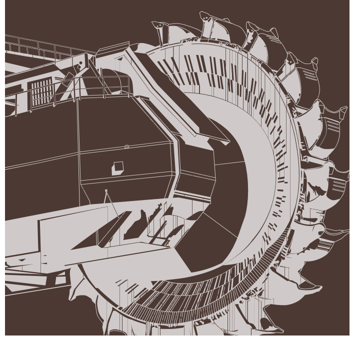
2014 GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2014



exxaro

POWERING POSSIBILITY

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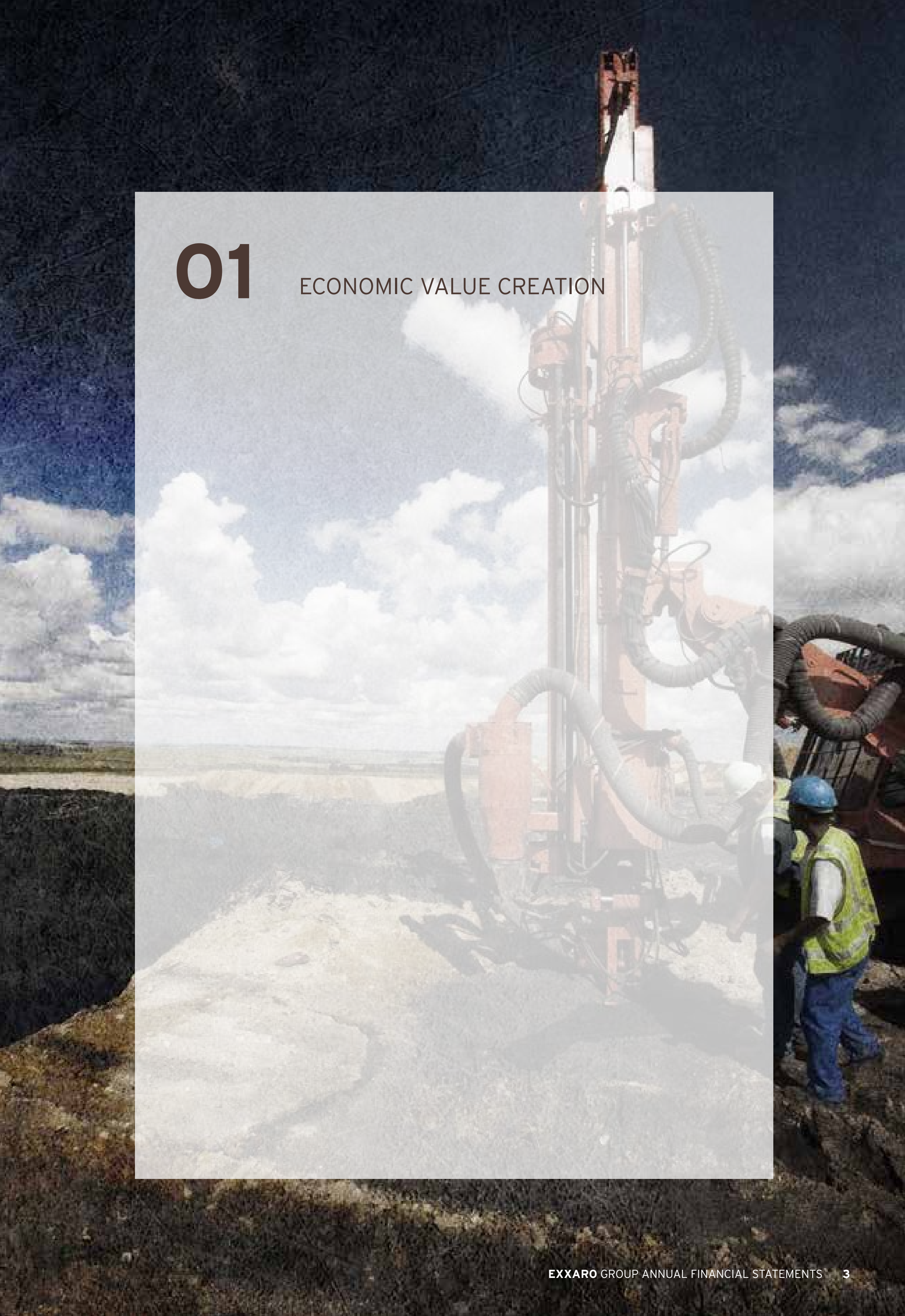


01 ECONOMIC VALUE CREATION

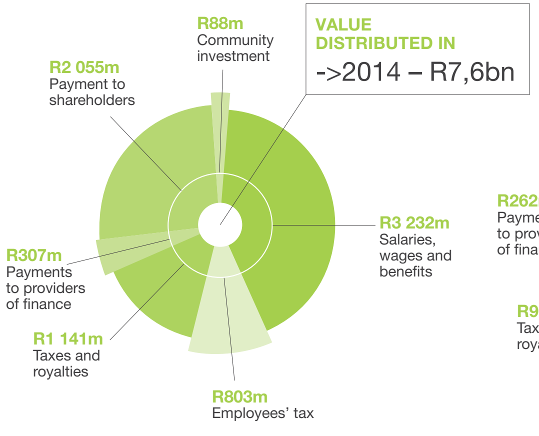
1.1 Group cash value added statements (unaudited)

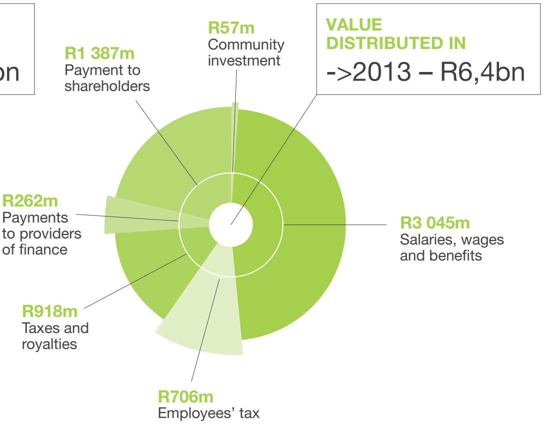
The cash value added statements show the wealth the group has created through mining and investing operations.

Exxaro generates and creates value as follows:

- Employees receive salaries/wages, share-based payments as well as bonuses (where certain performance conditions are met) and distributions from the Exxaro Employee Empowerment Trust (Mpower 2012)
- The governments of the countries where Exxaro has operations receive tax and royalty payments
- Suppliers and contractors are supported through the procurement of consumables, services and capital goods
- Shareholders receive a return on their investment through dividends and capital growth in the share price
- Providers of finance receive a return through interest and other loan costs paid
- Exxaro has corporate social investment initiatives which benefit communities surrounding the operations
- Continuous reinvestment into the group to ensure sustainability and expansion.

The statements below summarise the total cash wealth created and how it was disbursed among the group's stakeholders. The retained amount was reinvested in the group for the replacement of assets and further development of operations (further value add over time).





For the year ended 31 December	Group 2014 Rm	Group 2013[1] Rm
Direct economic value generated	13 014	10 052
Gross revenue from the sale of products and services (including value added tax (VAT))	18 843	16 106[1]
Shortfall income (including VAT)	1 671	1 818[1]
Income from investments and interest received	3 787	3 244
Operating costs	(11 287)	(11 116)[1]
Economic value distributed	7 626	6 375
Employee wages and benefits (excluding employees' tax: pay as you earn)	3 232	3 045
Employees' tax (pay as you earn) deducted from remuneration paid	803	706
Payments to government	1 141	918
Interest paid and loan cost	307	262
Cash dividend paid, excluding Mpower 2012 dividend to employees	2 032	1 371
Cash dividend paid to Mpower 2012 employee beneficiaries	23	16
Volunteerism	2	1
Community investments (including donations)	86	56
Net economic value retained in the group to maintain and develop operations	5 388	3 677[1]
Included in the above are:		
Payments to government: taxation contribution	1 141	918
Direct taxes per country (excluding deferred tax)	120	158
– Republic of South Africa	45	129
– Netherlands	73	9
– Australia	2	20
VAT	804	612
– Levied on purchases of goods and services	(2 023)	(1 940)
– Charged on turnover	2 827	2 552
Additional amounts collected by the group on behalf of government		
– Unemployment Insurance Fund	13	24
Levies paid to government	204	124
– Rates and taxes	6	4
– Royalties	131	60
– Workers' Compensation Fund	7	6
– Unemployment Insurance Fund	26	24
– Skills Development Levy	34	30
Community investments per region	86	56
– Gauteng and corporate projects	35	14
– KwaZulu-Natal		3
– Limpopo	31	12
– Mpumalanga	20	25
– Western Cape		2

1 *The 2013 numbers have been represented to be aligned with other statements presented in this report. Shortfall income is shown separately. The net economic value retained is represented to include income from investments and interest received.*

02 THE YEAR IN BRIEF

Exxaro has delivered a solid set of financial results for the 2014 year in a subdued bulk commodity industry. Some of the main features included:

- A solid increase of 19% in coal business' net operating profit
- A 32% decrease in the equity-accounted investment contribution from Sishen Iron Ore Company Proprietary Limited (SIOC)
- Reduction of 11% in losses recorded by the Tronox investments
- A debt:equity ratio of 3%
- A final dividend of 210 cents per share.

2.1 Comparability of results

Several key events and transactions in the past two years make the financial results for 2014 and 2013 not comparable, mainly the impairment of the Mayoko iron ore project in the ferrous operating segment in 2014, as well as profit on the sale of Exxaro Base Metals Proprietary Limited (Exxaro Base Metals), in 2013, which included the Zincor assets.

