(167)	(158)		
– Amortisation of transaction costs		14	27	9	9
– Borrowing costs capitalised		(448)	(187)		
– Finance costs capitalised to loans less finance costs paid and interest accrued not yet paid		(16)	(3)	(3)	(5)
Net financing costs (paid)/received		(269)	(289)	259	220

12.1.7 FINANCIAL LIABILITIES COMPOSITION

		Group		Company	
At 31 December	Note	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Non-current financial liabilities					
Financial liabilities at FVPL			488		1 072
Contingent consideration			488		488
Put option[1]					584
Financial liabilities at amortised cost			225		225
Deferred consideration payable[2]			225		225
Total non-current financial liabilities	16.3		713		1 297
Current financial liabilities					
Financial liabilities at FVPL		191	362	191	361
Contingent consideration		191	361	191	361
Derivative financial liabilities			1		
Financial liabilities at amortised cost		307	395	14 207	10 478
Deferred consideration payable[2]		307	395	307	395
Non-interest-bearing loans from subsidiary[3]	17.5			8 452	8 197
Treasury facilities with subsidiaries at amortised cost[4]	17.5			5 448	1 886
Total current financial liabilities		498	757	14 398	10 839
Total financial liabilities		498	1 470	14 398	12 136

[1] *Relates to Exxaro company's obligation to repurchase shares from Eyesizwe in terms of the Replacement BEE Transaction. During 2019, the put option lapsed as the preference share liability was redeemed.*
[2] *Deferred consideration payable in relation to the acquisition of the investment in Insect Technology and LightApp.*
[3] *Loans granted by subsidiary companies which are interest free, unsecured and repayable on demand.*
[4] *Treasury facilities with subsidiary companies have no repayments terms and are repayable on demand. Interest is charged at money-market rates.*

12.1 DEBT continued

12.1.8 OTHER LIABILITIES COMPOSITION

At 31 December	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Non-current				
Termination benefits[1]	144		51	
Income received in advance	23	18	1	
Total non-current other liabilities	167	18	52	
Current				
Termination benefits[1]	305	17	63	
Leave pay	203	171	24	15
Bonuses	241	305	57	77
VAT	21	86	20	
Royalties	9	50		
Current tax payables	50	209	10	
Other	97	94	19	27
Total current other liabilities	926	932	193	119
Total other liabilities	1 093	950	245	119

[1] *During 2019, Exxaro announced the implementation of TVPs. Under this policy, employees that qualified would receive a severance package in exchange for termination of employment. Offers made by Exxaro to the targeted employees (who accepted the agreements) were signed by the end of 2019.*

12.2 EQUITY

12.2.1 ACCOUNTING POLICY RELATING TO SHARE CAPITAL

Where any company within the Exxaro group of companies purchase Exxaro shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the group's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects, is included in equity attributable to the group's equity holders.

The shares are listed on the JSE, with one vote per share, and shareholders are entitled to dividends declared from time to time.

12.2.2 SHARE CAPITAL

At 31 December	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Authorised				
500 000 000 (2018: 500 000 000) ordinary shares of R0.01 each[1]	5	5	5	5
Issued and fully paid				
358 706 754 (2018: 358 706 754) ordinary shares of R0.01 each[1]	4	4	4	4
Share premium	11 261	11 261	11 261	11 261
Treasury shares held by Eyesizwe[2]	(10 242)	(10 242)		
Treasury shares held by Kumba Resources Management Share Trust[2]	(2)	(2)		
Total	1 021	1 021	11 265	11 265

[1] *The authorised unissued ordinary shares have remained unchanged at 141 293 246 shares.*
[2] *These entities have been consolidated.*

Treasury shares in issue	Group Number of shares 2019	Group Number of shares 2018
Held by Kumba Resources Management Share Trust	158 218	158 218
Held by Eyesizwe	107 612 026	107 612 026
Treasury shares in issue at end of the year	107 770 244	107 770 244

Exxaro's issued ordinary shares, net of treasury shares were 250 936 510 on 31 December 2019 (2018: 250 936 510).

Refer to the notice of the AGM in the summarised group annual financial statements for the year ended 31 December 2019 and notice of the AGM for resolutions pertaining to the unissued ordinary shares under the control of the directors until the forthcoming AGM.

Exxaro has no unlisted securities.

12.2.3 SHARE REPURCHASES

Exxaro had no share repurchase transactions during 2019 or 2018.

CHAPTER 13: PROVISIONS AND CONTINGENCIES

Chapter 13:
Provisions and contingencies

13.1 ACCOUNTING POLICY RELATING TO PROVISIONS AND CONTINGENCIES

Provision is made for costs relating to environmental rehabilitation consisting of activities relating to restoration, decommissioning as well as costs of residual impact at a rehabilitated mine after final closure restoration and decommissioning have been completed. Estimates are based on unscheduled closure costs that are reviewed internally every six months and by external consultants every three years or earlier, should the level of risk require such external review. Where provision is made for dismantling of assets and site restoration costs, an asset of similar initial value is raised and depreciated in accordance with the accounting policy for property, plant and equipment.

Contributions are made to the environmental rehabilitation funds to provide for funding of costs relating to the residual impact at each mine after closure, rehabilitation and decommissioning have been completed. The environmental rehabilitation funds are consolidated.

13.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICY

Environmental rehabilitation

Estimates are made in determining the present liability of environmental rehabilitation provisions consisting of a restoration provision, decommissioning provision and a residual impact provision. Each of these provisions are based on an estimate of unscheduled closure costs on reporting date, inflation and discount rates relevant to the calculation and the expected date of closure of mining activities in determining the present value of the total environmental rehabilitation liability.

On 20 November 2015, the Financial Provisioning Regulations, 2015 (FPR:2015) were promulgated by the Minister of Environmental Affairs for South Africa as replacement of financial provisioning and rehabilitation legislation contained in the MPRDA and National Environmental Management Act of 1998 (NEMA). After promulgation of the FPR:2015, the DEA met with various stakeholders who sought clarification on a number of issues. This resulted in amended regulations pertaining to the financial provisioning for prospecting, exploration, mining or production operations which were issued on 10 November 2017.

On 21 September 2018, the Minister of Environmental Affairs for South Africa amended the FPR:2015 by extending the transitional period from 19 February 2019 to 19 February 2020. All holders of mining or exploration rights or permits will therefore have to comply with the financial provisioning requirements in terms of the MPRDA until 20 February 2020 when the FPR:2015 will come into effect. However, FPR:2015 has not been finalised by the DEA and the transitional period has been extended to June 2021.

The obligation to ensure that water is treated according to statutory requirements is specifically included in the scope of both internal and external reviews of closure costs. Costs relating to water treatment, which are expected within a 20-year window period from date of review, are quantified and included in the environmental rehabilitation provisions for relevant mines. The majority of the costs relating to water treatment are included in the provision for residual impact. Where necessary, the costs associated with constructing a water treatment plant have also been included.

Discounting of the costs relating to unscheduled closure on reporting date is calculated over the expected LOM of each mine. The LOM is based on remaining reserves at each mine as well as the level of complexity to perform mining activities at these reserves.

The assumption that post-closure rehabilitation will take place over a period of five years resulted in discounting of the costs included in the residual impact provision to be calculated over the expected remaining LOM and an additional five years for post-closure activities to be completed.

Other site closure costs

The provision includes estimates for plant and facility closures, dismantling costs and employee termination costs, in terms of announced restructuring plans. Provision is made on a piecemeal basis only for those restructuring obligations supported by a formally approved plan.

The provision includes social and labour costs for mines closing in the near future in terms of approved social and labour plans for these sites.

13.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICY continued

Key assumptions

	At 31 December 2019 %	At 31 December 2018 %
PPI	5	5
Discount rate		
– Period of discounting: 1 to 5 years	7.37 to 7.58	8.52
– Period of discounting: 6 to 15 years	9.40 to 9.81	9.80 to 9.92
– Period of discounting: 16 to 30 years	9.91 to 10.50	10.09 to 10.19

Sensitivities

	At 31 December 2019 Rm	At 31 December 2018 Rm
Decrease in total environmental rehabilitation provisions as a result of a 1% increase in discount rate	(435)	(338)
Increase in total environmental rehabilitation provisions as a result of a 1% decrease in discount rate	488	383

13.3 PROVISIONS

		Group				
		Environmental rehabilitation				
	Note	Restoration Rm	Decommis-sioning Rm	Residual impact Rm	Other site closure costs Rm	Total Rm
At 31 December 2019						
At beginning of the year		2 516	451	975	80	4 022
Charge to operating expenses	6.1.3	(244)	52	301	18	127
– Additional provision		374	56	403	19	852
– Unused amounts reversed		(618)	(4)	(102)	(1)	(725)
Unwinding of discount rate on rehabilitation costs	12.1.2	228	47	139		414
Provisions capitalised to property, plant and equipment	10.1.3		(4)			(4)
Utilised during the year		(58)			(15)	(73)
Reclassification to non-current liabilities held-for-sale		(4)		(69)		(73)
Loss of control of subsidiary	8.3	(6)	(2)	(1)		(9)
Total provisions at end of the year		2 432	544	1 345	83	4 404
– Current provision		66		11	22	99
– Non-current provision		2 366	544	1 334	61	4 305

13.3 PROVISIONS continued

		Group				
		Environmental rehabilitation				
	Note	Restoration Rm	Decommis-sioning Rm	Residual impact Rm	Other site closure costs Rm	Total Rm
At 31 December 2018						
At beginning of the year		2 473	450	956	80	3 959
Charge to operating expenses	6.1.3	(133)	(29)	(32)		(194)
– Additional provision		35		45		80
– Unused amounts reversed		(168)	(29)	(77)		(274)
Unwinding of discount rate on rehabilitation costs	12.1.2	219	42	124	23	408
Provisions capitalised to property, plant and equipment	10.1.3		(12)			(12)
Utilised during the year		(35)			(23)	(58)
Reclassification to non-current liabilities held-for-sale		(8)		(73)		(81)
Total provisions at end of the year		2 516	451	975	80	4 022
– Current provision		46			24	70
– Non-current provision		2 470	451	975	56	3 952

		Company		
		Environmental rehabilitation		
	Note	Restoration Rm	Other site closure costs Rm	Total Rm
At 31 December 2019				
At beginning of the year		36	2	38
Charge to operating expenses	6.1.3	(2)	(1)	(3)
– Unused amounts reversed		(2)	(1)	(3)
Unwinding of discount rate on rehabilitation costs	12.1.2	3		3
Utilised during the year			(1)	(1)
Total provisions at end of the year		37		37
– Non-current provision		37		37
At 31 December 2018				
At beginning of the year		34	11	45
Charge to operating expenses	6.1.3	(1)		(1)
– Unused amounts reversed		(1)		(1)
Unwinding of discount rate on rehabilitation costs	12.1.2	3		3
Utilised during the year			(9)	(9)
Total provisions at end of the year		36	2	38
– Current provision			2	2
– Non-current provision		36		36

Chapter 13:
Provisions and contingencies continued

13.3 PROVISIONS continued

Funding

The FPR contains funding requirements in the form of financial guarantees as well as trust funds. Exxaro has financial guarantees per mine which are ceded to the DMR, as well as environmental trust funds.

		Group	
At 31 December	Note	**2019 Rm**	**2018 Rm**
Estimated unscheduled restoration and decommissioning closure costs		(7 065)	(6 536)
Estimated unscheduled post-closure residual impact costs		(2 475)	(2 666)
Total environmental provisions		(4 321)	(3 942)
– Present value of unscheduled restoration and decommissioning costs discounted over LOM		(2 976)	(2 967)
– Present value of unscheduled post-closure residual impact costs discounted over LOM and five years of rehabilitation		(1 345)	(975)
Environmental rehabilitation funds in trust	10.2.2	2 039	1 783
Financial guarantees ceded to the DMR	13.4	3 994	2 971
Current funding excess		1 712	812

13.4 CONTINGENT LIABILITIES

	Group		Company	
At 31 December	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Pending litigation and other claims[1]	1 103	1 155		
Operational guarantees[2]	4 506	3 062	452	18
– Financial guarantees ceded to the DMR	3 994	2 971		
– Other financial guarantees	512	91	452	18
Total contingent liabilities	5 609	4 217	452	18

[1] Tax disputes with SARS have been settled. Consists of legal cases with Exxaro as defendant.
[2] Include guarantees to banks and other institutions in the normal course of business from which it is anticipated that no material liabilities will arise.

The timing and occurrence of any possible outflows of the contingent liabilities above are uncertain.

SARS

As previously reported, on 30 March 2016, SARS had issued additional assessments to the amount of R442 million (R199 million tax payable, R91 million interest and R152 million penalties) to which Exxaro formally objected. The matter was settled outside of the Tax Court. A settlement agreement was concluded and signed on 30 September 2019 in terms of which SARS must refund Exxaro an amount of R24 million.

Share of equity-accounted investments' contingent consideration

	Group		Company	
At 31 December	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Share of contingent liabilities of equity-accounted investments[1]	1 060	726		

[1] Mainly operational guarantees issued by financial institutions relating to environmental rehabilitation and closure costs.

CHAPTER 14: PEOPLE

Chapter 14:
People

14.1 ACCOUNTING POLICIES RELATING TO EMPLOYEE BENEFITS

14.1.1 RETIREMENT EMPLOYMENT BENEFITS

Defined contribution plans

The group provides defined contribution retirement funds for the benefit of employees, the assets of which are held in separate funds. These funds are funded by contributions from employees and the group, taking account of the recommendations of independent actuaries. The group's contributions to the defined contribution funds are recognised in profit or loss in the year to which it relates.

The group does not provide guarantees in respect of returns in the defined contribution funds.

Defined benefit obligations

A retirement medical obligation exists for certain in-service and retired employees who are members of accredited medical aid funds. This benefit is no longer offered to employees. The liability is determined using the projected unit credit method. Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income. Remeasurements recognised in other comprehensive income will not be reclassified to profit or loss. Net interest expense and other expenses related to the retirement medical obligation are recognised in profit or loss.

14.1.2 SHORT AND LONG-TERM BENEFITS

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, are recognised during the period in which the employee renders the related service.

The vesting portion of long-term benefits is recognised and provided for at financial year end, based on current total cost to company.

14.1.3 TERMINATION BENEFITS

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises termination benefits when it has demonstrated its commitment to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy which has been accepted by an employee. If the benefits fall due more than 12 months after the reporting date, they are discounted to present value.

14.1.4 EQUITY COMPENSATION BENEFITS

Senior management, including executive directors and eligible employees, participate in the LTIP and DBP incentive schemes.

The LTIP and DBP are treated as equity-settled share-based payment schemes with the fair value being expensed over the vesting period of the instrument with a corresponding increase in equity. The fair value of these schemes are determined at grant date and subsequently reviewed at each reporting period only for changes in non-market performance conditions and employee attrition rates applicable to each scheme.

Exxaro has an agreement with its subsidiary companies to charge the subsidiaries for the equity compensation share schemes granted to the subsidiaries' employees.

The movement in equity in the company's financial statements relating to the recharge of the share-based payments of subsidiaries is accounted for against investments in subsidiaries and is eliminated on consolidation for group reporting purposes.

14.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

In applying IFRS 2 *Share-Based Payment*, management has made certain judgements in respect of the fair value option pricing models to be used in determining the various share-based payment arrangements in respect of employees, as well as the variable elements used in these models.

For share-based payments, estimates are made in determining the fair value of equity instruments granted. Assumptions are used in the valuation models and include assumptions regarding future dividend yield, risk-free rate, expected employee attrition rate, expected share volatility and expected option life and TSR vesting condition (refer note 14.3.4).

In applying IAS 19 *Employee Benefits*, management is required to make judgements when determining the classification of each scheme, such judgements include the identification as to the nature of benefits provided by each scheme.

For defined benefit schemes, management is required to make estimates and assumptions about the discount rate, future remuneration changes, employee attrition rates, administration costs, changes in benefits, medical cost trends, inflation rates, exchange rates and life expectancy. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries.

14.3 EMPLOYEE BENEFITS

14.3.1 RETIREMENT FUNDS

Independent funds provide retirement and other benefits for all permanent employees, retired employees and their dependants.

At the end of the financial year, the main defined contribution retirement funds to which Exxaro was a participating employer were:

- Exxaro Pension and Provident Fund
- Iscor Employees' Umbrella Provident Fund
- Mine Workers Provident Fund
- Sentinel Retirement Fund.

Bargaining unit employees pay a contribution of 8% with the employer's contribution of 15% to the above funds being expensed as incurred.