Table 1: Key events and transactions during the reporting periods which make financial and operational results not comparable

Reporting segment	2014	Rm	2013	Rm
Coal	Loss on sale of non-core assets and voluntary severance package expenses	(22)	Net impairment of carrying value of property, plant and equipment at New Clydesdale Colliery (NCC) and loss on sale of property, plant and equipment	(152)
Ferrous	Impairment of the original investment including goodwill, carrying value of the property, plant and equipment and qualifying project costs capitalised for the Mayoko iron ore project as well as write-off of financial assets	(5 817)		
Other	Loss on dilution of shareholding in Tronox Limited	(58)	Loss on dilution of shareholding in Tronox Limited	(12)
	Intellectual property assets impairment	(202)	Zincor partial impairment reversal	98
	Profit on sale of other non-core assets and voluntary severance packages	(67)	Profit on sale of Zincor refinery	964
			Loss on write-off of intangible asset	(2)
Group	**Total net operating (loss)/profit impact**	**(6 166)**	**Total net operating profit/(loss) impact**	**896**

2.2 Group performance

Group consolidated revenue increased by 21% to R16,4 billion for 2014 compared with R13,6 billion in 2013, mainly due to higher revenue from the coal business. The group's headline earnings declined by 6% to R4,9 billion as Exxaro faced the same challenges as the bulk commodity industry (particularly iron ore).

2.2.1 Coal

Overall production volumes (excluding buy-ins and semi-coke) were 0,34 million tonnes (Mt) higher than 2013. Sales volumes were 1,47Mt higher. Grootegeluk achieved an increase of 11% in metallurgical coal production as a result of more trains being available and an increase of 869kt (kilo tonnes) in power station coal volumes as the Medupi power station (Medupi) is ramping up. Although Transnet Freight Rail (TFR) performed on a stable platform of around 72Mt, exports increased by 19% due to higher availability of trains and higher third-party buy-ins (700kt) mainly to balance export volumes, logistics and commitments.

Exxaro recorded a 19% lower US$ export sales price at US$65 (2013: US$80) but only an 8% lower rand price of R709 (2013: R771) due to lower overall US$ commodity prices and lower RB1 quality in export mix (67% vs 92%).

The Medupi coal supply agreement addendum 9 was successfully finalised between Exxaro and Eskom in the third quarter of 2014. This followed on the first coal tonnages being delivered to Medupi in July 2014. In total, the Grootegeluk Medupi expansion project (GMEP) produced 2,7Mt of coal for Medupi in 2014 with deliveries of 3,1Mt as per addendum 9. The total capital expenditure for the project remains within the forecast R10,2 billion.

2.2 Group performance (continued)

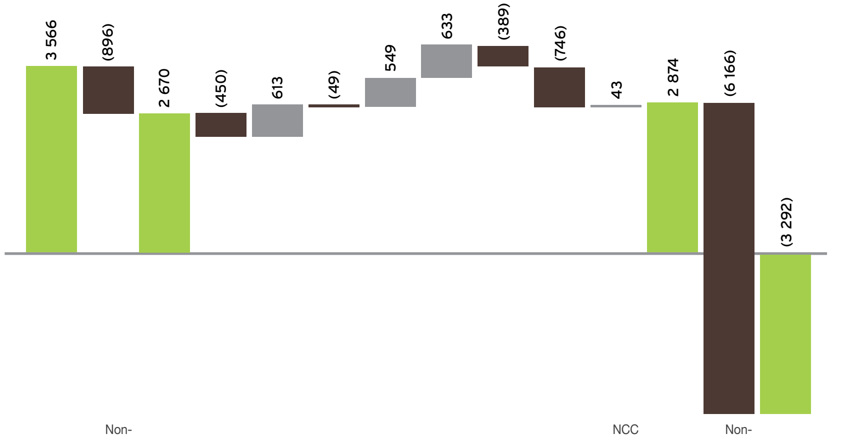
2.2.1 Coal (continued)

In line with the capital allocation discipline, Exxaro continues to review the allocation programmes. The group capital expenditure at R3,2 billion (of which coal-related capital expenditure amounts to R2,2 billion) was 33% less than 2013, with future expansion capex significantly reduced. The Belfast project and semi-soft conversions at Grootegeluk make up the bulk of planned 2015 expenditure. Most of the required sustaining capex for 2015/16 relates to shovel and truck replacement at Grootegeluk.

Coal achieved a net operating profit of R3 297 million at an operating margin of 20% in 2014 compared to R2 769 million at 21% operating margin for 2013. This 19% increase was mainly on the back of higher volumes (R632 million); favourable exchange rate due to the weakening of the rand against US dollar (R561 million); lower allocated corporate costs (R91 million); the saving against previous year losses realised at NCC after it was placed under care-and-maintenance (R243 million), offset by higher royalty tax provision (R86 million); higher distribution costs (R137 million); higher depreciation costs (R141 million) higher buy-ins from Mafube JV (R181 million), weaker prices (R54 million); inflationary pressures recorded at a general inflation rate of 7,5% (R400 million), as well as the impact of changes in environmental rehabilitation provision other than the unwinding of the discount rate (R768 million), which includes a second half 2014 adjustment of the provision for probable future affected water treatment liabilities.

Exxaro initiated a proactive implementation of the Department of Mineral Resources' (DMR) affected water treatment requirements for future liabilities provisions, governed by the Mineral and Petroleum Resources Development Act No 28 of 2002 (MPRDA) as well as section 30 of the National Water Act, which require the financial provisioning on protection of water resources. However, in both sets of legislation, there is limited guidance provided on the manner of determining the liabilities associated with the treatment of any affected water. Exxaro has therefore taken a stance in calculating the probable future liabilities' net present values.

Analysis of net operating profit



	IFRS[1] FY13	Non-recurring items	Core FY13	Inflation	Exchange	Price	GMEP[2]	Volume	Cost	Rehab	NCC and Zincor[3]	Core FY14	Non-recurring items	IFRS FY2014
Coal	2 769	152	2 921	(400)	561	(54)	549	632	(222)	(768)	100	3 319	(22)	3 297
Ferrous	(140)		(140)	(23)		5		23	(290	5		(421	(5 817)	(6 238)
Other	937	(1 048)	(111)	(27)	53			(22)	123	17	(57)	(24)	(327)	(351)
Total	3 566	(896)	2 670	(450)	613	(49)	549	633	(389)	(746)	43	2 874	(6 166)	(3 292)

1 *International financial reporting standards.*

2 *Includes variance due to 'shortfall' income as well as 'take or pay'.*

3 *Operations classified as discontinued or held-for-sale.*

2.2.2 Ferrous

A concept study on a revised 12 million tonnes per annum (Mtpa) project was concluded in June 2014. The outcome of this study and delays in concluding further definitive agreements for rail and port infrastructure resulted in Exxaro impairing its investment in the project. Exxaro continues to actively liaise with the Republic of the Congo (RoC) government to finalise port and rail agreements before a final decision can be made on any future prefeasibility studies. As communicated in the Securities Exchange News Service (SENS) announcement in June 2014, any further development expenditure on this project will be determined through a staged approach after considering the outcome of a prefeasibility study, bankable feasibility study and commodity market conditions.

The overall ferrous net operating loss increased to R6 238 million mainly due to the impairment of the Mayoko iron ore project (R5 803 million) as well as an increase in other operating expenses (R295 million) mainly as a result of costs, which are no longer eligible for capitalisation after the impairment in 2014.

The reality of current market conditions and their impact on the group's equity-accounted investment in SIOC has meant that SIOC's post-tax equity-accounted contribution to Exxaro's net profit after tax has declined by 32% to R2,8 billion. Combined with the 17% higher dividend cover applied by SIOC, Exxaro's share of its dividend declared decreased by a massive 42%. However, even at the bottom of the cycle, SIOC remains a great investment and significant contributor to the bottom line of some 60% of group headline earnings per share (HEPS), albeit at a lower level than in the past.

2.2.3 Titanium dioxide (TiO_2)

Although lower selling prices were recorded in all regions, the equity-accounted loss contribution from Tronox decreased by 11% to R568 million, mainly on a significant improvement in operating income from its pigment segment due to sales volume gains and lower feedstock costs. Operating income from the mineral sands segment declined from 2013, driven mainly by lower selling prices and sales volumes. Overall US dollar losses were exacerbated by the impact of the weak rand exchange rate.

Subsequent to 31 December 2014, Tronox has made an announcement to acquire Alkali Chemicals, a division of FMC Corporation and the largest global producer of natural soda ash serving blue-chip customers in the glass, detergent and chemical manufacturing industries, for US$1,64 billion in an all-cash transaction to create a leading inorganic chemicals company with enhanced scale, stability and financial strength, well-positioned to pursue strategic growth initiatives. The transaction will be funded through existing cash and US$600 million debt. It is expected that the transaction will be accretive to Tronox earnings before interest, tax, depreciation and amortisation (EBITDA), free cash flow and earnings on closing. The transaction is expected to close in 2015 and subject to customary closing conditions. Alkali Chemicals is expected to add stability and has a history of consistently delivering strong operational and financial performance. Exxaro will continue to equity-account the Tronox investment, including the contribution made by the Alkali Chemicals business.

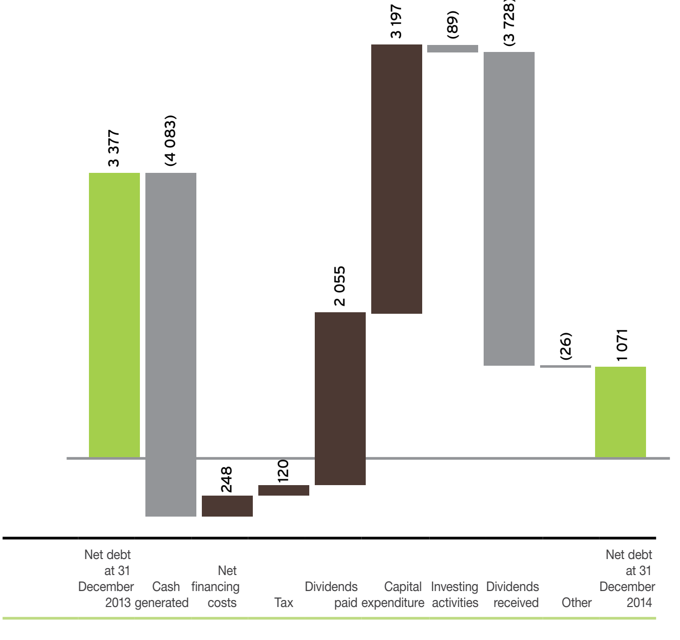
2.2.4 Energy

The equity-accounted investment in Cennergi Proprietary Limited (Cennergi) contributed R92 million in losses, an 11% decrease on losses recorded in 2013 mainly due to lower operating costs, business development costs and project costs.