Other members generally pay a contribution of 7% with the employer's contribution of 10% to the above funds being expensed as incurred.

All funds are registered in South Africa and are governed by the South African Pension Funds Act of 1956.

Defined contribution funds

Employer contributions to each fund were as follows:

	Employer contributions	
	2019 Rm	**2018 Rm**
Group		
Exxaro Pension and Provident Fund	131	111
Iscor Employees' Umbrella Provident Fund	66	57
Mine Workers Provident Fund	17	20
Sentinel Retirement Fund	63	63
Other funds	12	11
Total	289	262
Company		
Exxaro Pension and Provident Fund	34	31
Iscor Employees' Umbrella Provident Fund	1	
Sentinel Retirement Fund	3	3
Total	38	34

14.3.2 MEDICAL AID

Contributions to defined contribution medical aid schemes for the benefit of permanent employees and their dependants who choose to belong to one of a number of employer accredited schemes. The contributions charged to profit or loss amount to R142 million (2018: R132 million).

14.3.3 SHORT-TERM INCENTIVES

The following schemes based on individuals, business unit, commodity and group-level performance are in place:

- Individual performance reward
- A two-tier performance incentive, namely:
  – On-target business unit incentive (first tier)
  – Commodity business and group improvement incentive (second tier).

Individual performance reward

A short-term incentive scheme focused on the individual is used to augment the performance management process and retention strategy across junior to senior management levels of employment.

The two-tier performance incentive

First tier

The first tier is a line-of-sight incentive based on achieving 100% of a combination of the business unit's net operating profit and production targets and is currently equal to 8.33% of annual gross remuneration for all full-time employees of every business unit, commodity, services and corporate office department.

Second tier

The second tier is based on exceeding a combination of budgeted consolidated net operating profit and production targets by an improvement percentage at commodity business unit and group level. The second tier is profit-based and 30% of gains above budget are shared with employees.

14.3 EMPLOYEE BENEFITS continued

14.3.4 EQUITY COMPENSATION BENEFITS

Equity compensation benefits are provided to selected employees through the following share-based payment schemes:

LTIP

An LTIP is a conditional award of Exxaro shares offered to qualifying senior employees of the group. The shares vest after three years subject to certain performance conditions being met. The extent to which the performance conditions are met governs the number of shares that vest. The LTIP is an equity-settled share-based payment scheme.

Participants to the 2019 and 2018 LTIP grant obtained the right (provided performance conditions were met) to receive a number of Exxaro shares. The vesting of the award is based on:
- 33.33%: HEPS of the group and is calculated for a minimum and maximum performance condition
- 33.33%: The TSR of the group and is calculated for a minimum and maximum performance condition
- 33.34%: Achievement of environmental, safety and governance targets.

Performance between these targets will result in proportional vesting which will be calculated using a linear sliding scale between the minimum and maximum performance conditions. Grants have a vesting period of three years over which the performance conditions are calculated.

DBP

The aim of the DBP is to encourage executive directors and senior management to sacrifice a part of their bonuses for the purpose of acquiring shares in the company in exchange for an upliftment in the number of shares received. Participants may sacrifice a percentage of their (post-tax) bonus in exchange for Exxaro shares at the ruling market price. The pledged shares are then held in trust for a three-year period, thus until the vesting date of the matching award. At vesting date, the company will make an additional award of shares by matching the shareholding on a one-for-one basis (matching award). Participants will consequently become unconditionally entitled to both the original pledged shares as well as the matching award of shares.

A participant may at its election dispose of and withdraw the pledged shares from the scheme at any stage. However, if the pledged shares are withdrawn before the expiry of the pledge period, the participant forfeits the matching award. The DBP is an equity-settled share-based payment scheme.

Details of the schemes:

		Number of instruments	
LTIP and DBP		**2019 ’000**	**2018 ’000**
Outstanding at beginning of the year		10 263	10 637
Issued during the year[1]		2 774	4 143
Exercised during the year		(4 065)	(4 124)
Lapsed/cancelled during the year		(457)	(393)
Outstanding at end of the year		8 515	10 263
Terms of outstanding instruments at end of the year	Expiry date		
	2019		4 382
	2020	2 921	2 800
	2021	3 208	3 081
	2022	2 386	
		8 515	10 263
Total value of shares outstanding (Rm)		1 118	1 415

[1] *Included in 2019 is a 6% (2018: 8.9%) grant of top-up instruments relating to the 2017, 2018 and 2019 (2018: 2015, 2016 and 2017) schemes. The top-up grants were issued with the same terms and performance conditions as the respective original grants.*

Fair value of equity compensation instruments

In determining the fair value of services received as consideration for equity instruments, measurement is referenced to the fair value of the equity instrument granted.

During the current year, three new DBPs and one new LTIP have been granted.

The conditional matching awards granted in terms of the DBP are the economic equivalent of granting an Exxaro share at no consideration, but without dividend rights for the period from the grant date to vesting date. Therefore, the value of the DBP is equal to the grant date share price less the present value of the future dividends expected to be granted over the term of the scheme, multiplied by the pledged shares in trust.

14.3 EMPLOYEE BENEFITS continued

14.3.4 EQUITY COMPENSATION BENEFITS continued

Fair value of equity compensation instruments continued

The value of the LTIP is the economic equivalent of granting an Exxaro share at no consideration, but without dividend rights for the period from the grant date to vesting date. Therefore, the value of the LTIP is equal to the grant date share price, less the present value of the future dividends expected to be granted over the term of the scheme. In determining the fair value, a Monte Carlo simulation model has been used to take into account the market vesting condition (TSR target). The non-market vesting conditions (HEPS and ESG targets) are taken into account when determining the number of options expected to vest.

	2019	2018
Weighted average fair value for grants during the year (R):		
LTIP	120.18	72.50
DBP	132.54	100.96
Inputs to the valuation models for:		
LTIP		
– Share price at valuation date (R)	167.40	105.90
– Weighted average option life (years)	3	3
– Dividend yield (%)	6.76	5.81
– Risk-free interest rate (%)	6.76	6.87
DBP		
– Share price at valuation date (R)	159.84 to 164.35	107.00 to 148.85
– Weighted average option life (years)	3	3
– Dividend yield (%)	6.64 to 7.28	5.45 to 6.34
– Risk-free interest rate (%)	7.17 to 7.19	6.87 to 7.71

14.4 RETIREMENT EMPLOYEE OBLIGATIONS

Following the merger with Eyesizwe Proprietary Limited in November 2006 and the successful creation of Exxaro, the retirement medical benefit which was provided to a group of continuation and in-service members on the Witbank Coal Medical Aid Scheme was honoured. During 2017, Exxaro Coal Mpumalanga Proprietary Limited withdrew from the Witbank Coal Medical Aid Scheme and the members were moved to the Discovery Health Medical Scheme and Bonitas Medical Aid Scheme. This benefit, which is no longer offered, applied to certain employees previously employed by Eyesizwe Proprietary Limited or Ingwe Coal and comprises a subsidy of contributions.

Exxaro Coal Mpumalanga Proprietary Limited's contribution to the retirement medical benefit of employees for the year ended 31 December 2019 amounts to R8 million (2018: R8 million).

The obligation represents a present value amount, which is actuarially valued every two years. Any remeasurements are recognised in other comprehensive income.

The movement in the net defined benefit medical obligation over the year is summarised as follows:

	Group	
At 31 December	**2019 Rm**	**2018 Rm**
At beginning of the year	193	227
Charge to operating expenses	14	19
– Current and past service costs	2	4
– Interest expense	21	24
– Expected employer benefit payments	(9)	(9)
Remeasurements[1]	(26)	(54)
Reclassification from non-current liabilities held-for-sale		1
At end of the year	181	193
The defined benefit medical obligation is composed by country as follows:		
– RSA	181	193
Present value of unfunded obligations	181	193
The actuarial assumptions were as follows:		
Discount rate (%)	10.6	11.4
Healthcare cost inflation (%)	8.0	9.5
Expected retirement age (years)	60	60

[1] *Tax on remeasurements amounts to R7 million (2018: R15 million).*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

14.5.1 REMUNERATION POLICY

The remuneration and nomination committee has a defined mandate from the board of directors aimed at:

- Ensuring that the chairman, directors and senior executives are fairly rewarded for their individual contributions to the group's overall performance
- Ensuring that the remuneration strategies and packages, including the incentive schemes, are related to performance, are suitably competitive and give due regard to the interests of the shareholders and the financial and commercial health of the group.

14.5.2 SUMMARY OF REMUNERATION

	NCOE/guaranteed remuneration plus circumstantial			Short-term incentives	Long-term incentives
2019	**Basic salary R**	**Benefits and allowances[1] R**	**Retirement fund contributions R**	**Performance bonuses[2] R**	**Gains on management share schemes R**
Executive directors					
MDM Mgojo	6 486 212	280 522	643 867	2 741 922	34 428 706
PA Koppeschaar	4 854 024	309 793	460 515	1 799 786	12 659 608
Total executive directors' remuneration	11 340 236	590 315	1 104 382	4 541 708	47 088 314
Prescribed officers					
V Balgobind	2 971 413	116 443	276 033	840 972	10 587 466
AW Diedericks	3 518 255	138 630	347 959	1 001 211	9 725 567
JG Meyer	3 458 218	323 357	359 824	1 035 350	8 289 737
MI Mthenjane	3 520 464	90 392	306 127	979 246	7 938 277
Dr N Tsengwa	3 839 646	196 403	337 795	1 399 630	11 406 949
SE van Loggerenberg	2 025 991	77 696	140 844	448 906	1 430 620
M Veti	3 478 545	38 138	346 741	965 856	7 971 587
Total prescribed officers' remuneration	22 812 532	981 059	2 115 323	6 671 171	57 350 203

2019	**Fees for services R**	**Benefits and allowances R**	**Total R**
Non-executive directors			
GJ Fraser-Moleketi	938 235	5 478	943 713
MW Hlahla[6]	600 413		600 413
D Mashile-Nkosi[7]	414 415		414 415
L Mbatha	702 899		702 899
VZ Mntambo	638 068		638 068
MJ Moffett	923 063		923 063
LI Mophatlane	1 045 616	2 913	1 048 529
EJ Myburgh	1 168 912		1 168 912
V Nkonyeni	956 784	21 879	978 663
J van Rooyen (chairman)	2 016 072		2 016 072
A Sing	787 867		787 867
PCCH Snyders	1 041 060	55 472	1 096 532
Total non-executive directors' remuneration	11 233 404	85 742	11 319 146

[1] *Includes leave days purchased as well as travel and acting allowances.*
[2] *All incentive schemes are performance related and were approved by the board of directors.*
[3] *Comprise long-service awards, zero-fatality and LTIFR rewards.*
[4] *Includes leave encashments.*
[5] *Amount recognised for share-based payment expenses, in terms of IFRS 2, in respect of equity-settled share-based payment schemes for services rendered during the year. The employee will only be entitled to the options once all vesting conditions have been met.*
[6] *Resigned on 31 December 2019.*
[7] *Resigned on 11 October 2019.*

Retirement amounts relate to defined contribution retirement funds.

Other						
Recognition[3] R	Other[4] R	Total remuneration R	Exit payment accrual (TVP) R	Share-based payment expense[5] R	Gains on management share schemes R	Total remuneration expense R
5 260		44 586 489		14 472 298	(34 428 706)	24 630 081
5 260		20 088 986		6 596 259	(12 659 608)	14 025 637
10 520		64 675 475		21 068 557	(47 088 314)	38 655 718
5 260		14 797 587		3 191 465	(10 587 466)	7 401 586
5 260		14 736 882	12 486 277	3 982 538	(9 725 567)	21 480 130
5 260		13 471 746		3 617 940	(8 289 737)	8 799 949
5 260	50 315	12 890 081		3 390 031	(7 938 277)	8 341 835
10 760		17 191 183		5 123 836	(11 406 949)	10 908 070
10 760		4 134 817		1 253 412	(1 430 620)	3 957 609
5 260		12 806 127		3 424 772	(7 971 587)	8 259 312
47 820	50 315	90 028 423	12 486 277	23 983 994	(57 350 203)	69 148 491

Chapter 14:
People continued

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.2 SUMMARY OF REMUNERATION continued

	NCOE/guaranteed remuneration plus circumstantial			Short-term incentives	Long-term incentives
2018	**Basic salary R**	**Benefits and allowances[1] R**	**Retirement fund contributions R**	**Performance bonuses[2] R**	**Gains on management share schemes R**
Executive directors					
MDM Mgojo	6 075 096	256 007	602 416	3 321 854	15 701 939
PA Koppeschaar	4 473 432	285 795	404 646	2 215 820	4 057 988
Total executive directors' remuneration	10 548 528	541 802	1 007 062	5 537 674	19 759 927
Prescribed officers					
V Balgobind	2 739 781	138 541	257 302	1 126 004	1 669 362
AW Diedericks	3 354 277	132 168	331 741	1 371 114	4 700 652
JG Meyer	3 241 941	314 835	338 434	1 398 774	4 670 528
MI Mthenjane	3 368 508	86 491	292 914	1 345 878	3 874 158
Dr N Tsengwa	3 467 947	287 891	314 343	1 746 518	3 770 366
SE van Loggerenberg	1 874 212	87 450	131 336	646 948	698 287
M Veti	3 325 151	42 654	328 861	1 327 476	4 364 615
Total prescribed officers' remuneration	21 371 817	1 090 030	1 994 931	8 962 712	23 747 968

2018	**Fees for services R**	**Benefits and allowances R**	**Total R**
Non-executive directors			
S Dakile-Hlongwane[6]	44 731		44 731
Dr CJ Fauconnier[7]	365 317	7 105	372 422
GJ Fraser-Moleketi[8]	452 448	6 164	458 612
MW Hlahla[9]	430 791		430 791
Dr D Konar[7]	608 524		608 524
D Mashile-Nkosi[10]	351 335	1 100	352 435
S Mayet[7]	168 215	1 100	169 315
L Mbatha[10]	454 453	9 641	464 094
VZ Mntambo[9]	582 452		582 452
MJ Moffett[8]	429 745		429 745
LI Mophatlane[8]	618 419	4 841	623 260
EJ Myburgh	818 481	17 503	835 984
V Nkonyeni	767 230	18 275	785 505
MF Randera[6]	80 534	3 159	83 693
J van Rooyen (chairman)	1 494 465		1 494 465
A Sing[10]	566 327	2 410	568 737
PCCH Snyders	751 525	70 633	822 158
D Zihlangu[6]	91 633		91 633
Total non-executive directors' remuneration	9 076 625	141 931	9 218 556

[1] *Includes leave days purchased as well as travel and acting allowances.*
[2] *All incentive schemes are performance related and were approved by the board of directors.*
[3] *Comprise long-service awards, zero-fatality and LTIFR rewards.*
[4] *Includes leave encashments.*
[5] *Amount recognised for share-based payment expenses, in terms of IFRS 2, in respect of equity-settled share-based payment schemes for services rendered during the year. The employee will only be entitled to the options once all vesting conditions have been met.*
[6] *Resigned on 6 March 2018.*
[7] *Retired on 24 May 2018.*
[8] *Appointed on 23 May 2018.*
[9] *Resigned and reappointed on 6 March 2018.*
[10] *Appointed on 6 March 2018.*

Retirement amounts relate to defined contribution retirement funds.

Other					
Recognition[3] R	Other[4] R	Total remuneration R	Share-based payment expense[5] R	Gains on management share schemes R	Total remuneration expense R
5 260	194 980	26 157 552	18 256 374	(15 701 939)	28 711 987
10 760		11 448 441	6 374 540	(4 057 988)	13 764 993
16 020	194 980	37 605 993	24 630 914	(19 759 927)	42 476 980
5 260	1 696	5 937 946	4 293 048	(1 669 362)	8 561 632
5 260		9 895 212	5 144 381	(4 700 652)	10 338 941
5 260		9 969 772	4 776 715	(4 670 528)	10 075 959
6 260		8 974 209	4 418 027	(3 874 158)	9 518 078
9 000	60 942	9 657 007	5 451 119	(3 770 366)	11 337 760
21 310		3 459 543	1 170 137	(698 287)	3 931 393
6 260		9 395 017	4 456 700	(4 364 615)	9 487 102
58 610	62 638	57 288 706	29 710 127	(23 747 968)	63 250 865

14.5.3 INTEREST IN EXXARO SHARES

(i) Number of shares

	2019		2018	
Directors at 31 December	**Direct**	**Indirect**	**Direct**	**Indirect**
Beneficial interest				
PA Koppeschaar	33 089		15 325	
D Mashile-Nkosi[1]				4 225 088
MDM Mgojo	248 671	4 671 041		4 671 041
VZ Mntambo		4 448 839		4 448 839
Non-beneficial interest				
PA Koppeschaar		5 755		690
MDM Mgojo		27 484		35 984

[1] *Resigned on 11 October 2019.*

(ii) Percentages (direct and indirect)

Directors at 31 December	**2019 %**	**2018 %**
PA Koppeschaar	0.01	
D Mashile-Nkosi[1]		1.18
MDM Mgojo	1.38	1.30
VZ Mntambo	1.24	1.24

[1] *Resigned on 11 October 2019.*

There have been no changes in the directors' interests in Exxaro shares between the end of the financial year 2019 and the date on which the annual financial statements were approved.

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS

The following options and rights in shares in the company were exercised or are outstanding in favour of directors and prescribed officers of the company under the company's share option schemes:

Management share scheme – LTIP

2019	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Modification during the year[2] Number	Options exercised during the year Number	Shares forfeited[3] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors										
MDM Mgojo		01/04/2019				190 337	16 051	164.78	31 363 731	01/04/2019
	148 289	01/04/2020	19 446 619	19 446 619	8 381					
	161 974	01/04/2021	21 241 270	21 241 270	9 154					
	111 942	01/04/2022	14 680 074	14 680 074						
	422 205		55 367 963	55 367 963	17 535	190 337	16 051		31 363 731	
PA Koppeschaar		01/04/2019				47 744	4 026	164.78	7 867 256	01/04/2019
		01/09/2019			2 174	35 470	2 991	135.11	4 792 352	09/09/2019
	64 366	01/04/2020	8 440 957	8 440 957	3 638					
	76 047	01/04/2021	9 972 804	9 972 804	4 298					
	52 605	01/04/2022	6 898 620	6 898 620						
	193 018		25 312 381	25 312 381	10 110	83 214	7 017		12 659 608	
Prescribed officers										
V Balgobind		01/04/2019				38 416	3 239	164.78	6 330 188	01/04/2019
		01/04/2019				21 760		164.78	3 585 613	01/04/2019
	28 974	01/04/2020	3 799 650	3 799 650	1 638					
	32 148	01/04/2021	4 215 889	4 215 889	1 817					
	22 218	01/04/2022	2 913 669	2 913 669						
	83 340		10 929 208	10 929 208	3 455	60 176	3 239		9 915 801	
AW Diedericks		01/04/2019				49 547	4 178	164.78	8 164 355	01/04/2019
	36 623	01/04/2020	4 802 740	4 802 740	2 070					
	38 687	01/04/2021	5 073 413	5 073 413	2 187					
	26 362	01/04/2022	3 457 113	3 457 113						
	101 672		13 333 266	13 333 266	4 257	49 547	4 178		8 164 355	
JG Meyer		01/04/2019				49 547	4 178	164.78	8 164 355	01/04/2019
	36 623	01/04/2020	4 802 740	4 802 740	2 070					
	39 720	01/04/2021	5 208 881	5 208 881	2 245					
	27 323	01/04/2022	3 583 138	3 583 138						
	103 666		13 594 759	13 594 759	4 315	49 547	4 178		8 164 355	
MI Mthenjane		01/04/2019				48 175	4 062	164.78	7 938 277	01/04/2019
	35 948	01/04/2020	4 714 221	4 714 221	2 032					
	37 975	01/04/2021	4 980 042	4 980 042	2 147					
	25 754	01/04/2022	3 377 380	3 377 380						
	99 677		13 071 643	13 071 643	4 179	48 175	4 062		7 938 277	
Dr N Tsengwa		01/04/2019				41 673	3 514	164.78	6 866 877	01/04/2019
		01/05/2019				24 867	2 097	162.84	4 049 342	10/05/2019
	54 179	01/04/2020	7 105 034	7 105 034	3 062					
	58 762	01/04/2021	7 706 049	7 706 049	3 321					
	40 991	01/04/2022	5 375 560	5 375 560						
	153 932		20 186 643	20 186 643	6 383	66 540	5 611		10 916 219	
SE van Loggerenberg		01/04/2019				8 682	732	164.78	1 430 620	01/04/2019
	6 562	01/04/2020	860 541	860 541	371					
	7 630	01/10/2020	1 000 598	1 000 598	432					
	16 187	01/04/2021	2 122 763	2 122 763	915					
	11 146	01/04/2022	1 461 686	1 461 686						
	41 525		5 445 588	5 445 588	1 718	8 682	732		1 430 620	
M Veti		01/04/2019				47 968	4 045	164.78	7 904 167	01/04/2019
	35 456	01/04/2020	4 649 700	4 649 700	2 004					
	37 455	01/04/2021	4 911 849	4 911 849	2 117					
	25 402	01/04/2022	3 331 218	3 331 218						
	98 313		12 892 767	12 892 767	4 121	47 968	4 045		7 904 167	

[1] *Based on a share price of R131.14 which prevailed on 31 December 2019.*
[2] *A modification was made to the LTIP scheme during 2019 which resulted in a top-up in the number of rights employees are entitled to.*
[3] *Shares forfeited due to performance conditions not being fully met.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS continued

Management share scheme – LTIP continued

2018 (restated)	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Modification during the year[2] Number	Options exercised during the year Number	Shares forfeited[3] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors										
MDM Mgojo		01/04/2018			6 105	74 925		106.43	7 974 268	03/04/2018
		01/05/2018			5 667	69 556		111.10	7 727 672	04/05/2018
	206 388	01/04/2019	28 454 714	28 454 714	16 816					
	139 908	01/04/2020	19 289 116	19 289 116	11 399					
	152 820	01/04/2021	21 069 293	21 069 293						
	499 116		68 813 123	68 813 123	39 987	144 481			15 701 940	
PA Koppeschaar		01/04/2018			2 940	36 077		106.43	3 839 675	03/04/2018
	51 770	01/04/2019	7 137 530	7 137 530	4 218					
	36 287	01/09/2019	5 002 889	5 002 889	2 957					
	60 728	01/04/2020	8 372 569	8 372 569	4 948					
	71 749	01/04/2021	9 892 035	9 892 035						
	220 534		30 405 023	30 405 023	15 063	36 077			3 839 675	
Prescribed officers										
V Balgobind		01/04/2018			170	2 085	4 468	106.43	221 907	03/04/2018
		01/04/2018			1 063	13 045		106.43	1 388 379	03/04/2018
	41 655	01/04/2019	5 742 975	5 742 975	3 394					
	21 760	01/04/2019	3 000 051	3 000 051	1 773					
	27 336	01/04/2020	3 768 814	3 768 814	2 228					
	30 331	01/04/2021	4 181 735	4 181 735						
	121 082		16 693 575	16 693 575	8 628	15 130	4 468		1 610 286	
AW Diedericks		01/04/2018			3 051	37 438		106.43	3 984 526	03/04/2018
	53 725	01/04/2019	7 407 066	7 407 066	4 378					
	34 553	01/04/2020	4 763 822	4 763 822	2 816					
	36 500	01/04/2021	5 032 255	5 032 255						
	124 778		17 203 143	17 203 143	10 245	37 438			3 984 526	
JG Meyer		01/04/2018			3 051	37 438		106.43	3 984 526	03/04/2018
	53 725	01/04/2019	7 407 066	7 407 066	4 378					
	34 553	01/04/2020	4 763 822	4 763 822	2 816					
	37 475	01/04/2021	5 166 678	5 166 678						
	125 753		17 337 566	17 337 566	10 245	37 438			3 984 526	
MI Mthenjane		01/04/2018			2 966	36 401		106.43	3 874 158	03/04/2018
	52 237	01/04/2019	7 201 915	7 201 915	4 256					
	33 916	01/04/2020	4 675 999	4 675 999	2 764					
	35 828	01/04/2021	4 939 606	4 939 606						
	121 981		16 817 520	16 817 520	9 986	36 401			3 874 158	
Dr N Tsengwa		01/04/2018			2 566	31 488		106.43	3 351 268	03/04/2018
	45 187	01/04/2019	6 229 932	6 229 932	3 682					
	26 964	01/05/2019	3 717 527	3 717 527	2 197					
	51 117	01/04/2020	7 047 501	7 047 501	4 165					
	55 441	01/04/2021	7 643 651	7 643 651						
	178 709		24 638 611	24 638 611	12 610	31 488			3 351 268	
SE van Loggerenberg		01/04/2018			535	6 561		106.43	698 287	03/04/2018
	9 414	01/04/2019	1 297 908	1 297 908	767					
	6 191	01/04/2020	853 553	853 553	505					
	7 198	01/10/2020	992 388	992 388	587					
	15 272	01/04/2021	2 105 551	2 105 551						
	38 075		5 249 400	5 249 400	2 394	6 561			698 287	
M Veti		01/04/2018			2 953	36 244		106.43	3 857 449	03/04/2018
	52 013	01/04/2019	7 171 032	7 171 032	4 238					
	33 452	01/04/2020	4 612 027	4 612 027	2 726					
	35 338	01/04/2021	4 872 050	4 872 050						
	120 803		16 655 109	16 655 109	9 917	36 244			3 857 449	

[1] *Based on a share price of R137.87 which prevailed on 31 December 2018.*
[2] *A modification was made to the LTIP scheme during 2018 which resulted in a top-up in the number of rights employees are entitled to.*
[3] *Shares forfeited due to performance conditions not being fully met.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS continued

Management share scheme – DBP

2019	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Modification during the year[2] Number	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo		04/03/2019				6 314	152.57	963 327	20/03/2019
		31/03/2019				11 444	164.78	1 885 742	01/04/2019
		31/08/2019			91	1 598	135.11	215 906	09/09/2019
	1 209	31/08/2020	158 548	158 548	69				
	4 372	09/03/2021	573 344	573 344	248				
	11 139	31/03/2021	1 460 768	1 460 768	630				
	1 003	31/08/2021	131 533	131 533	57				
	1 414	15/03/2022	185 432	185 432					
	8 347	31/03/2022	1 094 626	1 094 626					
	27 484		3 604 251	3 604 251	1 095	19 356		3 064 975	
PA Koppeschaar	732	31/08/2021	95 994	95 994	42				
	5 369	31/03/2022	704 091	704 091					
	6 101		800 085	800 085	42				
Prescribed officers									
V Balgobind		04/03/2019				1 836	152.57	280 119	26/03/2019
		31/03/2019				2 040	164.78	336 151	01/04/2019
		31/08/2019			24	410	135.11	55 395	09/09/2019
	1 054	09/03/2020	138 222	138 222	60				
	1 891	31/03/2020	247 986	247 986	107				
	303	31/08/2020	39 735	39 735	18				
	1 089	09/03/2021	142 811	142 811	62				
	1 880	31/03/2021	246 543	246 543	107				
	253	31/08/2021	33 178	33 178	15				
	351	15/03/2022	46 030	46 030					
	2 540	31/03/2022	333 096	333 096					
	9 361		1 227 601	1 227 601	393	4 286		671 665	
AW Diedericks		04/03/2019				3 650	152.57	556 881	19/03/2019
		31/03/2019				5 339	164.78	879 760	09/04/2019
		31/08/2019			53	922	135.11	124 571	10/09/2019
	2 406	09/03/2020	315 523	315 523	136				
	4 368	31/03/2020	572 820	572 820	247				
	688	31/08/2020	90 224	90 224	39				
	2 484	09/03/2021	325 752	325 752	141				
	4 287	31/03/2021	562 197	562 197	243				
	557	31/08/2021	73 045	73 045	32				
	773	15/03/2022	101 371	101 371					
	3 098	31/03/2022	406 272	406 272					
	18 661		2 447 204	2 447 204	891	9 911		1 561 212	
JG Meyer		31/08/2019			53	928	135.11	125 382	03/09/2019
	2 413	09/03/2020	316 441	316 441	137				
	4 375	31/03/2020	573 738	573 738	248				
	688	31/08/2020	90 224	90 224	39				
	7 476		980 403	980 403	477	928		125 382	
MI Mthenjane	1 304	09/03/2020	171 007	171 007	74				
	670	31/08/2020	87 864	87 864	38				
	1 346	09/03/2021	176 514	176 514	77				
	2 331	31/03/2021	305 687	305 687	132				
	5 651		741 072	741 072	321				
Dr N Tsengwa		31/03/2019				2 596	164.78	427 769	09/04/2019
		31/08/2019			27	466	135.11	62 961	10/09/2019
	1 308	09/03/2020	171 531	171 531	74				
	396	31/08/2020	51 931	51 931	23				
	265	31/08/2021	34 752	34 752	15				
	519	15/03/2022	68 062	68 062					
	2 359	31/03/2022	309 359	309 359					
	4 847		635 635	635 635	139	3 062		490 730	
M Veti		31/08/2019			29	499	135.11	67 420	10/09/2019
	1 271	09/03/2020	166 679	166 679	72				
	369	31/08/2020	48 391	48 391	21				
	1 326	09/03/2021	173 892	173 892	75				
	2 314	31/03/2021	303 458	303 458	131				
	302	31/08/2021	39 604	39 604	18				
	419	15/03/2022	54 948	54 948					
	1 675	31/03/2022	219 660	219 660					
	7 676		1 006 632	1 006 632	346	499		67 420	

[1] *Based on a share price of R131.14 which prevailed on 31 December 2019.*
[2] *A modification was made to the DBP scheme during 2019 which resulted in a top-up in the number of rights employees are entitled to.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS continued

Management share scheme – DBP continued

2018	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Modification during the year[2] Number	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo	6 314	04/03/2019	870 511	870 511	515				
	11 444	31/03/2019	1 577 784	1 577 784	933				
	1 507	31/08/2019	207 770	207 770	123				
	1 140	31/08/2020	157 172	157 172	93				
	4 124	09/03/2021	568 576	568 576					
	10 509	31/03/2021	1 448 876	1 448 876					
	946	31/08/2021	130 425	130 425					
	35 984		4 961 114	4 961 114	1 664				
PA Koppeschaar		31/03/2018			119	1 456	149.94	218 313	09/05/2018
	690	31/08/2021	95 130	95 130					
	690		95 130	95 130	119	1 456		218 313	
Prescribed officers									
V Balgobind		31/08/2018			33	394	149.94	59 076	11/09/2018
	1 836	04/03/2019	253 129	253 129	150				
	2 040	31/03/2019	281 255	281 255	167				
	386	31/08/2019	53 218	53 218	32				
	994	09/03/2020	137 043	137 043	81				
	1 784	31/03/2020	245 960	245 960	146				
	285	31/08/2020	39 293	39 293	24				
	1 027	09/03/2021	141 592	141 592					
	1 773	31/03/2021	244 444	244 444					
	238	31/08/2021	32 813	32 813					
	10 363		1 428 747	1 428 747	633	394		59 076	
AW Diedericks		06/03/2018			58	707	125.15	88 481	14/03/2018
		31/03/2018			321	3 939	106.43	419 228	04/04/2018
		31/08/2018			114	1 390	149.94	208 417	05/09/2018
	3 650	04/03/2019	503 226	503 226	298				
	5 339	31/03/2019	736 088	736 088	435				
	869	31/08/2019	119 809	119 809	71				
	2 270	09/03/2020	312 965	312 965	185				
	4 121	31/03/2020	568 162	568 162	336				
	649	31/08/2020	89 478	89 478	53				
	2 343	09/03/2021	323 029	323 029					
	4 044	31/03/2021	557 546	557 546					
	525	31/08/2021	72 382	72 382					
	23 810		3 282 685	3 282 685	1 871	6 036		716 126	
JG Meyer		06/03/2018			55	669	125.15	83 725	15/03/2018
		31/03/2018			307	3 757	106.43	399 858	04/04/2018
		31/08/2018			110	1 350	149.94	202 419	03/09/2018
	875	31/08/2019	120 636	120 636	72				
	2 276	09/03/2020	313 792	313 792	186				
	4 127	31/03/2020	568 989	568 989	337				
	649	31/08/2020	89 478	89 478	53				
	7 927		1 092 895	1 092 895	1 120	5 776		686 002	
MI Mthenjane	1 230	09/03/2020	169 580	169 580	101				
	632	31/08/2020	87 134	87 134	52				
	1 269	09/03/2021	174 957	174 957					
	2 199	31/03/2021	303 176	303 176					
	5 330		734 847	734 847	153				
Dr N Tsengwa		06/03/2018			80	976	125.15	122 146	16/03/2018
		31/03/2018			161	1 973	106.43	209 986	12/04/2018
		31/08/2018			48	580	149.94	86 965	10/09/2018
	2 596	31/03/2019	357 911	357 911	212				
	439	31/08/2019	60 525	60 525	36				
	1 234	09/03/2020	170 132	170 132	101				
	373	31/08/2020	51 426	51 426	31				
	250	31/08/2021	34 468	34 468					
	4 892		674 462	674 462	669	3 529		419 097	
M Veti		06/03/2018			37	453	125.15	56 693	14/03/2018
		13/05/2018			229	2 810	118.05	331 721	23/05/2018
		31/08/2018			65	792	149.94	118 752	11/09/2018
	470	31/08/2019	64 799	64 799	39				
	1 199	09/03/2020	165 306	165 306	98				
	348	31/08/2020	47 979	47 979	29				
	1 251	09/03/2021	172 475	172 475					
	2 183	31/03/2021	300 970	300 970					
	284	31/08/2021	39 155	39 155					
	5 735		790 684	790 684	497	4 055		507 166	

[1] *Based on a share price of R137.87 which prevailed on 31 December 2018.*

[2] *A modification was made to the DBP scheme during 2018 which resulted in a top-up in the number of rights employees are entitled to.*

CHAPTER 15: RELATED PARTIES

Chapter 15:
Related parties

15.1 RELATED PARTY TRANSACTIONS

Transactions with related parties are on terms that are neither more nor less favourable than those arranged with independent third parties.