2.3 Cash flow and funding requirements

Exxaro realised strong cash flows from operations (R4,1 billion) which enabled the group's capital expenditure. Dividends received from equity-accounted investments (mainly SIOC and Tronox) were sufficient to fund the group's dividends, interest and tax while the surplus was used to repay debt. In the end, net debt decreased by over R2 billion to end the year at just above R1 billion. Exxaro is therefore comfortably within the financial covenant terms of the financiers as well as the board's strategic guidelines at 31 December 2014, with a strong financial position; sufficient undrawn facilities, and a comfortable maturity profile.

Net debt analysis



2.4 Shareholder return

Exxaro remains committed to returning regular income through dividends to its shareholders and ensuring long-term capital growth on shares held. After careful consideration of the challenges that face Exxaro and the industry, the budget for the short to medium term, covenants with the group's finance providers as well as overall liquidity and the going-concern position, the board declared a final 2014 dividend of 210 cents per share resulting in a total dividend of 470 cents in 2014. The board believes this dividend can be safely declared without putting the current and future business under strain as it will be paid from existing reserves.

Table 2: Key performance indicators

Selected ratios		2014[1]	2013[2]	2012[3]	2011[3]	2010	2009[4]	2008[5]	2007[5]
Net financing cost cover: EBITDA	Times	36	10	11	22	9	7	9	6
Return on equity (ROE): attributable income	%	14	16	19	36	34	19	32	14
Return on capital employed (ROCE)	%	14	19	27	44	38	25	34	20
Return on net assets (RONA)	%	14	19	27	43	42	28	39	24
Operating margin	%	15	19	43	20	15	2	19	14
Net debt/(cash):equity	%	3	20	18	(1)	13	29	18	31
Share statistics									
Total shares in issue on 31 December	Million	358	358	358	354	358	357	355	353
– Mpower/Mpower 2012	Million	3	3	3		11	11	11	11
– Ordinary	Million	355	355	355	354	347	346	344	342
Diluted weighted average number of shares (WANOS)	Million	355	355	354	348	347	345	343	341
WANOS	Million	355	356	355	353	361	358	361	355
Share price as at 31 December	R	103,50	146,46	169,00	168,00	136,24	104,50	71,90	103,45
Market capitalisation at 31 December	Rb	37	52	60	60	49	37	26	37
Net asset value per share	R	96	102	81	68	50	37	38	29
Dividend cover[6]	Times		3,18	5,47	2,75	3,00	1,48	2,65	2,62
Dividend cover (core)	Times	2,92	2,63	2,61	2,62	3,00	3,56	2,65	2,62
Dividend per share	Cents	470	550	500	800	500	200	375	160
– Interim	Cents	260	235	350	300	200	100	175	60
– Final	Cents	210	315	150	500	300	100	200	100
Other financial information									
Capital commitments									
– Authorised and contracted	Rm	2 887	4 204	6 283	8 029	6 475	3 550	889	450
– Authorised but not yet contracted	Rm	2 160	2 826	4 208	2 413	2 490	1 420	2 711	1 278
– Operating lease commitments	Rm	135	212	18	59	132	92	77	126
Guarantees and contingent liabilities	Rm	2 609	2 066	1 055	1 197	1 007	717	587	201
Finance lease commitments	Rm				189	268	260	254	244
Share-based payments expenses	Rm	6	313	131	165	145	91	84	105
– SARs, LTIP, DBP etc	Rm	(101)	222	87	138	115	61	72	59
– Mpower/Mpower 2012	Rm	107	91	44	27	30	30	12	46
Executive directors' remuneration	Rm	15	37	23	27	23	16	32	30

1 *2014 excludes the impairment on the Mayoko iron ore project of R5 803 million from earnings.*
2 *2013 excludes the profit on sale of Zincor of R964 million and the net impairment charge of R43 million where applicable.*
3 *2012 and 2011 exclude the impact of impairments and other non-recurring transactions.*
4 *Excludes the impact of R1 435 million impairment of the KZN Sands assets in 2009.*
5 *2008 and 2007 include Namakwa Sands and Black Mountain's 26% interest as if effective from January 2007.*
6 *The declaration of the 2014 dividend was based on cash attributable earnings. Refer note 16.2.6.1 capital management for details.*

2.5 Outlook[1]

It is expected that the challenging economic conditions that faced commodity markets in 2014 will continue in 2015. Economic growth is expected to remain constrained, and the rand exchange rate against the US dollar to remain weak for most of 2015. Exxaro is believed to be able to withstand the volatility of US dollar coal prices through exposure to the Eskom business.

Group-wide cost management will remain part of life for now. To protect margins in future, ongoing focus will be directed at managing controllable costs across the business.

Coal prices for 2015 are not expected to be different to the first quarter of the calendar year. It is important to note that a change in sourcing coal will be required due to the imminent Inyanda mine closure. This will be facilitated by the increase in exports from Grootegeluk on the back of more trains being allocated and made available. As such, export performance in 2015 will hinge largely on TFR performance between the Waterberg and the Richards Bay Coal Terminal (RBCT). Transnet is expected to maintain its record 2014 performance levels in 2015 as well. However, lower export US dollar coal prices are expected to affect export volumes. Overall exports for 2015 are expected to be around 4,5Mt as the plan is to eliminate low-margin buy-ins.

Mayoko iron ore project expenditure for 2015 is expected to be limited to the cost of maintaining the minimal remaining footprint in the RoC, as well as costs for the project team's interaction with the RoC government until a final decision is made.

1 *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, advisors or representatives accepts 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.*

03 REPORTS

3.1 Directors' responsibility for financial reporting

The directors of the company are responsible for maintaining adequate accounting records, the preparation of the annual financial statements of the company and group as well as to develop and maintain a sound system of internal controls to safeguard shareholders' investments as well as the company's and group's assets. In presenting the accompanying company and group annual financial statements, International Financial Reporting Standards (IFRS) have been followed, applicable accounting policies have been used and prudent judgements and estimates have been made.

In order for the directors to discharge their responsibilities, management has developed and continues to maintain a system of internal controls aimed at reducing the risk of error or loss in a cost-effective manner. Such systems can provide reasonable but not absolute assurance against material misstatement or loss. The directors, primarily through the audit committee, which consists only of independent non-executive directors, meet periodically with the independent external and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal control, auditing, financial reporting and financial risk management. The group's internal auditors independently evaluate the internal controls and coordinate their audit coverage with the independent external auditors. The independent external auditors are responsible for reporting on the company and group annual financial statements. The independent external and internal auditors have unrestricted access to all records, property and personnel as well as to the audit committee.

The directors have reviewed the company and group financial budgets along with the underlying business plans for the period to 31 December 2015. In light of the current company and group financial position and existing borrowing facilities, they consider it appropriate that the company and group annual financial statements be prepared on the going-concern basis.

The independent external auditors are responsible for reporting on whether the company and group annual financial statements are fairly represented in accordance with IFRS. The independent external auditors have audited the annual financial statements of the company and group and their unmodified report appears on page 16.

Against this background, the directors of the company accept responsibility for the company and group annual financial statements, which were approved by the board of directors on 3 March 2015 and are signed on its behalf by:

SA Nkosi
Chief executive officer

WA de Klerk
Finance director

Pretoria

9 April 2015

3.2 Certificate by group company secretary

In terms of section 88(2)(e) of the Companies Act No 71 of 2008, as amended (Companies Act), I, CH Wessels, in my capacity as group company secretary, confirm that, to the best of my knowledge and belief, for the year ended 31 December 2014, Exxaro Resources Limited (Exxaro) has filed with the Companies and Intellectual Property Commission all such returns and notices as are 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.

CH Wessels
Group company secretary

Pretoria

9 April 2015

3.3 Audit committee report

The audit committee is pleased to present its report for the financial year ended 31 December 2014.

Background

The company's audit committee is established as a statutory committee in terms of section 94(2) of the Companies Act and oversees audit committee matters for all of the South African subsidiaries within the Exxaro group, as permitted by section 94(2)(a) of the Companies Act, as well as all off-shore subsidiaries and all controlled trusts. In accordance with an exemption granted by the Financial Services Board, it also oversees audit committee matters for the company's wholly owned insurance captive, Exxaro Insurance Company Limited.

The audit committee operates in accordance with the specific statutory duties imposed by the Companies Act, the JSE Limited Listings Requirements (Listings Requirements), as well as in accordance with detailed terms of reference, which has incorporated the principles contained in the King Report on Governance for South Africa 2009 (King III), as well as duties specifically delegated by the company's board of directors.

Objective and scope

Apart from the statutory duties of the audit committee as set out in the Companies Act, the provisions of the Listings Requirements and King III, the ambit of the audit committee has been expanded to include financial risk management, financial compliance and aspects of integrated reporting (in collaboration with the company's sustainability, risk and compliance committee).

The audit committee's objectives are to:

- Examine and review the group's annual financial statements and report on interim and final results, the accompanying message to stakeholders and any other announcements on the company's results or other financial information to be made public
- Oversee cooperation between internal and external auditors, and serve as a link between the board and these functions
- Oversee the external audit function and approve audit fees
- Evaluate the qualification, appropriateness, eligibility and independence of the external auditor
- Approve the appointment of the internal auditors, the internal audit plan, charter and fees
- Evaluate the scope and effectiveness of the internal audit function
- Ensure effective internal financial controls are in place
- Review the integrity of financial risk control systems and policies
- Evaluate the competency of the finance director and finance function
- Appoint the chief audit executive
- Comply with legal and regulatory requirements
- Oversee the effectiveness of the combined assurance plan and outcome.

The committee performed its functions as stipulated in the terms of reference and detailed annual plan during the year ended 31 December 2014.

Membership

Shareholders elect members of the audit committee annually. The audit committee consisted of four independent non-executive directors for most of the year ended 31 December 2014.

- Mr J van Rooyen (chairman): entire period
- Mr RP Mohring: entire period
- Mr JJ Geldenhuys: 1 January to 27 May 2014
- Dr CJ Fauconnier: from 29 January 2014
- Mr NL Sowazi: from 1 January to 3 June 2014
- Mr V Nkonyeni: from 3 June 2014.