SHAREHOLDERS

The principal shareholders of the company at 31 December 2019 are detailed in chapter 19, annexure 1.

DIRECTORS

Details relating to directors' emoluments and shareholdings (including options) in the company are disclosed in note 14.5.

SENIOR EMPLOYEES

Details relating to option and share transactions are disclosed in note 14.3.

KEY MANAGEMENT PERSONNEL

For Exxaro, other than the executive and non-executive directors and executive committee members, no other key management personnel were identified. Refer note 14.5 for details on directors and prescribed officers' remuneration.

SUBSIDIARIES

Details of transactions with and investments in subsidiaries are disclosed in chapter 17.

STRUCTURED ENTITIES

The group has an interest in the following structured entities which are consolidated unless otherwise indicated:

Entity	Nature of business
Exxaro Chairman's Fund	Local social economic development[1]
Exxaro Foundation	Local social economic development[1]
Exxaro Employee Empowerment Participation Scheme Trust	Employee share incentive trust
Exxaro Employee Empowerment Trust	Employee share incentive trust
Exxaro Environmental Rehabilitation Fund	Trust fund for mine closure
Exxaro Mountain Bike Academy NPC	Local social economic development[1]
Exxaro People Development Initiative NPC	Local social economic development — bridging classes[1]
Kumba Resources Management Share Trust	Management share incentive trust
Eyesizwe (RF) Proprietary Limited	Structured entity to hold the BEE shares
Matla and Arnot Rehabilitation Trust	Trust fund for mine closure

[1] *Non-profit organisations.*

ASSOCIATES AND JOINT VENTURES

Details of investments in associates and joint ventures and income received therefrom are disclosed in chapter 9. Details of trading transactions and balances are summarised below.

	Group			
	Associates		Joint ventures	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Items of income/(expense) incurred during the year				
Group sales of goods and services rendered	6	101		
Group purchases of goods and services rendered	(318)	(163)	(1 103)	(742)
Outstanding balances at 31 December				
Included in trade and other receivables	1	112	1	
Included in trade and other payables	(12)	(27)	(124)	(53)

CHAPTER 16: FINANCIAL INSTRUMENTS

Chapter 16:
Financial instruments

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS

16.1.1 FINANCIAL ASSETS

(i) Classification

The group and company classifies its financial assets in the following measurement categories:
- Those measured subsequently at fair value (either through OCI, or through profit or loss)
- Those measured at amortised cost.

The classification depends on the group's and company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group or company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The group and company reclassifies debt investments when, and only when, its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the group and company measures a financial asset at its fair value, plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Debt instruments

Subsequent measurement of debt instruments depends on the group and company's business model for managing the asset and the cash flow characteristics of the asset. Currently there are two measurement categories into which the group and company classifies its debt instruments, as the group and company do not hold any debt instruments classified as FVOCI, as summarised in the table below.

Category	Financial instruments	Business model and cash flow characteristics	Movements in carrying amount	Derecognition	Impairment
Amortised cost	• Trade and other receivables • Loans to joint ventures and associates • Other financial assets • Treasury facilities with subsidiaries • Related party financial assets • ESD loans	Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI.	Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are recognised in profit or loss.	Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in operating expenses.	Impairment losses are presented as a separate line item in the notes to the statements of comprehensive income. The impairment losses are considered to be immaterial and therefore it has not been presented as a separate line on the face of the statements of comprehensive income.
FVPL	• Debt securities • Derivative financial assets	Financial assets that do not meet the criteria for amortised cost or FVOCI.	Gains and losses on a debt investment that are subsequently measured at FVPL are recognised in profit or loss and presented on a net basis within operating expenses in the period in which it arises. Interest income is recognised in profit or loss.	Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in operating expenses.	Debt instruments measured at FVPL are not subject to the impairment model in terms of IFRS 9.

Chapter 16:
Financial instruments continued

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.1 FINANCIAL ASSETS continued

Equity instruments

Equity investments are subsequently measured at fair value. Management has elected to present fair value gains and losses on equity investments in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as income from financial assets when the group and company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in operating expenses in the statements of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

The group and company assesses on a forward-looking basis the ECLs associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group and company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

ECL allowances are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

For trade receivables, the group and company applies the simplified approach permitted by IFRS 9, which requires lifetime ECLs to be recognised from initial recognition of the receivables. To measure the ECLs, trade receivables are grouped based on shared credit risk characteristics (corporate entities, small-medium enterprises and public sector entities) and the days past due to assess significant increase in credit risk. In addition, forward-looking macro-economic conditions and factors are considered when determining the ECLs for trade receivables, namely trading conditions in the domestic and international coal markets, domestic and export coal prices as well as economic growth and inflationary outlook in the short term. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the group and company, and a failure to make contractual payments for a period of greater than 120 days past due.

For other financial assets measured at amortised cost, the ECL is based on the 12-month ECL allowance or a lifetime ECL allowance. The 12-month ECL allowance is the portion of lifetime ECL allowances that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the ECL will be based on the lifetime ECL allowances.

The group and company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The group and company considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the group and company may also consider a financial asset to be in default when internal or external information indicates that the group and company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group and company.

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.1 FINANCIAL ASSETS continued

Equity instruments continued

The financial assets measured at amortised cost are categorised as follows:

Category	Definition	Basis for recognition of ECL allowance
Performing	Counterparty has a low risk of default and a strong capacity to meet contractual cash flows of principle and/or interest (where applicable).	12-month ECLs: where the expected lifetime of a financial asset measured at amortised cost is less than 12 months, ECLs are measured at its expected lifetime.
Under-performing	There is a significant increase in credit risk of the counterparty since initial recognition. A significant increase in credit risk is presumed if principle and/or interest (where applicable) payments are 30 to 90 days past due.	Lifetime ECLs
Non-performing	Counterparty has a high risk of default and there is a high probability that the counterparty will be unable to meet contractual cash flows of principal and/or interest (where applicable). There has been a further significant increase in credit risk since recognition. A further significant increase in credit risk is presumed if the principal and/or interest (where applicable) repayments are more than 90 days past due.	Lifetime ECLs
Write-off	There is no reasonable expectation that the principal and/or interest (where applicable) will be recovered.	Financial asset measured at amortised cost is written off

16.1.2 LOAN COMMITMENTS ISSUED BY THE GROUP AND COMPANY

Undrawn loan commitments are commitments under which, over the duration of the commitment, the group and company is required to provide a loan with prespecified terms to the counterparty. These contracts are in the scope of the ECL requirements of IFRS 9.

When estimating 12-month or lifetime ECLs for undrawn loan commitments, the group and company estimates the expected portion of the loan commitment that will be drawn down over 12 months or its expected life, respectively. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability weighting. The cash shortfalls include the realisation of any collateral. The expected cash shortfalls are discounted at an approximation to the expected effective interest rate on the loan.

16.2 JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

In applying IFRS 9 *Financial Instruments*, management makes judgements and assumptions in determining the impairment losses to be recognised in relation to financial assets. The ECL allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group and company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group and company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Chapter 16:
Financial instruments continued

16.3 FINANCIAL INSTRUMENTS

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS

The tables below set out the group and company's classification of each category of financial assets and financial liabilities.

	Group					
At 31 December 2019	**Financial assets at FVOCI Rm**	**Financial assets at FVPL Rm**	**Financial assets at amortised cost Rm**	**Financial liabilities at FVPL Rm**	**Financial liabilities at amortised cost Rm**	**Total carrying amount Rm**
Financial assets						
Non-current						
Financial assets, consisting of:						
– Equity: unlisted – Chifeng	235					235
– Debt: unlisted – environmental rehabilitation funds		2 039				2 039
– ESD loans			124			124
– Other financial assets at amortised cost			276			276
Total non-current financial assets	235	2 039	400			2 674
Current						
Financial assets, consisting of:						
– Loans to associates and joint ventures			133			133
– ESD loans			82			82
– Other financial assets at amortised cost			57			57
Trade and other receivables, consisting of:						
– Trade receivables			2 928			2 928
– Other receivables			313			313
Cash and cash equivalents			2 695			2 695
Total current financial assets			6 208			6 208
Total financial assets	235	2 039	6 608			8 882
Financial liabilities						
Non-current						
Interest-bearing borrowings					6 991	6 991
Other payables					121	121
Total non-current financial liabilities					7 112	7 112
Current						
Interest-bearing borrowings					50	50
Trade and other payables					2 603	2 603
Financial liabilities, consisting of:						
– Contingent consideration				191		191
– Deferred consideration payable					307	307
Overdraft					976	976
Total current financial liabilities				191	3 936	4 127
Total financial liabilities				191	11 048	11 239

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS continued

	Group					
At 31 December 2018	**Financial assets at FVOCI Rm**	**Financial assets at FVPL Rm**	**Financial assets at amortised cost Rm**	**Financial liabilities at FVPL Rm**	**Financial liabilities at amortised cost Rm**	**Total carrying amount Rm**
Financial assets						
Non-current						
Financial assets, consisting of:						
– Equity: unlisted – Chifeng	185					185
– Debt: unlisted – environmental rehabilitation funds		1 432				1 432
– Loans to associates and joint ventures			250			250
– ESD loans			80			80
– Other financial assets at amortised cost			687			687
Total non-current financial assets	185	1 432	1 017			2 634
Current						
Financial assets, consisting of:						
– Loans to associates and joint ventures			9			9
– ESD loans			45			45
– Other financial assets at amortised cost			80			80
Trade and other receivables, consisting of:						
– Trade receivables			2 971			2 971
– Other receivables			169			169
Cash and cash equivalents			2 080			2 080
Total current financial assets			5 354			5 354
Total financial assets	185	1 432	6 371			7 988
Financial liabilities						
Non-current						
Interest-bearing borrowings					3 843	3 843
Other payables					152	152
Financial liabilities, consisting of:						
– Contingent consideration				488		488
– Deferred consideration payable					225	225
Total non-current financial liabilities				488	4 220	4 708
Current						
Interest-bearing borrowings					571	571
Trade and other payables					2 960	2 960
Financial liabilities, consisting of:						
– Derivative financial liabilities				1		1
– Contingent consideration				361		361
– Deferred consideration payable					395	395
Overdraft					1 531	1 531
Total current financial liabilities				362	5 457	5 819
Total financial liabilities				850	9 677	10 527

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

Chapter 16:
Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS continued

At 31 December 2019	Company Financial assets at FVOCI Rm	Financial assets at amortised cost Rm	Financial liabilities at FVPL Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets					
Non-current					
Financial assets, consisting of:					
– Debt: unlisted – environmental rehabilitation funds	29				29
– ESD loans		124			124
– Interest-bearing loans to subsidiaries		7 000			7 000
Total non-current financial assets	29	7 124			7 153
Current					
Financial assets, consisting of:					
– ESD loans		82			82
– Interest-bearing loans to subsidiaries		60			60
– Non-interest-bearing loans to subsidiaries		359			359
– Treasury facilities with subsidiaries at amortised cost		4 038			4 038
Trade and other receivables, consisting of:					
– Other receivables		15			15
– Indebtedness by subsidiaries		615			615
Cash and cash equivalents		1 649			1 649
Total current financial assets		6 818			6 818
Total financial assets	29	13 942			13 971
Financial liabilities					
Non-current					
Interest-bearing borrowings				6 991	6 991
Total non-current financial liabilities				6 991	6 991
Current					
Interest-bearing borrowings				50	50
Trade and other payables				177	177
Financial liabilities, consisting of:					
– Contingent consideration			191		191
– Deferred consideration payable				307	307
– Non-interest-bearing loans from subsidiary				8 452	8 452
– Treasury facilities with subsidiaries at amortised cost				5 448	5 448
Overdraft				976	976
Total current financial liabilities			191	15 410	15 601
Total financial liabilities			191	22 401	22 592

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS continued

	Company				
At 31 December 2018	**Financial assets at FVOCI Rm**	**Financial assets at amortised cost Rm**	**Financial liabilities at FVPL Rm**	**Financial liabilities at amortised cost Rm**	**Total carrying amount Rm**
Financial assets					
Non-current					
Financial assets, consisting of:					
– Debt: unlisted – environmental rehabilitation funds	26				26
– ESD loans		80			80
– Interest-bearing loans to subsidiaries		3 500			3 500
Total non-current financial assets	26	3 580			3 606
Current					
Financial assets, consisting of:					
– ESD loans		45			45
– Interest-bearing loans to subsidiaries		586			586
– Non-interest-bearing loans to subsidiaries		341			341
– Treasury facilities with subsidiaries at amortised cost		1 611			1 611
Trade and other receivables, consisting of:					
– Other receivables		19			19
– Indebtedness by subsidiaries		194			194
Cash and cash equivalents		676			676
Total current financial assets		3 472			3 472
Non-current assets held-for-sale		408			408
Total financial assets	26	7 460			7 486
Financial liabilities					
Non-current					
Interest-bearing borrowings				3 233	3 233
Non-current other payables					
Financial liabilities, consisting of:					
– Contingent consideration			488		488
– Put option			584		584
– Deferred consideration payable				225	225
Total non-current financial liabilities			1 072	3 458	4 530
Current					
Interest-bearing borrowings				572	572
Trade and other payables				176	176
Financial liabilities, consisting of:					
– Contingent consideration			361		361
– Deferred consideration payable				395	395
– Non-interest-bearing loans from subsidiary				8 197	8 197
– Treasury facilities with subsidiaries at amortised cost				1 886	1 886
Overdraft				1 046	1 046
Total current financial liabilities			361	12 272	12 633
Total financial liabilities			1 433	15 730	17 163

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

Chapter 16:
Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 FAIR VALUES

16.3.2.1 Fair value hierarchy

Financial assets and financial liabilities at fair value have been categorised in the following hierarchy structure, based on the input used in the valuation technique:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the group can access at the measurement date.
Level 2 – Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable.
Level 3 – Inputs that are not based on observable market data (unobservable inputs).

	Group		
2019	**Fair value Rm**	**Level 2 Rm**	**Level 3 Rm**
Financial assets at FVOCI	235		235
Equity: unlisted – Chifeng	235		235
Financial assets at FVPL	2 039	2 039	
Debt: unlisted – environmental rehabilitation funds	2 039	2 039	
Financial liabilities at FVPL	(191)		(191)
Current contingent consideration	(191)		(191)
Net financial assets held at fair value	2 083	2 039	44

Reconciliation of Level 3 hierarchy	**Contingent consideration Rm**	**Chifeng Rm**	**Total Rm**
Opening balance	(849)	185	(664)
Movement during the year			
Gains recognised in profit or loss	296		296
Gains recognised in OCI (pre-tax effect)[1]		50	50
Settlements	344		344
Exchange gains recognised in profit or loss	18		18
Closing balance	(191)	235	44

[1] *Tax on Chifeng amounts to nil.*

	Group		
2018	**Fair value Rm**	**Level 2 Rm**	**Level 3 Rm**
Financial assets at FVOCI	185		185
Equity: unlisted – Chifeng	185		185
Financial assets at FVPL	1 432	1 432	
Debt: unlisted – environmental rehabilitation funds	1 432	1 432	
Financial liabilities at FVPL	(849)		(849)
Non-current contingent consideration	(488)		(488)
Current contingent consideration	(361)		(361)
Derivative financial liabilities	(1)	(1)	
Net financial assets/(liabilities) held at fair value	767	1 431	(664)

Reconciliation of Level 3 hierarchy	**Contingent consideration Rm**	**Chifeng Rm**	**Total Rm**
Opening balance	(723)	152	(571)
Movement during the year			
Losses recognised in profit or loss	(357)		(357)
Gains recognised in OCI (pre-tax effect)[1]		33	33
Settlements	299		299
Exchange losses recognised in profit or loss	(68)		(68)
Closing balance	(849)	185	(664)

[1] *Tax on Chifeng amounts to R12 million.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 FAIR VALUES continued

16.3.2.1 Fair value hierarchy continued

	Company		
2019	**Fair value Rm**	**Level 2 Rm**	**Level 3 Rm**
Financial assets at FVPL	29	29	
Debt: unlisted – environmental rehabilitation funds	29	29	
Financial liabilities at FVPL	(191)		191
Current contingent consideration	(191)		191
Net financial (liabilities)/assets held at fair value	(162)	29	191

Reconciliation of Level 3 hierarchy	**Put option Rm**	**Contingent consideration Rm**	**Total Rm**
Opening balance	(584)	(849)	(1 433)
Movement during the year			
Gains recognised in profit or loss	12	296	308
Option lapsed[1]/settlements	572	344	916
Exchange gains recognised in profit or loss		18	18
Closing balance		(191)	(191)

[1] *The put option has lapsed as the preference share liability has been settled in full.*

	Company		
2018	**Fair value Rm**	**Level 2 Rm**	**Level 3 Rm**
Financial assets at FVPL	26	26	
Debt: unlisted – environmental rehabilitation funds	26	26	
Financial liabilities at FVPL	(1 433)		(1 433)
Non-current contingent consideration	(488)		(488)
Current contingent consideration	(361)		(361)
Put option	(584)		(584)
Net financial (liabilities)/assets held at fair value	(1 407)	26	(1 433)

Reconciliation of Level 3 hierarchy	**Put option Rm**	**Contingent consideration Rm**	**Total Rm**
Opening balance	(2 377)	(723)	(3 100)
Movement during the year			
Losses recognised in profit or loss	(1)	(357)	(358)
Option lapsed/settlements	1 794	299	2 093
Exchange losses recognised in profit or loss		(68)	(68)
Closing balance	(584)	(849)	(1 433)

16.3.2.2 Transfers

The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 and Level 2 or between Level 2 and Level 3 of the fair value hierarchy during the periods ended 31 December 2019 and 31 December 2018.

16.3.2.3 Valuation process applied

The fair value computations of the investments are performed by the group's corporate finance department, reporting to the finance director, on a six-monthly basis. The valuation reports are discussed with the chief operating decision maker and the audit committee in accordance with the group's reporting governance.

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 FAIR VALUES continued

16.3.2.4 Current derivative financial instruments

Level 2 fair values for simple over-the-counter derivative financial instruments are based on market quotes. These quotes are assessed for reasonableness by discounting estimated future cash flows using the market rate for similar instruments at measurement date.

16.3.2.5 Environmental rehabilitation funds

Level 2 fair values for debt instruments held in the environmental rehabilitation funds are based on quotes provided by the financial institutions at which the funds are invested at measurement date. These financial institutions invest in instruments which are listed.

16.3.2.6 Valuation techniques used in the determination of fair values within Level 3 of the hierarchy, as well as significant inputs used in the valuation models

Contingent consideration

The potential undiscounted amount of the remaining future payments that the group could be required to make under the ECC acquisition is between nil and US$35 million. The amount of future payments is dependent on the API4 coal price.

During 2019, there was a decrease of US$20.4 million (R296 million) (2018: an increase of US$25.4 million (R357 million)) recognised in profit or loss for the contingent consideration arrangement.

	API4 coal price range (US$/tonne)		Future payment
Reference year	**Minimum**	**Maximum**	**US$ million**
2015	60	80	10
2016	60	80	25
2017	60	80	25
2018	60	90	25
2019	60	90	35

The amount to be paid in each of the five years is determined as follows:
- If the average API4 price in the reference year is below the minimum API4 price of the agreed range, then no payment will be made
- If the average API4 price falls within the range, then the amount to be paid is determined based on a formula contained in the agreement
- If the average API4 price is above the maximum API4 price of the range, then Exxaro is liable for the full amount due for that reference year.

An additional payment to Total S.A. amounting to R344 million was required for the 2018 reference year, R299 million was required for the 2017 reference year and R74 million was required for the 2016 reference year as the API4 price was within the agreed range. No additional payment to Total S.A. was required for the 2015 reference year as the API4 price was below the range.

The contingent consideration is classified within Level 3 of the fair value hierarchy as there is no quoted market price or observable price available for this financial instrument. This financial instrument is valued as the present value of the estimated future cash flows, using a DCF model.

The significant observable and unobservable inputs used in the fair value measurement of this financial instrument are rand/US$ exchange rate, API4 export price and the discount rate.

16.3.3 RISK MANAGEMENT

16.3.3.1 Financial risk management

The group's corporate treasury function provides financial risk management services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyse exposure by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The group's objectives, policies and processes for measuring and managing these risks are detailed below.

The group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of derivative financial instruments is governed by the group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis and the results are reported to the audit committee.

The group does not enter into nor trade in financial instruments, including derivative financial instruments, for speculative purposes. The group enters into financial instruments to manage and reduce the possible adverse impact on earnings and cash flows of changes in interest rates, foreign currency exchange rates and commodity prices.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.1 Financial risk management continued

Capital management

In managing its capital, the group focuses on a sound net debt position, return on shareholders' equity (or return on capital employed) and the level of dividends to shareholders. The group's policy is to cover its annual net funding requirements through long-term loan facilities with maturities spread over time. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

16.3.3.2 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices, will affect the group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group's activities expose it primarily to the financial risks of changes in the environmental rehabilitation funds quoted prices (see 16.3.3.2.1 below), foreign currency exchange rates (see 16.3.3.2.2 below) and interest rates (see 16.3.3.2.3 following). The group enters into a variety of derivative financial instruments (which close out at year end) to manage its exposure to foreign currency risks and interest rate risks, including:

- FECs and currency options to hedge the exchange rate risk arising on the export of coal and imported capital expenditure
- Forward interest rate contracts to manage interest rate risk
- Interest rate swaps to manage the risk of rising interest rates
- Currency options and currency swap agreements to manage the risk of foreign currency fluctuations.

16.3.3.2.1 Price risk management

The group's exposure to equity price risk arises from investments held by the group and classified either as at FVOCI or at FVPL. Currently, the group's exposure to equity price risk is not considered to be significant as Chifeng is seen as a non-core investment.

The group's exposure to price risk in relation to quoted prices of the environmental rehabilitation funds is not considered a significant risk as the funds are invested with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and growth. The funds are held for strategic purposes rather than trading purposes.

16.3.3.2.2 Foreign currency risk management

The group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The currency in which transactions are entered into is mainly denominated in US dollar, euro and Australian dollar.

Exchange rate exposures are managed within approved policy parameters utilising FECs, currency options and currency swap agreements.

The group maintains a fully covered exchange rate position in respect of foreign balances (if any) and imported capital equipment resulting in these exposures being fully converted to rand. Trade-related import exposures are managed through the use of economic hedges arising from export revenue as well as through FECs. Trade-related export exposures are hedged using FECs and options with specific focus on short-term receivables.

Uncovered foreign debtors at 31 December 2019 amount to nil (2018: US$0.29), whereas uncovered cash and cash equivalents amount to US$89.81 million (2018: US$37.29 million).

All capital imports were fully hedged. Monetary items have been translated at the closing rate at the last day of the reporting period US$1:R14.13 (2018: US$1:R14.43).

The FECs which are used to hedge foreign currency exposure mostly have a maturity of less than one year from the reporting date. When necessary, FECs are rolled over at maturity.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.2 Market risk management continued

16.3.3.2.2 Foreign currency risk management continued

The following significant exchange rates applied during the year:

	2019			2018		
	Average spot rate	**Average achieved rate**	**Closing spot rate**	**Average spot rate**	**Average achieved rate**	**Closing spot rate**
US$	14.44	14.73	14.13	13.24	12.93	14.43
€	16.16		15.83	15.60		16.50
AU$	10.05		9.90	9.88		10.19

16.3.3.2.3 Interest rate risk management

The group is exposed to interest rate risk as it borrows and deposits funds at floating interest rates on the money market and extended bank borrowings.

The financial institutions chosen are subject to compliance with the relevant regulatory bodies. The interest-bearing borrowings were entered into at floating interest rates in anticipation of a decrease in the interest rate cycle.

The interest rate repricing profile for interest-bearing borrowings is summarised below:

	1 to 6 months Rm	Total borrowings Rm
At 31 December 2019		
Non-current interest-bearing borrowings	6 991	6 991
Current interest-bearing borrowings	50	50
	7 041	7 041
Total borrowings (%)	100	100
At 31 December 2018		
Non-current interest-bearing borrowings	3 843	3 843
Current interest-bearing borrowings	571	571
	4 414	4 414
Total borrowings (%)	100	100

Interest rate sensitivity

The following table reflects the potential impact on earnings, given an increase in interest rates of 50 basis points:

	Loss	
	2019 Rm	**2018 Rm**
Increase of 50 basis points in interest rate	(35)	(37)

A decrease in interest rates of 50 basis points would have an equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

16.3.3.3 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements.

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.3 Liquidity risk management continued

Borrowing capacity is determined by the directors, from time to time.

	Group	
	2019 Rm	**2018 Rm**
Amount approved[1]	43 470	52 308
Total borrowings	(7 041)	(4 414)
Unutilised borrowing capacity	36 429	47 894

[1] *Decrease mainly relates to the increase in NCI.*

The group's capital base, the borrowing powers of the company and group were set at 125% of shareholders' funds attributable to owners of the parent for both the 2019 and 2018 financial years.

Standard payment terms for the majority of trade payables is the end of the month following the month in which the goods are received or services are rendered.

A number of trade payables do, however, have shorter contracted payment periods.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

16.3.3.3.1 Maturity profile of financial instruments

The following tables detail the contractual maturities of financial assets and financial liabilities:

	Group				
			Maturity		
2019	**Carrying amount Rm**	**Contractual cash flows Rm**	**0 to 12 months Rm**	**1 to 2 years Rm**	**2 to 5 years Rm**
Financial assets					
Loans to associates and joint ventures	133	133	133		
ESD loans	206	206	82	65	59
Other financial assets at amortised cost	333	383	60	78	245
Trade and other receivables	3 241	3 241	3 241		
Cash and cash equivalents	2 695	2 695	2 695		
Total financial assets	6 608	6 658	6 211	143	304
Percentage profile (%)		100	93	2	5
Financial liabilities					
Interest-bearing borrowings	(7 041)	(8 288)	(716)	(3 170)	(4 402)
Non-current other payables	(121)	(121)		(112)	(9)
Contingent consideration	(191)	(191)	(191)		
Deferred consideration	(307)	(307)	(307)		
Trade and other payables	(2 603)	(2 603)	(2 603)		
Overdraft	(976)	(976)	(976)		
Total financial liabilities	(11 239)	(12 486)	(4 793)	(3 282)	(4 411)
Percentage profile (%)		100	39	26	35
Liquidity gap identified[1]	(4 631)	(5 828)	1 418	(3 139)	(4 107)

[1] *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place.*

Chapter 16:
Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

	Group					
			Maturity			
2018	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
Loans to associates and joint ventures	259	388	37	28	28	295
ESD loans	125	125	45	31	48	1
Other financial assets at amortised cost[1]	416	522	110	82	248	82
Trade and other receivables	3 140	3 140	3 140			
Cash and cash equivalents	2 080	2 080	2 080			
Total financial assets	6 020	6 255	5 412	141	324	378
Percentage profile (%)		100	87	2	5	6
Financial liabilities						
Interest-bearing borrowings	(4 414)	(5 513)	(915)	(325)	(4 273)	
Other payables	(152)	(152)		(86)	(66)	
Contingent consideration	(849)	(849)	(361)	(488)		
Deferred consideration	(620)	(620)	(395)	(225)		
Trade and other payables	(2 960)	(2 960)	(2 960)			
Derivative financial liabilities	(1)	(1)	(1)			
Overdraft	(1 531)	(1 531)	(1 531)			
Total financial liabilities	(10 527)	(11 626)	(6 163)	(1 124)	(4 339)	
Percentage profile (%)		100	53	10	37	
Liquidity gap identified[2]	(4 507)	(5 371)	(751)	(983)	(4 015)	378

[1] *Excludes the environmental rehabilitation funds at amortised cost.*

[2] *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

	Company				
			Maturity		
2019	**Carrying amount Rm**	**Contractual cash flows Rm**	**0 to 12 months Rm**	**1 to 2 years Rm**	**2 to 5 years Rm**
Financial assets					
ESD loans	206	206	82	65	59
Trade and other receivables	630	630	630		
Cash and cash equivalents	1 649	1 649	1 649		
Non-interest-bearing loans to subsidiaries	359	359	359		
Interest-bearing loans to subsidiaries	7 060	8 358	761	3 192	4 405
Treasury facilities with subsidiaries at amortised cost	4 038	4 038	4 038		
Total financial assets	13 942	15 240	7 519	3 257	4 464
Percentage profile (%)		100	49	21	30
Financial liabilities					
Interest-bearing borrowings	(7 041)	(8 288)	(716)	(3 170)	(4 402)
Contingent consideration	(191)	(191)	(191)		
Deferred consideration	(307)	(307)	(307)		
Trade and other payables	(177)	(177)	(177)		
Overdraft	(976)	(976)	(976)		
Non-interest-bearing loans from subsidiaries[1]	(8 452)	(8 452)	(8 452)		
Treasury facilities with subsidiaries at amortised cost	(5 448)	(5 448)	(5 448)		
Total financial liabilities	(22 592)	(23 839)	(16 267)	(3 170)	(4 402)
Percentage profile (%)		100	68	13	19
Liquidity gap identified[2]	(8 650)	(8 599)	(8 748)	87	62

[1] The majority of the non-interest-bearing loans from subsidiaries are not expected to be called upon in the foreseeable future.

[2] The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place.

Chapter 16:
Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

	Company					
			Maturity			
2018	**Carrying amount Rm**	**Contractual cash flows Rm**	**0 to 12 months Rm**	**1 to 2 years Rm**	**2 to 5 years Rm**	**More than 5 years Rm**
Financial assets						
ESD loans	125	125	45	31	48	1
Trade and other receivables	213	213	213			
Cash and cash equivalents	676	676	676			
Non-interest-bearing loans to subsidiaries	341	341	341			
Interest-bearing loans to subsidiaries	4 086	5 214	965	354	3 756	139
Treasury facilities with subsidiaries at amortised cost	1 611	1 611	1 611			
Total financial assets	7 052	8 180	3 851	385	3 804	140
Percentage profile (%)		100	47	5	47	2
Financial liabilities						
Interest-bearing borrowings	(3 805)	(4 676)	(916)	(326)	(3 434)	
Contingent consideration	(849)	(849)	(361)	(488)		
Put option	(584)	(800)			(800)	
Deferred consideration	(620)	(620)	(395)	(225)		
Trade and other payables	(176)	(176)	(176)			
Overdraft	(1 046)	(1 046)	(1 046)			
Non-interest-bearing loans from subsidiaries[1]	(8 197)	(8 197)	(8 197)			
Treasury facilities with subsidiaries at amortised cost	(1 886)	(1 886)	(1 886)			
Total financial liabilities	(17 163)	(18 250)	(12 977)	(1 039)	(4 234)	
Percentage profile (%)		100	71	6	23	
Liquidity gap identified[2]	(10 111)	(10 070)	(9 126)	(654)	(430)	140

[1] *The majority of the non-interest-bearing loans from subsidiaries are not expected to be called upon in the foreseeable future.*

[2] *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place.*

16.3.3.4 Credit risk management

Credit risk relates to potential default by counterparties on cash and cash equivalents, loans, investments, trade receivables and other receivables.

The group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well established financial institutions of high-credit standing. The group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board of directors annually.

Trade receivables consist of a number of customers with whom Exxaro has long-standing relationships. A high portion of term supply arrangements exists with such customers resulting in limited credit exposure which exposure is limited by performing customer creditworthiness or country risk assessments.

The group strives to enter into sales contracts with customers which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt, where applicable new payment terms may be arranged to ensure that the debt is fully recovered.

Exxaro has concentration risk as a result of its exposure to one major customer. This is, however, not considered significant as the customer adheres to the stipulated payment terms.