The chairman of the board is not a member of the audit committee, although he attends all meetings as permanent invitee. In addition, the chief executive officer, the finance director, chief audit executive, as well as the internal and external auditors are also permanent invitees to the audit committee meetings. The committee, however, debates matters without the permanent invitees present, as and when so required.

The audit committee meets four times a year and details of attendance are included in the integrated report 2014.

Two meetings were held with both the external auditors and internal auditors, respectively where management was not present.

External auditors

The group's independent external auditors are PricewaterhouseCoopers Incorporated (PwC). Fees paid to the auditors are disclosed in note 7.1.3 to the group annual financial statements for the year ended 31 December 2014. The group has an approved policy to regulate the use of non-audit services by the independent external auditors. The policy differentiates between permitted and prohibited non-audit services and specifies a monetary threshold by which approvals are considered. During the year under review fees paid to PwC amounted to R36 million, which included R25 million for the 2014 statutory audit and related activities as well as R11 million for non-audit services. The audit committee is satisfied with the level and extent of non-audit services rendered during the year by PwC as well as their continued independence.

The audit committee annually assesses the independence of the group's external auditors and again completed such assessment at its meeting on 2 March 2015. PwC were required to confirm that:

- They are not precluded from reappointment due to any impediment in section 90(b) of the Companies Act
- In compliance with section 91(5) of the Companies Act, by comparison with the membership of the firm at the time of its reappointment in 2014, more than one half of the members remain in 2015
- They remain independent, as required by section 94(7)(a) of the Companies Act and the Listings Requirements.

Based on this assessment, the audit committee again nominated PwC as independent external auditors for the 2015 financial year. Shareholders will therefore be requested to re-elect PwC as independent external auditors for the 2015 financial year at the annual general meeting (AGM) on 26 May 2015.

Internal auditors

The internal audit function is outsourced to E&Y and its responsibilities are detailed in a charter approved by the audit committee and reviewed annually.

Its main function remains to express an opinion on the effectiveness of risk management and the internal control environment.

Finance function review

As required by the Listings Requirements 3.84(h), the audit committee, through a formal process, has satisfied itself of the finance function's resources, experience and expertise and the appropriateness of the expertise and experience of the finance director.

Annual financial statements

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

Statement on effectiveness of internal financial controls

The audit committee, with input and reports from the independent internal and external auditors, reviewed the company's system of internal financial controls, as underpinned by the risk management philosophy, during the year. The internal auditors specifically noted the marked improvement in the overall control environment and confirmed that the system of internal controls was satisfactory. On this basis, the committee confirmed that there were no material areas of concern that would render the internal financial controls ineffective.

Key issues

One of the most significant matters the audit committee was required to debate in 2014 was the impairment-trigger analysis as well as the impairment-testing assessment of the company's investment in the Mayoko iron ore project in the RoC. Extensive advice and guidance were obtained from management and the company's independent external auditors. We acknowledge the negative impact such an event has on shareholders and the company and hence all efforts have been employed to learn from this experience. Most notably and as previously communicated, an independent review of the Mayoko iron ore project investment process was completed by KPMG Services Proprietary Limited and the findings are being implemented to further improve our governance processes.

J van Rooyen
Chairman of the audit committee
Pretoria

9 April 2015

3.4 Independent external auditor's report on the consolidated and separate annual financial statements

To the shareholders of Exxaro Resources Limited

We have audited the consolidated and separate financial statements of Exxaro Resources Limited set out on page 22 to 170 (Annexure 2), which comprise the statements of financial position as at 31 December 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Exxaro Resources Limited as at 31 December 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2014, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: TD Shango
Registered auditor
Johannesburg

13 April 2015

3.5 Report of the directors

The directors have pleasure in presenting the annual financial statements of Exxaro Resources Limited (Exxaro or the company) and the group for the year ended 31 December 2014.

Nature of business

Exxaro, a public company incorporated in South Africa, is one of the largest South African-based diversified resources groups, with interests in the coal, titanium dioxide, ferrous and energy markets. Exxaro is listed on the JSE Limited and is a constituent of the JSE's Socially Responsible Investment (SRI) Index.

Exxaro's assets vary between controlled and operated assets as well as equity-accounted investments. The major controlled assets include its coal operations and its iron ore prospecting operations in the RoC.

The major equity-accounted investments include its 43,98% interest in Tronox Limited (Tronox), the world's largest fully integrated producer of titanium ore and TiO_2 mining and processing enough titanium feedstock to meet all of its capacity needs. It also includes 26% interest in Tronox's South African mineral sands operations and United Kingdom Limited Liability Partnership, its 19,98% interest in SIOC, which extracts and processes iron ore and its 50% interest in Cennergi, an energy company which aims to be the leading cleaner energy independent power producer (IPP) in South Africa.

Integrated report and supplemental information

Summarised information on the activities and performance of the group and the various divisions of the group is contained in the integrated report 2014 as well as in the summarised group annual financial statements 2014. These reports are unaudited. The board of directors acknowledges its responsibility to ensure the integrity of the integrated report and supplemental information. The board has accordingly applied its mind to the integrated reports and in the opinion of the board the reports address all material issues, and presents fairly the integrated performance, impact and sustainability of the organisation. The integrated report has been specifically prepared in line with corporate governance best practice.

Corporate governance

The board of directors endorses the principles contained in King III. Full details on how these principles are applied in Exxaro are set out in the supplemental information on the web, as well as limited information in the integrated report 2014.

Comparability of results

The results for the year ending 31 December 2014 and 2013 are not comparable due to the key events and transactions reported in Table 1 on page 7.

Accounting policies

The accounting policies applied during the year ended 31 December 2014 are consistent, in all material respects, with those applied in the group annual financial statements for the year ended 31 December 2013.

Registration details

The company registration number is 2000/011076/06. The registered office is Roger Dyason Road, Pretoria West, 0183, Republic of South Africa. The remaining details of administration are included in page 175.

Capital management

The board of directors is ultimately responsible to monitor debt levels, return on capital, total shareholders' return as well as compliance with contractually agreed loan covenants. These key metrics are detailed on page 10. The group aims to cover its annual net funding requirements through long-term debt facilities with maturities spread evenly over time.

During the year, the group complied with all its contractually agreed loan covenants, except in respect of the dividend declaration financing covenant. The latter was a result of the non-cash impairment of the Mayoko iron ore project in the RoC, resulting in insufficient attributable earnings to cover the interim dividend declared, as prescribed by the loan covenant terms. The company, however, obtained approval from the requisite banks to adjust for the Mayoko iron ore project non-cash impairment on the covenant calculation, resulting in the payment of the interim dividend.

3.5 Report of the directors (continued)

Capital expenditure for the year amounted to R3 197 million (2013: R4 764 million).

Share buy-back

The company may from time to time repurchase its own shares in the open market, depending on prevailing market prices and in accordance with the general authority granted by shareholders at each AGM and subject to compliance with the provisions of the Companies Act, and the Listings Requirements. Repurchases will only be considered if deemed in the company's best interests. No shares were repurchased during 2014. The company does not have a defined share buy-back plan.

Share capital

Authorised

500 000 000 ordinary shares of R0,01 each.

Issued

358 115 505 (2013: 358 115 505) ordinary shares of R0,01 each.

Shareholders

An analysis of shareholders and the respective percentage shareholdings appears in Chapter 19: Annexure 3 on page 170.

Dividend distribution

Dividend number 23

Interim dividend number 23 of 260 cents per share was declared in South African currency in respect of the period ended 30 June 2014. The dividend was paid in South African currency on Monday, 15 September 2014 to shareholders recorded in the register of the company at close of business on Friday, 12 September 2014.

The dividend declared was subject to a dividend withholding tax of 15% for all shareholders who were not exempt from or did not qualify for a reduced rate of dividend withholding tax.

Dividend number 24

Final dividend number 24 of 210 cents per share was approved by the board on 3 March 2015 and declared in South African currency in respect of the year ended 31 December 2014. The dividend payment date is Monday, 20 April 2015 to shareholders recorded in the register of the company at close of business on Friday, 17 April 2015 (record date).

To comply with the requirements of Strate, the last day to trade cum dividend is Friday, 10 April 2015. The shares will commence trading ex dividend on Monday, 13 April 2015.

The gross local dividend amount is 210 cents per share for shareholders exempt from dividend withholding tax. The dividend declared will be subject to a dividend withholding tax of 15% 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 who are subject to dividend withholding tax at a rate of 15% amounts to 178,5000 cents per share. The dividend withholding tax amounts to 31,5000 cents per share. The number of ordinary shares in issue at the date of this declaration is 358 115 505. Exxaro Company's tax reference number is 9218/098/14/4.

Investments and subsidiaries

The financial information in respect of investments and interests in subsidiaries of the company is disclosed in note 17.5 to the group annual financial statements 2014.

Events after the reporting period

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 or in the company and group annual financial statements that would significantly affect the operations or the results of the company and group.

Refer note 18.3 on page 166 of the group annual financial statements 2014.

Directorate and shareholdings

Details of the directors in office at the date of this report are set out in the integrated report 2014.

Details of directors' shareholding are contained on page 107.

As reported in the 2013 group annual financial statements and integrated report, Mr JJ Geldenhuys having reached retirement age, retired as an independent non-executive director with effect from 27 May 2014. Mr NL Sowazi resigned from the board for personal reasons with effect from 3 June 2014 and Mr V Nkonyeni was appointed as an independent non-executive director with effect from the same day.

In accordance with clause 6.1(11)(c) and 6.2 of the Memorandum of Incorporation (MoI) of the company, the appointment of Mr V Nkonyeni, having been appointed by the board of directors during the year, is required to be confirmed by the shareholders at the forthcoming AGM to be held on 26 May 2015.

The following directors are required to retire by rotation in terms of clause 6.2 of the MoI, and being eligible have offered themselves for re-election at the forthcoming AGM:

- Mrs S Dakile-Hlongwane
- Dr D Konar
- Mr J van Rooyen.

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.

For a detailed analysis of the directors' and prescribed officers' remuneration, refer pages 104 to page 119.

Group company secretary

The group company secretary is Mrs CH Wessels and her contact details appear in the administration section on page 175.

Independent external auditors

PwC was re-elected as independent external auditors on 27 May 2014 in accordance with section 90 of the Companies Act and has again been proposed for re-election in respect of the 2015 financial year, to occur at the forthcoming AGM on 26 May 2015.