Exxaro establishes an allowance for non-recoverability or impairment that represents its estimate of ECLs in respect of trade receivables, other receivables, loans, cash and cash equivalents and investments. The main components of these allowances are a 12-month ECL component that results from possible default events within the 12 months after the reporting date and a lifetime ECL component that results from all possible default events over the expected life of a financial instrument.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. None of the financial assets below were held as collateral for any security provided.

Detail of the trade receivables credit risk exposure:

	Group	
	2019 %	**2018 %**
By geographical area		
RSA	65	66
Europe	17	21
Asia	16	11
USA	2	2
Total	100	100
By industry		
Public utilities	53	45
Structural metal	2	
Cement	1	1
Mining	38	41
Manufacturing	1	1
Merchants	1	1
Food and beverage	1	1
Steel	3	10
Total	100	100

Detailed impairment analysis of financial assets measured at amortised cost:

	Group			
2019	**Total Rm**	**Performing Rm**	**Under-performing Rm**	**Non-performing Rm**
Loans to associates and joint ventures	133		133	
– Current – gross	182		182	
– Current – impairment allowances	(49)		(49)	
ESD loans	206	206		
– Non-current – gross	124	124		
– Current – gross	83	83		
– Current – impairment allowances	(1)	(1)		
Other financial assets at amortised cost	333	333		
– Non-current – gross	279	279		
– Non-current – impairment allowances	(3)	(3)		
– Current – gross	63	58		5
– Current – impairment allowances	(6)	(1)		(5)
Lease receivables[1]	67	67		
Trade receivables	2 928	2 850	65	13
– Gross	3 023	2 855	66	102
– Impairment allowances	(95)	(5)	(1)	(89)
Other receivables	313	240	6	67
– Gross	464	240	6	218
– Impairment allowances	(151)			(151)
Cash and cash equivalents	2 695	2 695		
Total financial assets at amortised cost	6 675	6 391	204	80

[1] Lease receivables are within the scope of the impairment requirements of IFRS 9.

Chapter 16:
Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

	Company			
2018	**Total Rm**	**Performing Rm**	**Under-performing Rm**	**Non-performing Rm**
Loans to associates and joint ventures	259	259		
ESD loans	125	125		
Other financial assets at amortised cost	767	767		
– Non-current – gross	687	687		
– Current – gross	85	81		4
– Impairment allowances	(5)	(1)		(4)
Lease receivables[1]	71	71		
Trade receivables	2 971	2 922	41	8
– Gross	3 052	2 930	41	81
– Impairment allowances	(81)	(8)		(73)
Other receivables	169	149	20	
– Gross	223	149	20	54
– Impairment allowances	(54)			(54)
Cash and cash equivalents	2 080	2 080		
Total financial assets at amortised cost	6 442	6 373	61	8

[1] *Lease receivables are within the scope of the impairment requirements of IFRS 9.*

	Company			
2019	**Total Rm**	**Performing Rm**	**Under-performing Rm**	**Non-performing Rm**
ESD loans	206	206		
– Non-current – gross	124	124		
– Current – gross	83	83		
– Current – impairment allowances	(1)	(1)		
Other receivables	15	15		
– Gross	26	15		11
– Impairment allowances	(11)			(11)
Indebtedness to subsidiaries	615	615		
Non-interest-bearing loans to subsidiaries	359	359		
– Current – gross	421	360		61
– Current – impairment allowances	(62)	(1)		(61)
Interest-bearing loans to subsidiaries	7 060	7 060		
Treasury facilities with subsidiaries at amortised cost	4 038	4 038		
Cash and cash equivalents	1 649	1 649		
Total financial assets at amortised cost	13 942	13 942		

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

	Company			
2018	**Total Rm**	**Performing Rm**	**Under-performing Rm**	**Non-performing Rm**
ESD loans	125	125		
Other financial assets at amortised cost				
– Current – gross	4			4
– Current – impairment allowances	(4)			(4)
Other receivables	19	11	8	
Indebtedness to subsidiaries	194	194		
Non-interest-bearing loans to subsidiaries	341	341		
– Current – gross	401	341		60
– Current – impairment allowances	(60)			(60)
Interest-bearing loans to subsidiaries	4 086	4 086		
Treasury facilities with subsidiaries at amortised cost	1 611	1 611		
Cash and cash equivalents	676	676		
Total financial assets at amortised cost	7 052	7 044	8	

16.3.3.4.2 Trade and other receivables age analysis

	Group					
	Current			Past due		
2019	**Total Rm**	**1 to 30 days Rm**	**31 to 60 days Rm**	**61 to 90 days Rm**	**90 to 180 days Rm**	**>180 days Rm**
Trade receivables	2 928	2 806	94	19	5	4
– Gross	3 023	2 811	95	19	9	89
– Impairment allowances	(95)	(5)	(1)		(4)	(85)
Other receivables	313	238	5	3		67
– Gross	464	239	5	3	124	93
– Impairment allowances	(151)	(1)			(124)	(26)
Total carrying amount of trade and other receivables	3 241	3 044	99	22	5	71
2018						
Trade receivables	2 971	2 863	100	6	1	1
– Gross	3 052	2 870	100	6	4	72
– Impairment allowances	(81)	(7)			(3)	(71)
Other receivables	169	69	82	3	4	11
– Gross	223	78	86	7	41	11
– Impairment allowances	(54)	(9)	(4)	(4)	(37)	
Total carrying amount of trade and other receivables	3 140	2 932	182	9	5	12

Chapter 16:
Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.2 Trade and other receivables age analysis continued

Company	Current Total Rm	Current 1 to 30 days Rm	Current 31 to 60 days Rm	Past due 61 to 90 days Rm	Past due 90 to 180 days Rm	Past due >180 days Rm
2019						
Other receivables	15	13	2			
– Gross	26	13	2		11	
– Impairment allowances	(11)				(11)	
Indebtedness by subsidiaries	615	615				
Total carrying amount of trade and other receivables	630	628	2			

Company	Total Rm	Current 1 to 30 days Rm	Past due >180 days Rm
2018			
Other receivables	19	11	8
Indebtedness by subsidiaries	194	194	
Total carrying amount of trade and other receivables	213	205	8

16.3.3.4.3 Credit quality of financial assets

The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings available from Fitch and Standard & Poor's.

At 31 December	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Cash and cash equivalents				
Fitch ratings				
F1+	174	88	30	14
Standard & Poor's ratings				
A-1+	2 485	1 457	1 619	662
A-1	36	535		
Total cash and cash equivalents[1]	2 695	2 080	1 649	676

[1] *Excludes overdraft and cash and cash equivalents classified as held-for-sale.*

Fitch ratings

F1 Highest credit quality

"+" denotes any exceptionally strong credit feature

Standard & Poor's

A-1+ Highest certainty of payment

A-1 Very high certainty of payment

16.3.3.4.4 Collateral

No collateral was held by the group as security and nor any other enhancements over the financial assets during the years ended 31 December 2019 and 2018.

Guarantees

The group did not obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees during the financial year ended 31 December 2019 and 31 December 2018. The guarantees issued relate to operational liabilities (refer note 13.4 on contingent liabilities).

16.3 FINANCIAL INSTRUMENTS continued

16.3.4 LOAN COMMITMENTS

The group and company have granted the following loan commitments:

	Group		Company	
At 31 December	**2019 Rm**	**2018 Rm**	**2019 Rm**	**2018 Rm**
Total loan commitment	1 206	1 221	706	721
Mafube[1]	500	500		
Insect Technology[2]	706	721	706	721
Undrawn loan commitment	1 206	971	706	721
Mafube	500	250		
Insect Technology	706	721	706	721

[1] *Revolving credit facility available for five years, ending 2023.*
[2] *A US$50 million term loan facility available from 2020 to 2025.*

16.4 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO FINANCIAL INSTRUMENTS

	Group		Company	
	2019 Rm	**2018 Rm**	**2019 Rm**	**2018 Rm**
Cash and cash equivalents				
Cash and cash equivalents	2 695	2 080	1 649	676
Bank overdraft	(976)	(1 531)	(976)	(1 046)
Total cash and cash equivalents	1 719	549	673	(370)

CHAPTER 17: SUBSIDIARIES

Chapter 17:
Subsiciaries

17.1 ACCOUNTING POLICIES RELATING TO SUBSIDIARIES

17.1.1 DIVIDEND INCOME

Dividends receivable are recognised when the right to receive payment is established.

17.1.2 SUBSIDIARIES

The results of subsidiaries are included for the duration of the period in which the group exercises control over the subsidiary. All intercompany transactions and resultant profits or losses between group companies are eliminated on consolidation. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the group. If it is not practical to change the policies, the appropriate adjustments are made on consolidation to ensure consistency within the group.

The results of structured entities that, in substance, are controlled by the group, are consolidated.

The company carries its investments in subsidiaries at cost, including transaction costs and initial fair value of contingent consideration arising on acquisition date, less accumulated impairment losses. Subsequent fair value remeasurements of the contingent consideration are recognised in profit or loss.

Business combinations are accounted for using the acquisition method as at the acquisition date, that is, when control is transferred to Exxaro. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, Exxaro takes into consideration potential voting rights that are currently exercisable. The group also assesses existence of control where it does not have more than 50% of the voting power, but is able to govern the financial and operating policies by virtue of de facto control.

De facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating activities.

17.1.2.1 Changes in ownership interest in subsidiaries without change in control

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

17.1.2.2 Disposal of subsidiaries

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

17.1.2.3 Foreign operations

The results and financial position of all the group entities (none of which have the currency of a hyper-inflationary economy at or for the year ended 31 December 2019 and 2018) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities at rates of exchange ruling at the reporting date
- Equity items are translated at historical rates
- Income, expenditure and cash flow items at weighted average rates
- Goodwill and fair value adjustments arising on acquisition at rates of exchange ruling at the reporting date.

Exchange differences on translation are accounted for in other comprehensive income. These differences will be recognised in profit or loss upon realisation of the underlying operation.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (ie the reporting entity's interest in the net assets of that operation), and of borrowing and other currency instruments designated as hedges of such instruments, are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in other comprehensive income are recognised in profit or loss.

17.1.2.4 Investments in share-based payments

Exxaro has an agreement with its subsidiary companies to charge the subsidiaries for the equity compensation share schemes (refer Chapter 14) granted to the subsidiaries' employees.

The movement in equity in the company's financial statements relating to the recharge of the share-based payments of subsidiaries is accounted for against investments in subsidiaries and is eliminated on consolidation for group reporting purposes.

17.1 ACCOUNTING POLICIES RELATING TO SUBSIDIARIES continued

17.1.2 SUBSIDIARIES continued

17.1.2.5 Impairment of investments in subsidiaries

The carrying amounts of assets are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount is estimated as the higher of the fair value less costs of disposal and the value-in-use.

A previously recognised impairment loss is reversed (or partially reversed) if there has been a change in the estimates used to determine the recoverable amount. However, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior years.

17.2 JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

17.2.1 CONTROL ASSESSMENT FOR CONSOLIDATION OF SUBSIDIARIES

In applying IFRS 10 *Consolidated Financial Statements* management has applied judgement in assessing whether Exxaro has control over certain entities where the percentage shareholding does not provide control. Specifically:

(a) Eyesizwe

Exxaro has control over Eyesizwe even though Exxaro only holds a 24.9% equity interest in Eyesizwe. Eyesizwe was created and designed for the sole purpose of providing Exxaro with BEE credentials and as a structure to hold Exxaro shares. The Replacement BEE Transaction protects the stability of Exxaro's operations reinforcing the sustainability of relationships with key stakeholders, equips Exxaro for growth by positioning Exxaro with market-leading empowerment credentials in the South African mining sector and creates long-term value for shareholders.

Exxaro is able to direct the strategic direction of Eyesizwe and, as per the transaction agreements, Eyesizwe's MoI may not be amended or replaced without Exxaro's prior written consent. All these points indicate that Exxaro has been involved from the inception of the Replacement BEE Transaction, to ensure that the design and operation of Eyesizwe achieves the purpose for which it was created. Eyesizwe can also not dispose of Exxaro shares without the prior consent of Exxaro. Exxaro has significant exposure to the variable returns of Eyesizwe, through the creation and maintenance of the BEE credentials during the lock-in period as well as through the equity investment held by Exxaro in Eyesizwe. All these factors have been considered in determining that even though Exxaro does not have majority voting rights in Eyesizwe, it still has control over Eyesizwe and consolidates the results of Eyesizwe in the group results of Exxaro.

(b) Mmakau Coal Proprietary Limited

The group has control over Mmakau Coal Proprietary Limited even though the group's equity interest is only 49%. The group has provided all funding and carries the entire operational risk. Mmakau Mining Proprietary Limited holds the other 51% equity interest and is not exposed to any downside risk through its equity investment.

(c) Tumelo

In 2018, the group controlled Tumelo, even though the group's equity interest was 49%, as the group performed the management function. On 1 January 2019, the management function was taken over by the majority shareholder (Mmakau Mining Proprietary Limited), and consequently the group lost control over Tumelo and no longer consolidates the entity as a subsidiary. Tumelo is now equity-accounted as an associate as Exxaro has significant influence over Tumelo (refer note 9.4).

17.2.2 NON-CONTROLLING INTERESTS

As part of the Replacement BEE Transaction, implemented in 2017, Eyesizwe was incorporated and established as the empowerment vehicle to hold 30% of Exxaro's shares. A portion of the 30% acquired interest was financed by means of an issue of Eyesizwe preference shares to various financial institutions. The shares held by Eyesizwe in Exxaro were provided as security for these preference shares.

The outstanding preference share obligation was settled early by Eyesizwe during October 2019 as a result of the dividends which were received from Exxaro. This has resulted in Eyesizwe's other shareholders (IDC and Eyesizwe SPV Proprietary Limited) becoming true equity holders as they are now exposed to both upside and downside risk in relation to the Exxaro shares.

From an Exxaro group perspective this resulted in the recognition of non-controlling interests for Eyesizwe's other shareholders. On initial recognition the non-controlling interest in Eyesizwe was recognised at the net asset value of the consolidated Eyesizwe results. Subsequent to initial recognition, Eyesizwe's other shareholders share in the movement of profit or loss and other comprehensive income.

17.2.3 IMPAIRMENT OF INVESTMENT IN ECC

Refer note 10.1.2 for the judgements, assumptions and sensitivities applied in considering the impairment of the investment in the ECC subsidiary.