Audit committee

The audit committee report appears on page 14 of these group annual financial statements 2014, as well as in the integrated report 2014.

3.5 Report of the directors (continued)

Borrowing powers and financial assistance

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

	Group 2014 Rm	Group 2013 Rm
Amount approved	43 031	45 340
Total borrowings	(3 010)	(3 600)
Unutilised borrowing capacity	40 021	41 740

The borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2014 and 2013 financial years.

Pursuant to the authorisation granted at the AGM of the company held on 27 May 2014, the board of directors of the company, at its meeting held on 26 November 2014, has approved, in accordance with section 45 of the Companies Act, the giving of financial assistance to related and inter-related companies of the company up to an amount not exceeding R40 billion, at any time and from time to time during the period 1 January to 31 December 2015.

The directors have 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 and the terms under which such assistance will be provided are fair and reasonable to the company.

Employee incentive schemes

Details of the group's employee incentive schemes are set out in note 14.2.3 to the group annual financial statements and in the remuneration and nomination committee report in the integrated report 2014.

Related party transactions

Details of the group's related party transactions are set out in note 15 to the group annual financial statements 2014.

Going concern

The board of directors believes that the company and group have adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going-concern basis. The board of directors is not aware of any new material changes that may adversely impact the company and group or any material non-compliance with statutory or regulatory requirements.

AGM

The 14th AGM of shareholders of Exxaro will be held at the Corporate Office, Roger Dyason Road, Pretoria West, Republic of South Africa, at 11:00 on Tuesday, 26 May 2015. The notice of the AGM and form of proxy have been mailed or emailed to shareholders.

04 SEGMENTAL REPORTING

4.1 Accounting policy relating to segmental reporting

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

4.2 Operating segments

The group has four reportable operating segments, as described below, which are the group's strategic divisions. These offer different products and services, and are managed separately because they require different technology and marketing strategies. The group executive committee reviews internal management reports on these strategic divisions at least quarterly. The following summary describes the operations in each of the group's reportable operating segments:

Coal

The coal operations are mainly situated in the Waterberg and Mpumalanga areas and are split between commercial coal operations and tied coal operations as well as a 50% joint venture interest in Mafube Coal Proprietary Limited (Mafube) (a joint venture with Anglo South Africa Capital Proprietary Limited). The operations produce thermal and metallurgical coal as well as other small scale products.

Ferrous

The ferrous operations include the Mayoko iron ore project in the RoC (Iron ore reportable operating segment), a 19,98% equity interest in Sishen Iron Ore Company Proprietary Limited (SIOC) reported within the other ferrous reportable operating segment as well as the FerroAlloys and Alloystream™ operations (collectively referred to as Alloys).

TiO_2

Exxaro holds a 43,98% (2013: 44,40%) equity interest in Tronox Limited and a 26% equity interest in each of the South African based operations, Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited (collectively referred to as Tronox SA) as well as a 26% member's interest in Tronox Sands Limited Liability Partnership in the United Kingdom (Tronox UK).

Other

The other operating segment includes the 50% investment in Cennergi Proprietary Limited (Cennergi) (a joint venture with Tata Power), a 26% equity interest in Black Mountain Mining Proprietary Limited (Black Mountain), an effective investment of 11,7% in Chifeng Kumba Hongye Corporation Limited (Chifeng), Exxaro Base Metals operation which was sold during 2013 as well as the corporate office which renders services to external parties as well.

4.2 Operating segments (continued)

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

		Coal					
		Tied operations		Commercial operations		Iron ore	
	Notes	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
For the year ended 31 December							
Total revenue		4 577	3 917	11 601	9 445		
Inter-segmental revenue				(2)			
External revenue (continuing operations)		4 577	3 917	11 599	9 445		
Segment net operating profit/(loss)		319	215	2 978	2 554	(6 100)	(27)
– Continuing operations		319	215	2 978	2 554	(6 100)	(27)
– Discontinued operations							
Interest income (external)	12.1.2	4	4	29	33		
Interest income from joint ventures	12.1.2			5	22		
Finance lease interest income	12.1.2			9	11		
Interest expense (external)	12.1.2			(12)	(1)		
Amortisation of transaction costs	12.1.2						
Borrowing costs capitalised	12.1.2				1		
Unwinding of discount rate on rehabilitation cost	12.1.2	(69)	(165)	(112)	(200)		
Depreciation and amortisation	7.1.3	43	41	734	624	8	8
Impairment charges of non-current assets (excluding financial assets)	9.2				143	5 751	
Write-off and impairment charges of trade and other receivables	7.1.3			1	23	22	
Impairment charges of non-current financial assets	7.1.3					21	
Income tax expense/(benefit)	8.2	53	9	751	745	(624)	(4)
Share of income/(loss) from equity-accounted investments	10.2			268	129		
Cash generated by/(utilised in) operations[1]	7.1.6	95	75	4 365	2 072	(75)	(7)
Capital expenditure (property, plant and equipment)	12			2 576	2 996	352	1 453
Increase in intangible assets							
At 31 December							
Segment assets and liabilities							
Deferred tax		4	(36)	41	80	57	5
Investments in associates	10.3.1						
Investments in joint ventures	10.3.2			818	528		
External assets[2]		1 883	1 579	22 075	19 893	81	5 109
Assets		1 887	1 543	22 934	20 501	138	5 114
Non-current assets held-for-sale	9.4			303	342		
Total assets as per statement of financial position		1 887	1 543	23 237	20 843	138	5 114
External liabilities		1 523	1 387	3 723	3 046	139	128
Deferred tax		(71)	4	3 718	2 872	57	600
Current tax payable		10		5	18	5	1
Liabilities		1 462	1 391	7 446	5 936	201	729
Non-current liabilities held-for-sale	9.4			232	225		
Total liabilities as per statement of financial position		1 462	1 391	7 678	6 161	201	729

1 *The statement of cash flows for the year ended 31 December 2013 was represented due to a reclassification of foreign currency differences not related to cash and cash equivalents. As a result the 2013 segmental reporting was adjusted.*

2 *Excluding deferred tax and investments in equity-accounted associates and joint ventures and non-current assets held-for-sale.*

	Ferrous				TiO_2		Other				Total	
	Alloys		Other				Base metals		Other			
	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
	159	120	14	21					67	86	16 418	13 589
			(14)	(21)					(1)		(17)	(21)
	159	120							66	86	16 401	13 568
	(97)	(61)	(41)	(53)			(1)	145	(350)	793	(3 292)	3 566
	(97)	(61)	(41)	(53)			(1)	(14)	(350)	(171)	(3 292)	2 443
								159		964		1 123
									33	11	66	48
											5	22
											9	11
									(311)	(328)	(323)	(329)
									(10)	(9)	(10)	(9)
									333	337	333	338
								(74)	(2)	(2)	(183)	(441)
	4	3	4	5					96	175	889	856
			9					(98)	202		5 962	45
									17	2	40	25
											21	
	(23)	(17)	(90)	(12)				(4)	(54)	(72)	13	645
			2 830	4 166	(568)	(638)	77	77	(92)	(103)	2 515	3 631
	(64)	(60)	(109)	(44)				26	(129)	111	4 083	2 173
	42	17	104	160				1	123	137	3 197	4 764
									25	201	25	201
	123	95	103	53					211	169	539	366
			5 422	5 523	12 809	13 325	357	359			18 588	19 207
									148	333	966	861
	124	94	16	216			267	252	2 562	1 587	27 008	28 730
	247	189	5 541	5 792	12 809	13 325	624	611	2 921	2 089	47 101	49 164
			25								328	342
	247	189	5 566	5 792	12 809	13 325	624	611	2 921	2 089	47 429	49 506
	49	32	73	12					3 506	4 792	9 013	9 397
	5			40					23	(35)	3 732	3 481
		1							7	111	27	131
	54	33	73	52					3 536	4 868	12 772	13 009
											232	225
	54	33	73	52					3 536	4 868	13 004	13 234

4.2 Operating segments (continued)

The group relies on two major customers for its revenue from the tied coal and commercial coal operations. The group received revenue from two external customers which respectively account for 13% and 53% (2013: 15% and 49%) of the group's revenues. The total revenue amount from these two customers was R2 115 million and R8 627 million respectively (2013: R2 057 million and R6 573 million respectively).

	For the year ended 31 December		At 31 December	
	External revenue		Carrying amount of non-current assets[1]	
Geographical areas	**2014 Rm**	**2013 Rm**	**2014 Rm**	**2013 Rm**
Sourced from country of domicile				
– South Africa	12 423	10 129	26 955	25 031
Sourced from foreign countries				
– Rest of Africa		2		5 083
– Europe	2 715	2 474	1 337	1 239
– Asia	1 263	944		
– Australia			38	38
– United States of America			9 686	10 267
– Other		19		
Total segment	16 401	13 568	38 016	41 658

1 *Excluding financial instruments, deferred tax, post-employment benefit assets, intercompany loans and investments in subsidiaries.*

No irregular allocations to reportable operating segments occurred during the periods under review. There were no material changes in total assets disclosed from the last annual financial statements.

Total operating segment revenue, which excludes VAT, represents the gross value of goods and services invoiced and includes operating revenues directly and reasonably allocable to the segments. (Refer note 7.1.1)

Segment revenue includes sales made between segments. These sales are made on a commercial basis.

Operating segment net operating profit equals segment revenue less operating segment expenses, impairment charges, plus impairment reversals and other income.

Operating segment operating expenses, assets and liabilities represent direct or reasonably allocable operating expenses, assets and liabilities.

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

There were no differences in the way segment profit or loss is measured in comparison to the previous year or between the reportable segments' profits or losses and the group's profit or loss.

05 FINANCIAL STATEMENTS

5.1 Statements of comprehensive income

For the year ended 31 December	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Revenue	7.1.2	16 401	13 568	1 527	1 635
Operating expenses	7.1.3	(15 197)	(12 576)	(2 014)	(1 992)
Operating profit/(loss)		1 204	992	(487)	(357)
Other income	7.1.4	1 466	1 594		
Impairment charges of non-current assets	9.2	(5 962)	(143)	(5 124)	(68)
Net operating (loss)/profit		(3 292)	2 443	(5 611)	(425)
Finance income	12.1.2	80	81	18	3
Finance costs	12.1.2	(183)	(367)	(322)	(338)
Income from financial assets	11.4.2	9	12		9
Share of income from equity-accounted investments	10.2	2 515	3 631		
Dividend and other income from associates and joint ventures	10.2			3 733	3 216
Income from subsidiaries	17.2			732	486
(Loss)/profit before tax		(871)	5 800	(1 450)	2 951
Income tax (expense)/benefit	8.2	(13)	(645)	86	132
(Loss)/profit for the year from continuing operations		(884)	5 155	(1 364)	3 083
Profit for the year from discontinued operations	7.1.5		1 049		
(Loss)/profit for the year		(884)	6 204	(1 364)	3 083
Other comprehensive income, net of tax	8.6	1 190	2 640		
Items that will not be reclassified to profit or loss:		(316)	150		
– Share of comprehensive (loss)/income of equity-accounted investments		(316)	150		
Items that may be subsequently reclassified to profit or loss:		1 506	2 490		
– Unrealised gains on translation of foreign operations		224	537		
– Revaluation of financial assets available-for-sale		345	100		
– Share of comprehensive income of equity-accounted investments		937	1 853		
Total comprehensive income/(loss) for the year		306	8 844	(1 364)	3 083
(Loss)/profit attributable to:					
Owners of the parent		(883)	6 217	(1 364)	3 083
– Continuing operations		(883)	5 168	(1 364)	3 083
– Discontinued operations			1 049		
Non-controlling interests		(1)	(13)		
– Continuing operations		(1)	(13)		
– Discontinued operations					
(Loss)/profit for the year		(884)	6 204	(1 364)	3 083
Total comprehensive income/(loss) attributable to:					
Owners of the parent		307	8 854	(1 364)	3 083
– Continuing operations		307	7 805	(1 364)	3 083
– Discontinued operations			1 049		
Non-controlling interests		(1)	(10)		
– Continuing operations		(1)	(10)		
Total comprehensive income/(loss) for the year		306	8 844	(1 364)	3 083
Attributable (loss)/earnings per share (cents)	6.2				
Aggregate					
– Basic		(249)	1 751		
– Diluted		(249)	1 746		
Continuing operations					
– Basic		(249)	1 456		
– Diluted		(249)	1 452		
Discontinued operations					
– Basic			295		
– Diluted			294		

5.2 Statements of financial position

At 31 December	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
ASSETS					
Non-current assets		41 408	44 681	21 080	26 405
Property, plant and equipment	11.1.2	18 344	20 342	629	602
Biological assets	11.2.2	84	72		
Intangible assets	11.3.2	34	1 176	28	216
Investments in associates	10.3.1	18 588	19 207	13 152	13 152
Investments in joint ventures	10.3.2	966	861	267	159
Investments in subsidiaries	17.3			6 434	11 854
Financial assets	11.4.3	2 853	2 657	205	119
Deferred tax	8.4	539	366	365	303
Current assets		5 693	4 483	6 306	5 621
Inventories	7.2.2	998	938		3
Trade and other receivables	7.2.3	2 611	2 434	5 009	5 380
Current tax receivable		78	82		
Cash and cash equivalents	16.2	2 006	1 029	1 297	238
Non-current assets held-for-sale	9.4	328	342		
Total assets		47 429	49 506	27 386	32 026
EQUITY AND LIABILITIES					
Capital and other components of equity					
Share capital	12.2.2	2 409	2 396	2 975	2 975
Other components of equity		6 031	4 234	955	1 039
Retained earnings		25 985	29 668	11 735	15 158
Equity attributable to owners of the parent		34 425	36 298	15 665	19 172
Non-controlling interests			(26)		
Total equity		34 425	36 272	15 665	19 172
Non-current liabilities		9 182	9 157	3 006	3 597
Interest-bearing borrowings	12.1.3	2 976	3 569	2 976	3 569
Non-current provisions	13.2	2 219	1 863	30	28
Post-retirement employee obligations	14.3	167	149		
Financial liabilities	11.5.2	88	95		
Deferred tax	8.4	3 732	3 481		
Current liabilities		3 590	3 852	8 715	9 257
Trade and other payables	7.2.4	3 208	2 867	8 604	8 422
Interest-bearing borrowings	12.1.3	34	31	34	31
Current tax payable		27	131		
Current provisions	13.2	254	17	11	
Overdraft	16.2	67	806	66	804
Non-current liabilities held-for-sale	9.4	232	225		
Total equity and liabilities		47 429	49 506	27 386	32 026

5.3 Group statement of changes in equity

		Other components of equity									
	Share capital Rm	Foreign currency translations Rm	Financial instruments revaluations Rm	Equity-settled Rm	Retirement benefit obligation Rm	Available-for-sale revaluations Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
At 1 January 2013	2 374	1 211	21	1 300	(163)		(733)	24 784	28 794	12	28 806
Profit/(loss) for the year								6 217	6 217	(13)	6 204
Other comprehensive income		534				100			634	3	637
Share of comprehensive income/(loss) of equity-accounted investments		1 401	289	110	150		(1)	54	2 003		2 003
Issue of share capital[1]	22								22		22
Share-based payments movement				83					83		83
Dividends paid								(1 387)	(1 387)		(1 387)
Acquisition of non-controlling interest							(68)		(68)	(28)	(96)
At 31 December 2013	2 396	3 146	310	1 493	(13)	100	(802)	29 668	36 298	(26)	36 272
Loss for the year								(883)	(883)	(1)	(884)
Other comprehensive income		224				345			569		569
Share of comprehensive income/(loss) of equity-accounted investments		827	(194)	310	(316)	(63)	(6)	63	621		621
Issue of share capital[1]	13								13		13
Share-based payments movement				(108)					(108)		(108)
Dividends paid								(2 055)	(2 055)		(2 055)
Reclassification of equity[2]							808	(808)			
Disposal and liquidation of subsidiaries[3]		(30)							(30)	27	(3)
At 31 December 2014	2 409	4 167	116	1 695	(329)	382		25 985	34 425		34 425

1 *Vesting of Mpower 2012 treasury shares to good leavers amounted to R13 million (31 December 2013: R8 million). An amount of R14 million in 2013 relates to shares issued to the Kumba Resources Management Share Trust due to options exercised.*

2 *Reclassification of reserves created for transactions with non-controlling interests.*

3 *Included in foreign currency translations is R17 million in respect of loss on translation differences on the disposal of a foreign subsidiary and a R47 million gain on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary.*

Final dividend paid per share (cents) in respect of the 2013 financial year	315
Dividend paid per share (cents) in respect of the 2014 interim period	260
Final dividend payable per share (cents) in respect of 2014 financial year	210

Foreign currency translations
Arise from the translation of the financial statements of foreign operations within the group.

Financial instruments revaluations
Comprise 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 of services received from employees and settled by equity instruments granted.

Retirement benefit obligation
Comprises remeasurements on the post-retirement obligation.

Available-for-sale revaluations
Comprise the fair value adjustments net of tax on the investments in Richards Bay Coal Terminal (RBCT) R344 million (2013: R54 million) and Chifeng Kumba Hongye Corporation Limited (Chifeng) R1 million (2013: R46 million) (note 16.2.2.1).

5.4 Company statement of changes in equity

	Share capital Rm	Other components of equity: Foreign currency translations Rm	Other components of equity: Equity-settled Rm	Retained earnings Rm	Total equity Rm
At 1 January 2013	2 961	(2)	923	13 453	17 335
Profit for the year				3 083	3 083
Issue of share capital[1]	14				14
Share-based payments movement			118		118
Dividends paid				(1 378)	(1 378)
At 31 December 2013	2 975	(2)	1 041	15 158	19 172
Loss for the year				(1 364)	(1 364)
Share-based payments movement			(84)		(84)
Dividends paid				(2 059)	(2 059)
At 31 December 2014	2 975	(2)	957	11 735	15 665

1 *Issued to the Kumba Resources Management Share Trust due to options exercised.*

Final dividend paid per share (cents) in respect of the 2013 financial year	315
Dividend paid per share (cents) in respect of the 2014 interim period	260
Final dividend payable per share (cents) in respect of 2014 financial year	210

5.5 Statements of cash flows

		Group		Company	
For the year ended 31 December	**Notes**	**2014 Rm**	**2013[1] Rm**	**2014 Rm**	**2013[1] Rm**
Cash flows from operating activities		1 660	436	(2 055)	(3 623)
Cash generated by/(utilised in) operations	7.1.6	4 083	2 173	290	(1 987)
Interest paid	12.1.6	(307)	(262)	(295)	(261)
Interest received	12.1.6	59	70	9	3
Tax paid	8.5	(120)	(158)		
Dividends paid	6.6	(2 055)	(1 387)	(2 059)	(1 378)
Cash flows from investing activities		620	(1 480)	4 456	778
Property, plant and equipment to maintain operations	11.1.4	(1 460)	(1 257)	(122)	(135)
Property, plant and equipment to expand operations	11.1.4	(1 737)	(3 507)		
Increase in investment in intangible assets		(25)	(201)	(25)	(201)
Proceeds from disposal of property, plant and equipment		8	17		
Decrease in investments in other non-current assets	Annexure 2	214	222		
Proceeds from disposal of subsidiaries	17.4.1		87		87
Increase in investment in joint venture		(108)	(82)	(108)	(82)
Acquisition of subsidiaries	17.4.2			(2)	
Decrease/(increase) in investments in subsidiaries	17.4.3			615	(2 557)
Income from investments in associates	10.4.1	3 719	3 229	3 648	3 171
Dividend income from financial assets	11.4.2	9	12		9
Income from subsidiaries				450	486
Cash flows from financing activities		(604)	715	(604)	2 772
Interest-bearing borrowings raised		1 000	800	1 000	2 758
Interest-bearing borrowings repaid		(1 604)		(1 604)	
Other financing activities			(3)		
Consideration paid to non-controlling interests	9.5		(96)		
Proceeds from issuance of share capital			14		14
Net increase/(decrease) in cash and cash equivalents		1 676	(329)	1 797	(73)
Cash and cash equivalents at beginning of the year		223	553	(566)	(493)
Translation difference on movement in cash and cash equivalents		40	(1)		
Cash and cash equivalents at end of the year	16.3	1 939	223	1 231	(566)

1 *Represented between cash generated by operations and translation differences on movement in cash and cash equivalents due to a reclassification of foreign currency differences not related to cash and cash equivalents.*

Refer note 7.1.5 for cash flows from discontinued operations.