17.3 TRANSACTIONS WITH SUBSIDIARIES

17.3.1 REVENUE

For the year ended 31 December	Note	Company 2019 Rm	Company 2018 Rm
Corporate services rendered to the following subsidiaries of Exxaro:			
Exxaro Coal Proprietary Limited		1 471	1 256
Exxaro Coal Mpumalanga Proprietary Limited		483	475
Exxaro Coal Central Proprietary Limited		177	15
Other subsidiaries		33	31
Revenue	6.1.2	2 164	1 777

17.3.2 DIVIDEND INCOME FROM INVESTMENTS IN SUBSIDIARIES

For the year ended 31 December	Company 2019 Rm	Company 2018 Rm
Dividend income from investments in subsidiaries		
Exxaro Coal Central Proprietary Limited		300
Eyesizwe (RF) Proprietary Limited	461	82
Dividend income from subsidiaries	461	382

17.3.3 NET FINANCE INCOME

For the year ended 31 December	Note	Company 2019 Rm	Company 2018 Rm
Finance income	12.1.2	1 979	1 176
Interest income received from interest-bearing loans receivable		466	416
Interest income on BEE loan			1
Interest income received from treasury facilities receivable		1 513	759
Finance costs	12.1.2	(1 364)	(704)
Interest expense on treasury facilities payable		(1 364)	(704)
Net finance income from investments in subsidiaries		615	472
Exxaro Coal Proprietary Limited		510	524
Exxaro Coal Mpumalanga Proprietary Limited		179	41
Exxaro Coal Central Proprietary Limited		(87)	(103)
Other subsidiaries		13	10

17.3.4 IMPAIRMENT AND OTHER TRANSACTIONS

For the year ended 31 December	Company 2019 Rm	Company 2018 Rm
Impairment charge of Investment in subsidiary (Exxaro Coal Central Proprietary Limited)[1]	227	
Impairment charges on indebtedness receivable from subsidiaries:	2	
– Non-interest-bearing loan receivable (Gravelotte Iron Company Proprietary Limited)	2	
Write-off of non-interest-bearing loan receivable (Exxaro Beijing Proprietary Limited)		(1)

[1] *In 2019, an impairment loss of R227 million has been recognised against profit, reducing the carrying amount to its recoverable amount of R2 390 million. The impairment was triggered by poor market conditions affecting the ECC group which resulted in the carrying value of the investment exceeding its recoverable amount. Refer note 10.1.2 for details of the key assumptions and sensitivities applicable to the determination of the recoverable amount.*

Chapter 17:
Subsidiaries continued

17.4 SUMMARY OF INVESTMENTS IN SUBSIDIARIES

	Company					
	Gross carrying amount		Accumulated impairment losses[1]		Net carrying amount	
At 31 December	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Unlisted subsidiaries equity shares	13 596	13 187	(4 872)	(4 645)	8 724	8 542
Share-based payments	563	704			563	704
Investments in subsidiaries	14 159	13 891	(4 872)	(4 645)	9 287	9 246

[1] *The accumulated impairment loss on unlisted subsidiaries equity shares relate to Exxaro Australia Iron Holdings Proprietary Limited of R2 744 million (2018: R2 744 million) and Exxaro Coal Central Proprietary Limited of R2 128 million (2018: R1 901 million).*

17.5 SUMMARY OF INDEBTEDNESS BY/(TO) SUBSIDIARIES

		Company					
		Gross carrying amount		Impairment allowances		Net carrying amount	
At 31 December	Note	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Indebtedness by subsidiaries							
Non-current		7 000	3 500			7 000	3 500
Interest-bearing loans receivable	10.2.2	7 000	3 500			7 000	3 500
Current		5 134	2 792	(62)	(60)	5 072	2 732
Interest-bearing loans receivable	10.2.2	60	586			60	586
Non-interest-bearing loans receivable[1]	10.2.2	421	401	(62)	(60)	359	341
Interest-bearing treasury facilities receivable	10.2.2	4 038	1 611			4 038	1 611
Indebtedness by subsidiaries	6.2.3	615	194			615	194
Total indebtedness by subsidiaries	17.6	12 134	6 292	(62)	(60)	12 072	6 232
Indebtedness to subsidiaries							
Current		(13 900)	(10 088)			(13 900)	(10 088)
Non-interest-bearing loans payable	12.1.7	(8 452)	(8 197)			(8 452)	(8 197)
Interest-bearing treasury facilities payable	12.1.7	(5 448)	(1 886)			(5 448)	(1 886)
Indebtedness to subsidiaries	6.2.4		(5)				(5)
Total indebtedness to subsidiaries	17.6	(13 900)	(10 088)			(13 900)	(10 088)
Net indebtedness to subsidiaries		(1 766)	(3 796)	(62)	(60)	(1 828)	(3 856)

[1] *The impairment allowances relate to the following subsidiaries which have been fully impaired:*
- *Colonna Properties Proprietary Limited of R1 million (2018: R1 million)*
- *Exxaro Mountain Bike Academy NPC of R16 million (2018: R15 million)*
- *Gravelotte Iron Ore Company Proprietary Limited R45 million (2018: R44 million).*

Terms and conditions of indebtedness

Non-interest-bearing loans

The loans are unsecured, have no repayment terms and are repayable on demand.

Interest-bearing treasury facilities

The treasury facilities are unsecured, have no repayment terms and are repayable on demand. Interest is charged at money-market rates.

Indebtedness (trade related)

Certain subsidiaries are charged corporate service fees which are repayable within 30 days.

17.5 SUMMARY OF INDEBTEDNESS BY/(TO) SUBSIDIARIES continued

***Terms and conditions of indebtedness** continued*

Interest-bearing loans receivable

The back-to-back loans have similar terms as agreed with external lenders except for interest which is charged based on JIBAR plus a margin. Refer note 12.1.4 for detailed terms and conditions of the external borrowings.

The closing interest rates at 31 December as well as the applicable margin achieved for the back-to-back loans are summarised below:

	JIBAR plus margin (%)		Margin (%)	
	2019	**2018**	**2019**	**2018**
Revolving credit facility	10.18		3.80	
Bullet term loan	10.19	10.43	3.40	3.4
Bond – R357 million	8.45		1.65	
Bond – R643 million	8.69		1.89	
Bond – R520 million		8.97		1.95

	Company Net carrying amount	
At 31 December	**2019 Rm**	**2018 Rm**
Summary by financial year of redemption:		
Less than six months	*60*	*586*
Between one and two years	*2 750*	
Between two and three years	*3 607*	*3 250*
Between three and four years		*250*
Between four and five years	*643*	
Total interest-bearing loans receivable	*7 060*	*4 086*
Exxaro Coal Proprietary Limited	*7 060*	*3 832*
Exxaro Coal Mpumalanga Proprietary Limited		*254*

Chapter 17:
Subsidiaries continued

17.6 DETAILED ANALYSIS OF INVESTMENTS IN SUBSIDIARIES[1]

			Investment in subsidiaries			
			Investment in shares		Investment in share-based payments	
	Country of incorporation[2]	Nature of business[3]	2019 R	2018 R	2019 Rm	2018 Rm
DIRECT INVESTMENTS						
Aquicure Proprietary Limited	RSA	W	100	100		
Clipeus Investment Holdings Proprietary Limited[4]	RSA	H	1	1		
Colonna Properties Proprietary Limited[5]	RSA	B	2 518 966	2 518 966		
Cullinan Refractories Proprietary Limited	RSA	B	1 000	1 000		
Exxaro Australia Iron Holdings Proprietary Limited[6]	AUS	H	556 076 871	454 214 379		
Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited	RSA	H	1	1		
Exxaro Chairman's Fund	RSA	S				
Exxaro Coal Central Proprietary Limited	RSA	M	2 389 488 797	2 616 170 522		
Exxaro Coal Proprietary Limited	RSA	M	1 868 325 864	1 868 325 864	276	376
Exxaro Employee Empowerment Participation Scheme Trust[4]	RSA	S				
Exxaro Employee Empowerment Trust	RSA	S				
Exxaro Environmental Rehabilitation Fund	RSA	S				
Exxaro FerroAlloys Proprietary Limited	RSA	A	1	1	5	6
Exxaro Foundation	RSA	S				
Exxaro Holdings Proprietary Limited	RSA	H	459 517 297	459 517 297		
Exxaro Insurance Company Limited[7]	RSA	I	312 000 000	5 000 000		
Exxaro Mountain Bike Academy NPC[5]	RSA	E				
Exxaro People Development Initiative NPC	RSA	E				
Exxaro Properties (Groenkloof) Proprietary Limited[4]	RSA	B	1	1		
Exxaro Resources (Beijing) Commercial Company Limited[4]	PRC	C	1 609 275	1 609 275		
Eyesizwe (RF) Proprietary Limited (24.86%)	RSA	S	2 480 517 136	2 480 517 136		
Ferroland Grondtrust Proprietary Limited	RSA	F	2	2	5	5
Gravelotte Iron Ore Company Proprietary Limited[5]	RSA	B	1	1		
K2018621183 (SA) Proprietary Limited[8]	RSA	C	100			
Kumba Resources Management Share Trust	RSA	S				
Rocsi Holdings Proprietary Limited	RSA	H	653 722 945	653 722 945		
Total direct investments in subsidiaries			8 723 778 358	8 541 597 491	286	387

Type of indebtedness	Total indebtedness receivable/(payable)			
	Total indebtedness by		Total indebtedness (to)	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Non-interest-bearing	31	13		
Non-interest-bearing	219	219		
Total	228	2	(949)	(1 279)
– Treasury facility			(949)	(1 279)
– Current indebtedness	228	2		
Total	7 295	3 956	(4 499)	(607)
– Interest-bearing	7 060	3 832		
– Treasury facility			(4 499)	(607)
– Current indebtedness	235	124		
Total	133	122		
– Treasury facility	126	119		
– Current indebtedness	7	3		
Non-interest-bearing	108	108		
Current indebtedness	1			(5)
Non-interest-bearing		1		
Non-interest-bearing			(1)	(1)
Treasury facility	194	175		
Non-interest-bearing	1			
Non-interest-bearing			(68)	(73)
Non-interest-bearing			(1 394)	(1 170)
	8 210	4 596	(6 911)	(3 135)

Chapter 17:
Subsidiaries continued

17.6 DETAILED ANALYSIS OF INVESTMENTS IN SUBSIDIARIES[1] continued

	Country of incorporation[2]	Nature of business[3]	Investment in subsidiaries: Investment in shares 2019 R	2018 R	Investment in share-based payments 2019 Rm	2018 Rm
INDIRECT INVESTMENTS						
Coastal Coal Proprietary Limited	RSA	MIC			3	5
Dorstfontein Coal Mines Proprietary Limited (74%)	RSA	M				
Exxaro Australia Iron Investments Proprietary Limited[9]	AUS	H				
Exxaro Australia Proprietary Limited	AUS	M & P				
Exxaro Base Metals China Limited[4]	HK	H				
Exxaro Base Metals International BV	NE	H				
Exxaro Coal Mpumalanga Proprietary Limited	RSA	M			274	312
Exxaro International BV	NE	H				
Exxaro International Trading AG	SW	C				
Exxaro Reductants Proprietary Limited	RSA	A				
Forzando Coal Mines Proprietary Limited (74%)	RSA	M				
Ithemba Farm Proprietary Limited	RSA	F				
Masinketa Coal Mines Proprietary Limited (74%)[9]	RSA	H				
Matla and Arnot Rehabilitation Trust	RSA	S				
Mmakau Coal Proprietary Limited (49%)	RSA	P				
Newcastle Coal Mines Proprietary Limited	RSA	MIC				
The Vryheid (Natal) Railway Coal and Iron Company Proprietary Limited	RSA	MIC				
Total indirect investment in subsidiaries					277	317
Total investment in subsidiaries			8 723 778 358	8 541 597 491	563	704

[1] At 100% holding except where otherwise indicated.
[2] RSA — Republic of South Africa, AUS — Australia, HK — Hong Kong, NE — Netherlands, PRC — Peoples' Republic of China, SW — Switzerland.
[3] M — Mining, B — Property, C — Service, E — Not for profit company, F — Farming, H — Holdings, I — Insuring, A — Manufacturing, P — Exploration, S — Structured entity, W – Water, MIC – Mines in closure.
[4] Liquidation in process at 31 December 2019.
[5] Non-interest-bearing loans receivable that have been fully impaired.
[6] Additional share capital issued during 2019. Loan capitalisation during 2018.
[7] Additional capital contribution during 2019.
[8] New company incorporated during 2019.
[9] Deregistered during 2019.

Type of indebtedness	Total indebtedness receivable/(payable)			
	Total indebtedness by		Total indebtedness (to)	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Treasury facility	41	18		
Total	3 657	1 537		
– Interest-bearing		254		
– Treasury facility	3 513	1 218		
– Current indebtedness	144	65		
Non-interest-bearing			(6 989)	(6 953)
Treasury facility	145	72		
Treasury facility	19	9		
	3 862	1 636	(6 989)	(6 953)
	12 072	6 232	(13 900)	(10 088)

Chapter 17:
Subsidiaries continued

17.7 SUMMARISED FINANCIAL INFORMATION OF NON-CONTROLLING INTERESTS

	Principal place of business	Voting power of non-controlling interests 2019 %	2018 %	Profit/(loss) allocated to non-controlling interests 2019 Rm	2018 Rm	Accumulated non-controlling interests 2019 Rm	2018 Rm
Subsidiaries with non-controlling interests							
Eyesizwe (RF) Proprietary Limited[1]	Gauteng	75.14		289		8 758	
Dorstfontein Coal Mines Proprietary Limited	Mpumalanga	26.00	26.00	(29)	36	(647)	(619)
Other					(4)		(82)
Total non-controlling interests				260	32	8 111	(701)
Movement analysis of non-controlling interests:							
Balance at beginning of the year						(701)	(738)
Total comprehensive income						251	32
Share of profit for the year						260	32
Share of other comprehensive income for the year						(9)	
Changes in ownership interest						8 561	5
Disposal of subsidiary (Eloff)							(10)
Correction of NCI[2]							15
Loss on loss of control of subsidiary[3]						82	
Initial recognition of BEE NCI[1]						8 479	
Closing balance at the end of the year						8 111	(701)

[1] *Recognition of the NCI's share of Eyesizwe's net asset value upon the exercise of the option held by the BEE Parties.*
[2] *NCI share of an error which was identified at a subsidiary company level.*
[3] *Derecognition of NCI reserve upon the loss of control of Tumelo.*

No dividends were paid during 2019 or 2018.

17.7 SUMMARISED FINANCIAL INFORMATION OF NON-CONTROLLING INTERESTS continued

	Eyesizwe (RF) Proprietary Limited	Dorstfontein Coal Mines Proprietary Limited	
	2019 Rm	2019 Rm	2018 Rm
Statements of financial position			
At 31 December			
Non-current assets	11 652	2 418	1 652
Current assets	5	131	458
Total assets	11 657	2 549	2 110
Non-current liabilities		4 866	3 950
Current liabilities	1	172	539
Total liabilities	1	5 038	4 489
Net assets/(liabilities)	11 656	(2 489)	(2 379)
Accumulated non-controlling interests	8 758	(647)	(619)

	For the two-month period ended 31 December	For the 12 months ended 31 December	
	2019 Rm	2019 Rm	2018 Rm
Statements of comprehensive income			
Revenue		1 324	1 685
Net operating (loss)/profit	(1)	(75)	180
Income from equity-accounted investments	384		
Net finance costs		(36)	(46)
Profit/(loss) for the year	384	(110)	139
Other comprehensive loss	(11)		
Total comprehensive income/(loss) for the year	373	(110)	139
Profit/(loss) attributable to:	384	(110)	139
Owners of the parent	95	(81)	103
Non-controlling interests	289	(29)	36
Total comprehensive income attributable to:	373	(110)	139
Owners of the parent	93	(81)	103
Non-controlling interests	280	(29)	36
Statements of cash flows			
Cash flows from operating activities		(212)	295
Cash flows from investing activities		(549)	(230)
Cash flows from financing activities		776	(66)
Net increase/(decrease) in cash and cash equivalents		15	(1)

CHAPTER 18: COMPLIANCE

Chapter 18:
Compliance

18.1 BASIS OF PREPARATION

18.1.1 STATEMENT OF COMPLIANCE

The group and company annual financial statements as at and for the year ended 31 December 2019 have been prepared under the supervision of Mr PA Koppeschaar CA(SA), SAICA registration number: 00038621. The principal accounting policies of Exxaro Resources Limited company and group of companies (the group) as well as the disclosures made in these annual financial statements comply with IFRS and IFRIC Interpretations, effective for the financial year, as well as the SAICA Financial Reporting Guidelines (as issued by the Accounting Practices Committee), the Financial Reporting Pronouncements (as issued by the Financial Reporting Standards Council), the Companies Act (applicable to companies reporting under IFRS) and the Listings Requirements.

18.1.2 BASIS OF MEASUREMENT

The annual financial statements are prepared on the historical cost basis, except for the revaluation to fair value of financial instruments, share-based payments and biological assets. The annual financial statements are prepared on the going-concern basis.

The annual financial statements are presented in South African rand, which is the company's functional and presentation currency. However, the group measures the transactions of each of its material operations using the functional currency determined for that specific entity, which, in most instances, is the currency of the primary economic environment in which the operation conducts its business.

Management considers key financial metrics and loan covenant compliance in its approved medium-term budgets, together with its existing term facilities, to conclude that the going concern assumption used in compiling the annual financial statements is relevant.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the group and company annual financial statements, are disclosed within the relevant chapters.

The accounting policies applied for 2019 are consistent with those applied in 2018, except for the adoption of new or amended standards as set out in 18.2.1 below.

18.1.3 BASIS OF CONSOLIDATION

The group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the company and its subsidiaries as those of a single entity.

18.1.4 JUDGEMENTS MADE BY MANAGEMENT

Judgements, apart from those involving estimates, have been made by management in the process of applying the accounting policies. Details of these judgements have been included within the relevant chapters.

18.1.5 KEY ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES

Key assumptions concerning the future, and other key sources of estimation uncertainty at the financial year end, may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year if the assumption or estimation changes significantly. The financial information on which some of the assumptions are based has not been reviewed or reported on by the independent external auditors. Details of key assumptions and key sources of estimation uncertainty have been included within the relevant chapters.

18.2 ADOPTION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

18.2.1 NEW, AMENDED AND REVISED STANDARDS ADOPTED DURING 2019

Exxaro has adopted the following new standard for the first time for the year commencing on 1 January 2019:

- IFRS 16 *Leases*.

The adoption of this standard has resulted in Exxaro changing its respective accounting policies. The impact of the adoption of the new accounting policies are disclosed in chapter 11.1.