06 EARNINGS

6.1 Accounting policies relating to earnings

Dividend distribution

Dividends paid are recognised by the company in the period in which the dividends are declared by the company's board. 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 financial statements.

All unclaimed dividends are held in a trust until they are either claimed by the relevant shareholder or the relevant shareholder's claim to such dividends prescribes (in which event such unclaimed dividends will become the property of the company).

6.2 Attributable earnings per share

	Group	
For the year ended 31 December	**2014**	**2013**
(Loss)/profit for the year attributable to equity holders of the parent (Rm)	(883)	6 217
(Loss)/profit for the year from continuing operations attributable to equity holders of the parent (Rm)	(883)	5 168
Profit for the year from discontinued operations attributable to equity holders of the parent (Rm)		1 049
Weighted average number of ordinary shares in issue (million)	355	355
Basic (loss)/earnings per share (cents)	(249)	1 751
Basic (loss)/earnings per share from continuing operations (cents)	(249)	1 456
Basic earnings per share from discontinued operations (cents)		295
Diluted weighted average number of ordinary shares (million)	355	356
Weighted average number of ordinary shares in issue (million)	355	355
Adjusted for share based payment instruments (million)		1
Diluted (loss)/earnings per share (cents)	(249)	1 746
Diluted (loss)/earnings per share from continuing operations (cents)	(249)	1 452
Diluted earnings per share from discontinued operations (cents)		294

Exxaro did not issue any ordinary shares during 2014. The treasury shares in Mpower 2012 were weighted for the number of days they were still in the group before being transferred to good leavers as defined on page 172.

For the 2013 financial year, the adjusted exercise price of the Mpower 2012 shares had an effect on the adjusted weighted average number of shares used in the diluted calculations as the future IFRS 2 *Share-based Payments* expense was lower than the average market price.

As net losses from continuing operations were recorded in 2014, the Mpower 2012 shares are anti-dilutive for earnings/(loss) per share. The weighted average number of shares was therefore not adjusted for the diluted earnings per share calculation.

6.3 Reconciliation of group headline earnings

	Gross Rm	Tax Rm	Net Rm
For the year ended 31 December 2014			
Loss attributable to owners of the parent			(883)
Adjusted for:	6 328	(576)	5 752
– IFRS 10 *Loss on Disposal of Subsidiary*[1]	28		28
– IAS 16 *Net Losses on Disposal of Property, Plant and Equipment*	27	(6)	21
– IAS 21 *Gains on Translation Differences Recycled to the Statement of Comprehensive Income*	(47)		(47)
– IAS 28 *Loss on Dilution of Investment in Associate*	58		58
– IAS 28 *Share of Associates' Separate Identifiable Remeasurements*	296	(18)	278
– IAS 36 *Impairment of Property, Plant and Equipment*	4 740	(552)	4 188
– IAS 36 *Impairment of Intangible Asset*	202		202
– IAS 36 *Impairment of Goodwill Acquired in a Business Combination* in terms of IFRS 3	1 020		1 020
– IAS 38 *Loss on the Write-off of Intangible Assets*	4		4
Headline earnings (continuing operations)			4 869
For the year ended 31 December 2013			
Profit attributable to owners of the parent			6 217
Adjusted for:	(1 010)	(13)	(1 023)
– IFRS 10 *Gain on Disposal of Subsidiary*	(964)		(964)
– IAS 16 *Net Losses on Disposal of Property, Plant and Equipment*	9	(4)	5
– IAS 28 *Loss on Dilution of Investment in Associates*	12		12
– IAS 28 *Share of Associates' Separate Identifiable Remeasurements*	(114)	2	(112)
– IAS 36 *Impairment of Property, Plant and Equipment*	292	(11)	281
– IAS 36 *Reversal of Impairment of Property, Plant and Equipment*	(247)		(247)
– IAS 38 *Loss on the Write-off of Intangible Assets*	2		2
Headline earnings			5 194
– continuing operations			5 218
– discontinued operations			(24)

1 *Includes R17 million in respect of loss on translation differences on the disposal of the subsidiary (refer note 9.3.1).*

6.4 Headline earnings per share

For the year ended 31 December	Notes	Group 2014	Group 2013
Headline earnings (Rm)	6.3	4 869	5 194
Headline earnings from continuing operations (Rm)		4 869	5 218
Headline loss from discontinued operations (Rm)			(24)
Weighted average number of ordinary shares in issue (million)		355	355
Headline earnings per share (cents)		1 372	1 463
Headline earnings per share from continuing operations (cents)		1 372	1 470
Headline loss per share from discontinued operations (cents)			(7)
For the diluted attributable earnings per share the weighted average number of ordinary shares above is adjusted (as calculated in note 6.2).		355	356
Diluted headline earnings per share (cents)		1 372	1 459
Diluted headline earnings per share from continuing operations (cents)		1 372	1 466
Diluted headline loss per share from discontinued operations (cents)			(7)

6.5 Dividend distribution

For the year ended 31 December	Group 2014 cents	Group 2013 cents	Company 2014 cents	Company 2013 cents
Dividend per share in respect of the interim period	260	235	260	235
Final dividend per share in respect of the financial year	210	315	210	315
Total dividend for the financial year	470	550	470	550

A gross final cash dividend, number 24 of 210 cents per share, for the 2014 financial year has been declared and is payable to shareholders of ordinary shares. The gross local dividend amount is 210 cents per share for shareholders exempt from dividend withholding tax. The dividend declared will be subject to a dividend withholding tax of 15% for all shareholders who are not exempt 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 15%, amounts to 178,50000 cents per share. The total secondary tax on companies (STC) credits available for offsetting against the dividend withholding tax amount to Rnil (2013: R195 million). The number of ordinary shares in issue at the date of this declaration is 358 115 505. Exxaro company's tax reference number is 9218/098/14/4.

This final dividend, amounting to approximately R752 million (2013: R1 126 million), has not been recognised as a liability. It will be recognised in shareholders' equity in the year ending 31 December 2015.

The salient dates relating to the payment of the dividend are as follows:

Last day to trade cum dividend on the JSE	Friday, 10 April 2015
First trading day ex dividend on the JSE	Monday, 13 April 2015
Record date	Friday, 17 April 2015
Payment date	Monday, 20 April 2015

No share certificate may be dematerialised or rematerialised between Monday, 13 April 2015 and Friday, 17 April 2015, 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 (CSDP) or broker credited on Monday, 20 April 2015.

The final 2013 dividend of 315 cents per share was paid on 14 April 2014.

6.6 Notes to the statements of cash flows relating to earnings

	Group		Company	
For the year ended 31 December	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Dividends paid				
Dividends declared and paid	(2 055)	(1 387)	(2 059)	(1 378)
– Final dividend	(1 126)	(546)	(1 128)	(537)
– Interim dividend	(929)	(841)	(931)	(841)

The group dividend paid is different from the company dividend paid due to the Mpower 2012 external dividends (not reflected in Exxaro company) as well as the intercompany dividends declared by Exxaro company to Mpower 2012 which is eliminated on consolidation.

The dividends paid by the company differ from the group mainly due to treasury shares.

07 OPERATIONAL

7.1 Performance

7.1.1 Accounting policies relating to operational performance

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable and represents amounts receivable principally from the sale of commodities and services rendered, net of discounts and VAT.

Revenue associated with the sale of commodities is recognised when the price is determinable (measurable), the product has been delivered in accordance with the terms of the sales agreement, the significant risks and rewards of ownership have been transferred to the customer and collection of the sales prices is reasonably assured. At this point the group retains neither continuing managerial involvement nor effective control over the commodities and the costs in respect of the sale can be reliably measured, and it is probable that future economic benefits will flow to the group.

Revenue arising from services is recognised on the accrual basis over the period the services are rendered in accordance with the substance of the relevant agreements and includes services rendered to subsidiaries (for company reporting purposes) and other entities.

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.

7.1.2 Revenue

	Group		Company	
For the year ended 31 December	**2014 Rm**	**2013 Rm**	**2014 Rm**	**2013 Rm**
Sale of goods	16 349	13 499		
Services	52	69	1 527	1 635
Total revenue	16 401	13 568	1 527	1 635

7.1 Performance (continued)

7.1.3 Operating expenses

For the year ended 31 December	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Cost by nature					
Raw materials and consumables		2 936	2 449	49	71
Staff costs		3 988	3 962	884	970
– Salaries and wages		3 513	3 323	777	767
– Share-based payments		6	313	(59)	154
– Termination benefits		138	19	112	
– Pension and medical costs		331	307	54	49
General charges		2 556	1 852	439	379
Legal and professional fees		725	650	470	452
Insurance		351	225	28	3
Royalties		125	8		
Railage and transport		1 622	1 433	12	6
Repairs and maintenance		1 666	1 581	13	14
Write-off and impairment of trade and other receivables		40	25	2	(443)
Impairment charges of non-current financial assets		21			
Loss on dilution of investment in associate		58	12		
Loss on the disposal of subsidiary	9.3	28		1	372
Energy		446	400	31	20
Depreciation of property, plant and equipment	11.1.2	875	820	89	138
Amortisation of intangible assets	11.3.2	14	36	12	35
Movement in inventories		428	73		
Own work capitalised[1]		(648)	(991)	(6)	(24)
Sub-lease rental income		(34)	(20)	(10)	(1)
		15 197	12 515	2 014	1 992
– Continuing operations		15 197	12 576	2 014	1 992
– Discontinued operations			(61)		

1 *Relates to operating expenses incurred that are capitalised to projects where minimum qualification criteria are met.*