18.2.2 NEW, AMENDED AND REVISED STANDARDS NOT YET ADOPTED

New accounting standards, amendments to accounting standards and interpretations issued which are relevant to the group, but not yet effective on 31 December 2019, have not been adopted. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date. The group continuously evaluates the impact of these standards and amendments. The effect of the implementation of the new, amended or revised standards are not expected to have a material impact, although assessments of the effect of the implementation of these new, amended or revised standards are ongoing.

Chapter 18:
Compliance continued

18.3 EVENTS AFTER THE REPORTING PERIOD

Details of the final dividend are provided in note 5.5.

Subsequent to 31 December 2019, the following notable events occurred:
- On 17 January 2020, the outstanding conditions for the sale of the EMJV business to Scinta Energy Proprietary Limited were met (refer note 8.4)
- On 31 January 2020, the Arnot operation was transferred to Arnot OpCo Proprietary Limited Consortium
- On 20 February 2020, Exxaro announced its intention to divest from the ECC group as well as the Leeuwpan operation
- On 2 April 2020 Exxaro's secondary listing on A2X became effective. Exxaro will retain its primary listing on the JSE and its issued share capital will be unaffected by the secondary listing on A2X. Exxaro shares will be available to be traded on the JSE and A2X from the listing date.

Cennergi

During March 2020, all conditions precedent to Exxaro's acquisition of Khopoli's 50% interest in Cennergi have been met. The closing date of the transaction shall occur on 1 April 2020 following the completion of all terms and condition precedent to the transaction. Post the conclusion of the agreement, Exxaro now owns 100% of Cennergi. The initial purchase price is R1 550 million, subject to normal working capital adjustments.

Cennergi owns two wind-farms which were originally bid as part of Window 2 of the Department of Energy's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) namely:
- Amakhala Emoyeni Wind Farm situated near Cookhouse in the Eastern Cape with an installed capacity of 134 Megawatts
- Tsitsikamma Community Wind Farm located close to Tsitsikamma in the Eastern Cape with an installed capacity of 95 Megawatts.

The acquisition of Tata Power's 50% shareholding follows Exxaro's ambitions of growing its presence in the energy sector.

At the time of approving the group and company annual financial statements 2019, Exxaro was still in the process of completing the valuation of the acquired assets and liabilities. This process is expected to be finalised by December 2020.

The directors are not aware of any other significant matter or circumstance arising after the reporting period up to the date of this report, not otherwise dealt with in this report.

COVID-19

Subsequent to year end and at the time of finalising the financial statements, the COVID-19 (the virus) pandemic required us to support government protocols and directives to contain the spread of the virus.

We have undertaken to act responsibly in preventing the further spread of the virus.

Therefore, we have implemented our crisis management plan (CMP) and business continuity plan (BCP) across the breadth of our businesses that includes health and safety controls and preventative measures. These measures are necessary to sustain our business to ensure that we continue to serve stakeholders, as well as protect and support our employees and their families.

Additionally, it is important to recognise the impact on the South African economy and the cumulative negative impact of the lockdown period, which commenced on midnight, 26 March 2020 and is foreseen to last longer than anticipated (the lockdown).

Key considerations for this lockdown period include the following business and disease prevention guidelines from the Department of Mineral Resources and Energy (DMRE) Minister, Mr Gwede Mantashe:
- The need for energy security to ensure the availability of essential services during the lockdown and hence we will maintain our coal supplies to Eskom and other energy generating customers
- The need to minimise the economic impact of the lockdown by continuing with the generation of foreign exchange which will provide the financial capacity for the state to respond to the crisis by continuing, to the extent it is possible, with our coal exports to offshore customers. However, this will be subject to the COVID-19 responses in those markets which may prevent the delivery of coal
- The above production activities to be carried out with the minimum staff levels in order to maintain the guidelines of social distancing and safe health practices to prevent the transmission of the virus both inside and outside work areas.

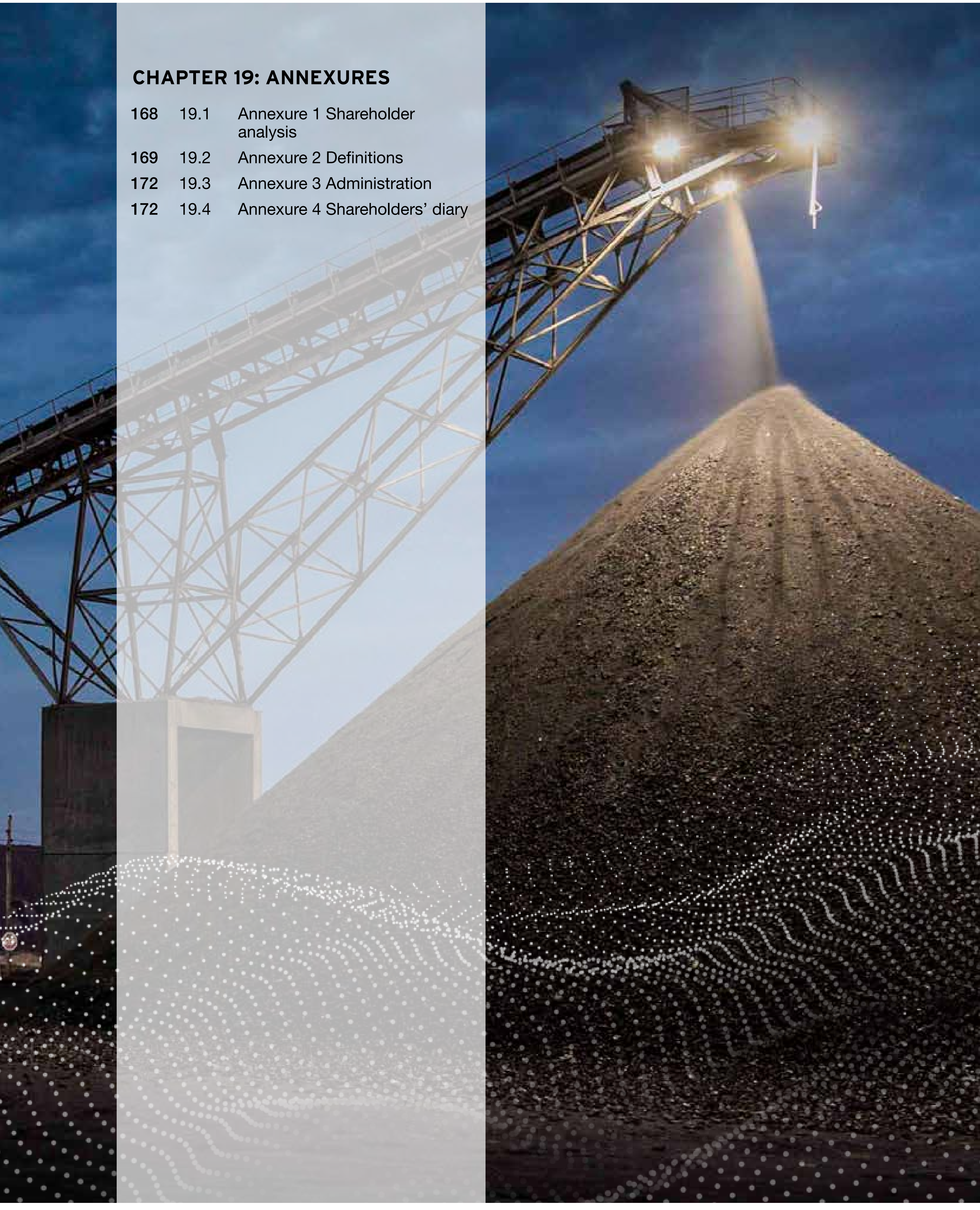
We have received the necessary approval to continue with our production activities, albeit at varying reduced levels in terms of volumes and people, as these activities are considered to be essential services and the necessary measures have been taken to prevent possible infections.

Exxaro's head office, the conneXXion, was closed from 26 March 2020 and most employees have been enabled to work from home. Arrangements are in place for business continuity and the necessary protocols have been activated across all operations and business units, ensuring efficient and safe ways of working. Additional preventative disease transmission protocols have been implemented in all our coal mining operations.

We are closely monitoring all updates and advice from relevant organisations, including the National Department of Health, the Department of Minerals Resources and Energy and Minerals Council South Africa.

Additionally, all essential operating teams are working across the organisation and together with key stakeholders to continuously assess the situation. This is a rapidly evolving situation and the Company will keep shareholders updated.

At 31 December 2019, the group's net debt was R5.8 billion, with R1.8 billion of undrawn, committed debt facilities. In addition the group has access to uncommitted working capital facilities. In light of measures implemented by us to combat the spread of the virus, further downside scenarios have been used to stress test our solvency and liquidity position. As a result, management and our board of directors believe that the group has sufficient liquidity to withstand an interruption to our operations and will remain a going concern for the foreseeable future.



CHAPTER 19: ANNEXURES

Chapter 19:
Annexures

ANNEXURE 1: SHAREHOLDER ANALYSIS

2.1 EXXARO PUBLIC AND NON-PUBLIC SHAREHOLDING 2019

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued share capital
Non-public shareholders	22	0.17	108 578 886	30.27
Eyesizwe[1]	1	0.01	107 612 026	30.00
Kumba Management Share Trust	1	0.01	158 218	0.04
Directors	2	0.02		
– PA Koppeschaar[2]			38 844	0.01
– MDM Mgojo[3]			276 155	0.08
Subsidiary directors	18	0.13	493 643	0.14
Public shareholders	14 107	99.83	250 127 868	69.73
Total	14 129	100.00	358 706 754	100.00

[1] *Includes indirect shareholding through Eyesizwe of the following directors:*

– MDM Mgojo	*4 671 041*	*1.30*
– VZ Mntambo	*4 448 839*	*1.24*

[2] *Includes direct and DBP shareholding.*

[3] *Includes DBP shareholding.*

2.2 REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2019:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued share capital
1 to 1 000 shares	11 526	81.58	2 535 115	0.70
1 001 to 10 000	1 655	11.71	5 332 118	1.49
10 001 to 100 000	668	4.73	22 844 878	6.37
100 001 to 1 000 000 shares	238	1.68	67 650 383	18.86
1 000 001 shares and above	42	0.30	260 344 260	72.58
Total	14 129	100.00	358 706 754	100.00

2.3 SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS ABOVE 3%

Through regular analysis of Strate registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held 3% or more (directly and indirectly) of the issued share capital as at 31 December 2019:

Shareholder spread	Number of shares	% of issued share capital
Investment management shareholdings		
Eyesizwe	107 612 026	30.00
Public Investment Corporation (PIC)	37 738 876	10.52
Prudential Investment Managers	26 175 104	7.30
Coronation Asset Management Proprietary Limited	20 677 405	5.76
Old Mutual Limited	11 634 645	3.24
Total	203 838 056	56.82
Beneficial shareholdings		
Eyesizwe	107 612 026	30.00
Government Employees Pension Fund	47 930 129	13.36
Total	155 542 155	43.36

ANNEXURE 2: DEFINITIONS

ATTRIBUTABLE CASH FLOW PER ORDINARY SHARE

Cash flow from operating activities after adjusting for participation of non-controlling interests therein, divided by the weighted average number of ordinary shares in issue during the year.

CAPITAL EMPLOYED

Total equity plus net debt minus non-current financial assets minus other non-current assets.

CASH AND CASH EQUIVALENTS

Comprises cash on hand and current accounts in bank, net of bank overdraft, together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value.

CURRENT RATIO

Current assets divided by current liabilities.

DIVIDEND COVER

Attributable earnings per ordinary share divided by dividends per ordinary share.

DIVIDEND YIELD

Attributable earnings per ordinary share divided by dividends per ordinary share.

EARNINGS PER ORDINARY SHARE

Attributable earnings basis

Earnings attributable to owners of the parent (Exxaro) divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

Headline earnings basis

Headline earnings divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

EFFECTIVE INTEREST RATE

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

FINANCING COST COVER

EBIT

Net operating profit before interest and tax, divided by net financing costs.

EBITDA

Net operating profit before interest, tax, depreciation, amortisation, impairment charges or reversals and net losses or gains on disposal of assets and investments (including translation differences recycled to profit or loss), divided by net financing costs.

HEADLINE EARNINGS

Earnings attributable to owners of the parent (Exxaro) adjusted for gains or losses on items of a capital nature, recognising the tax and non-controlling interests impact on these adjustments.

HEADLINE EARNINGS YIELD

Headline earnings per ordinary share divided by the closing share price on the JSE.

INVESTED CAPITAL

Total equity, interest-bearing debt, non-current provisions and net deferred tax less cash and cash equivalents.

ANNEXURE 2: DEFINITIONS continued

MATERIALITY

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users of general purpose financial statements make, on the basis of those financial statements, which provide financial information about the reporting entity.

Materiality is determined on a case-by-case basis depending on the facts and circumstances pertaining to the item, transaction, adjustment, information or event (matter) taking into account both qualitative and quantitative factors.

NET ASSETS

Total assets less current and non-current liabilities less non-controlling interests which equates to equity of owners of the parent (Exxaro).

NET DEBT OR CASH

Net debt or cash is calculated as the sum of interest-bearing borrowings, lease liabilities and overdraft less cash and cash equivalents.

NET DEBT TO EQUITY RATIO

Interest-bearing debt less cash and cash equivalents as percentage of total equity.

NET OPERATING PROFIT

Net operating profit or loss equals revenue less operating expenses, major once-off expense items and impairment charges, plus impairment reversals and major non-recurring income items. Major non-recurring items are presented separately on the statement of comprehensive income between operating profit or loss and net operating profit or loss and relate to significant corporate activities.

NON-CORE ITEMS

Gains and losses on transactions adjusted in the calculation of headline earnings plus any other gains or losses relating to major non-recurring transactions or corporate actions, which is defined by management at each reporting period.

NUMBER OF YEARS TO REPAY INTEREST-BEARING DEBT

Interest-bearing debt divided by cash flow from operating activities before dividends paid.

OPERATING MARGIN

Net operating profit as a percentage of revenue.

OPERATING PROFIT

Operating profit or loss equals revenue less operating expenses before impairment charges or reversals and major non-recurring items.

OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; and whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to the segment and assess its performance; and for which discrete financial information is available.

RETURN ON CAPITAL EMPLOYED
Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of average capital employed.

RETURN ON INVESTED CAPITAL
Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of the average invested capital.

RETURN ON NET ASSETS
Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of the average net assets.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY
Attributable earnings
Earnings attributable to owners of the parent (Exxaro) as a percentage of average equity attributable to owners of the parent (Exxaro).

Headline earnings
Headline earnings as a percentage of average equity attributable to owners of the parent (Exxaro).

REVENUE PER EMPLOYEE
Revenue divided by the average number of employees during the year.

TOTAL ASSET TURNOVER
Revenue divided by average total assets.

WANOS IN ISSUE
The number of shares in issue at the beginning of the year, increased by shares issued during the year, decreased by share repurchases during the year and treasury shares, weighted on a time basis for the period in which they have participated in the earnings of the group.

In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

Chapter 19:
Annexures continued

ANNEXURE 3: ADMINISTRATION

GROUP COMPANY SECRETARY AND REGISTERED OFFICE
SE van Loggerenberg
Exxaro Resources Limited
the conneXXion
263B West Avenue
Die Hoewes, Centurion
South Africa, 0163
Telephone +27 12 307 5000

Company registration number: 2000/011076/06
JSE share code: EXX
ISIN: ZAE000084992
ADR code: EXXAY

INDEPENDENT EXTERNAL AUDITOR
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4 Lisbon Lane
Waterfall City
Jukskei View, 2090

COMMERCIAL BANKERS
Absa Bank Limited

CORPORATE LAW ADVISERS
Inlexso Proprietary Limited
Rodger Dyason Road
Pretoria West, 0183

UNITED STATES ADR DEPOSITORY
The Bank of New York Mellon
101 Barclay Street
New York NY10286
United States of America

SPONSOR
Absa Bank Limited (acting through its Corporate and Investment Bank Division)
Barclays Sandton North
15 Alice Lane
Sandton, 2196

REGISTRARS
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
Private Bag X9000, Saxonwold, 2132

PREPARED UNDER THE SUPERVISION OF:
PA Koppeschaar CA(SA)
SAICA registration number: 0038621

ANNEXURE 4: SHAREHOLDERS' DIARY

Financial year end	31 December
Annual general meeting	May
Reports and accounts published	
Announcement of annual results	March
Integrated report and annual financial statements	April
Interim report for the half-year ended 30 June	August
Distribution	
Final dividend declaration	March
Payment	April/May
Interim dividend declaration	August
Payment	September/October

POWERING POSSIBILITY

www.exxaro.com