For the year ended 31 December	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Cost by function					
Costs of goods sold/services rendered		13 516	11 183	2 021	2 064
Loss on dilution of investment in associate		58	12		
Loss on the disposal of subsidiary		28		1	372
Selling and distribution costs		1 568	1 315		
Sub-lease rental income		(34)	(20)	(10)	(1)
Impairment charges of non-current financial assets		21			
Write-off and impairment of trade and other receivables		40	25	2	(443)
		15 197	12 515	2 014	1 992
– Continuing operations		15 197	12 576	2 014	1 992
– Discontinued operations			(61)		
The above operating expenses are stated after:					
Auditors' remuneration		36	39	16	23
– Audit fees		25	23	13	16
– Other services		11	16	3	7
Consultancy fees		583	553	409	407
Contingent rental income		(80)	(100)		
Currency exchange differences		(104)	(36)	(10)	(1)
– Net realised gains		(97)	(56)		(1)
– Net unrealised (gains)/losses		(7)	20	(10)	
Depreciation and amortisation		889	856	101	173
– Buildings	11.1.2	9		1	
– Mineral properties	11.1.2	70	67		
– Residential buildings	11.1.2	24	15		
– Buildings and infrastructure	11.1.2	112	75		
– Machinery, plant and equipment	11.1.2	635	633	88	138
– Site preparation, mining development and rehabilitation	11.1.2	25	30		
– Amortisation of intangible assets	11.3.2	14	36	12	35
Directors' and prescribed officers' emoluments (refer the summary of remuneration paid or payable to directors and prescribed officers)	14.4	21	42	21	42
– Remuneration: executive directors of the company		10	30	10	30
– Bonuses and cash incentives		5	7	5	7
– Remuneration: non-executive directors of the company		6	5	6	5
Termination benefits		138	19	112	
Exploration expenditure		16	100		
Fair value (gains)/losses on financial assets at fair value through profit or loss:		(36)	85	(1)	(1)
– Designated on initial recognition		(16)	(9)	(1)	(1)
– Held-for-trading	16.2	(20)	94		
Impairment charges of non-current financial assets		21			
Write-off and impairment of trade and other receivables		40	25	2	(443)
Inventories write-down to net realisable value		32			
Provisions expense/(income)	13.2, 14.3	437	(416)	11	
Net loss on disposal or scrapping of property, plant and equipment		27	9	6	12
Net loss on disposal or write-off of intangible assets		4	2		2
Loss on dilution of investment in associate		58	12		
Loss on the disposal of subsidiary		28		1	
Operating lease rental expenses		142	171	23	23
– Property		15	14	9	9
– Equipment		127	157	14	14
Operating sub-lease rental income					
– Property		(34)	(20)	(10)	(1)

7.1 Performance (continued)

7.1.4 Other income

	Group		Company	
For the year ended 31 December	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Other income	1 466	1 594		

Other income relates to shortfall income received from Eskom as a result of delays in agreed upon production off take plans.

7.1.5 Discontinued operations

All the conditions precedent to the sale of Exxaro's 100% shareholding in Exxaro Base Metals to Lebonix Proprietary Limited were met on 2 December 2013. The subsidiary, which included the Zincor operation, was disposed of for a total consideration of R183 million. This sale completed the Zincor divestment process, which commenced with the cessation of the production of zinc metal at Zincor in 2011 and was followed by the sale of the Rosh Pinah mine during 2012.

Financial information relating to the discontinued operations for the prior period to date of disposal is set out below.

		Group
For the year ended 31 December	Note	2013 Rm
The financial performance and cash flow information		
Operating income		61
Impairment reversal of non-current assets		98
Operating profit		159
Gain on disposal of subsidiary	9.3	964
Net operating profit		1 123
Finance costs		(74)
Profit before tax		1 049
Profit for the year from discontinued operations		1 049
Cash flow attributable to operating activities		26
Cash flow attributable to investing activities		98
Cash flow attributable to financing activities		(37)
Cash flow attributable to discontinued operations		87

7.1.6 Cash generated by/(utilised in) operations

For the year ended 31 December	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Net operating (loss)/profit		(3 292)	3 566	(5 611)	(425)
Adjusted for non-cash movements					
– Depreciation and amortisation	7.1.3	889	856	101	173
– Impairment charges of non-current assets	9.2	5 962	45	5 124	68
– Impairment charges of non-current financial assets	7.1.3	21			
– Write-off and impairment of trade and other receivables	7.1.3	40	25	2	(443)
– Provisions	7.1.3	437	(416)	11	
– Foreign exchange revaluations and fair value adjustments		(90)	20	(11)	(4)
– Reconditionable spares usage		1			
– Net loss on disposal or scrapping of property, plant and equipment	7.1.3	27	9	6	12
– Loss on disposal and write-off of intangible assets	7.1.3	4	2		2
– Net loss/(gain) on disposal of subsidiaries	7.1.3	28	(964)	1	372
– Loss on dilution of investment in associate	7.1.3	58	12		
– Share-based payment expense		(59)	185	(108)	57
– Translation of net investment in foreign operations		(287)	(669)		
– Translation of foreign currency items		211	683		
– Amortisation of transaction costs (revolving facility)		5		5	
– Other non-cash movements		4			
Cash before working capital movements		3 959	3 354	(480)	(188)
Working capital movements					
– (Increase)/decrease in inventories		(66)	(130)	3	(3)
– (Increase)/decrease in trade and other receivables		(126)	228	1 459	(877)
– Increase/(decrease) in trade and other payables		333	(1 261)	(692)	(919)
– Utilisation of provisions		(17)	(18)		
Cash generated by/(utilised in) operations		4 083	2 173	290	(1 987)

7.2 Working capital

7.2.1 Accounting policies relating to working capital items

Inventories

Inventories are stated at the lower of cost (determined on the moving 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 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.

Trade receivables

Trade receivables are amounts due from customers for the sale of commodities and services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets (also refer note 16.1.6).

7.2 Working capital (continued)

7.2.1 Accounting policies relating to working capital items (continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities (also refer note 16.1.6).

7.2.2 Inventories

		Group		Company	
At 31 December	**Notes**	**2014 Rm**	**2013 Rm**	**2014 Rm**	**2013 Rm**
Finished products		507	480		
Work-in-progress		73	56		
Raw materials		15	13		2
Plant spares and stores		392	380		1
Merchandise		11	9		
Per statement of financial position		998	938		3
Included in non-current assets held-for-sale	9.4	8	8		
Total inventories including inventories held-for-sale		1 006	946		3

Included in merchandise are biological assets held-for-sale classified as inventories. No inventories were pledged as security for liabilities in 2014 nor 2013. Inventory (finish products) carried at net realisable value amounts to R36 million (2013: Rnil).

7.2.3 Trade and other receivables

		Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Trade receivables		1 859	1 579	1	10
Other receivables[1]		275	295	143	170
Indebtedness by subsidiaries	17.3			4 816	5 169
Derivative instruments	16.2	8	1		
Non-financial instruments[2]		513	588	49	31
Specific allowances for impairment		(29)	(29)		
Collective allowances for impairment		(15)			
Per statement of financial position		2 611	2 434	5 009	5 380
Included in non-current assets held-for-sale		8	4		
Total trade and other receivables including trade and other receivables held-for-sale		2 619	2 438	5 009	5 380

1 *Includes sundry receivables and reclassifications of creditors with debit balances. The 2014 balance for the group is stated after the write-off of sundry receivables of R4 million in respect of the Mayoko iron ore project and R3 million relating to other.*

2 *Includes VAT refundable, prepayments, employee advances. The 2014 balance for the group is stated after the impairment of prepayments of R18 million in respect of the Mayoko iron ore project.*

At 31 December	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Trade and other receivables are stated after the following allowances for impairment:					
Specific allowances					
At beginning of year		(29)	(27)		(448)
Disposal of subsidiary			2		
Reclassification from collective allowances to specific allowances			(15)		
Impairment loss recognised			(10)		(2)
Indebtedness by subsidiaries impairments					(20)
Indebtedness by subsidiaries reversals					465
Transferred to non-current assets held-for-sale			15		
Write-offs			6		5
At end of year		(29)	(29)		
Of which relates to:					
Trade receivables		(29)	(29)		
At end of year		(29)	(29)		
Collective allowances					
At beginning of year			(2)		
Disposal of subsidiary			2		
Impairment loss recognised		(15)	(15)		
Reclassification to specific allowances from collective allowance			15		
At end of year		(15)			
Of which relates to:					
Other receivables		(15)			

For a detailed analysis of the trade and other receivables refer note 16.2.6.4 on financial instruments.

7.2.4 Trade and other payables

	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Trade payables		972	818	109	49
Other payables[1]		1 530	1 238	180	65
Non-financial instruments[2]		532	620	115	186
Leave pay accrual		174	177	33	38
Indebtedness to subsidiaries	17.3			8 167	8 084
Derivative instruments	16.2		14		
Per statement of financial position		3 208	2 867	8 604	8 422
Included in non-current liabilities held-for-sale		21	39		
Total trade and other payables including trade and other payables held-for-sale		3 229	2 906	8 604	8 422

1 *Includes sundry payables and reclassification of debtors with credit balances.*
2 *Includes VAT, bonus accruals, etc.*

7.2.5 Notes to the statements of cash flows relating to working capital items

Refer note 7.1.6 Cash generated by/(utilised in) operations.

08 TAXATION

8.1 Accounting policies relating to taxation

Income tax expense

Income tax expense comprised 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/loss as reported in the statement of comprehensive income as it excludes items of income or expense that are taxable or deductible in other years in 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.

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 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 statement of comprehensive income, except to the extent that it relates to items previously charged directly to equity.

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

8.2 Income tax expense/(benefit)

	Group		Company	
For the year ended 31 December	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Charge to income				
South African normal tax				
Current	97	119		
– Current year	84	104		
– Prior year	13	15		
Deferred	589	497	(86)	(132)
– Current year	662	592	(86)	(80)
– Prior year	(73)	(95)		(52)
Foreign normal tax				
Current	(41)	65		
– Current year	23	77		
– Prior year	(64)	(12)		
Deferred	(635)	(37)		
– Current year	(636)	(38)		
– Prior year	1	1		
Dividend withholding tax	3	1		
Total charge/(benefit) to statement of comprehensive income (continuing operations)	13	645	(86)	(132)

8.3 Reconciliation of tax rates

	Group		Company	
For the year ended 31 December	2014 %	2013 %	2014 %	2013 %
Tax as percentage of profit before tax	(1,5)	9,4	5,9	(4,5)
Tax effect of:				
– Tax losses for which no deferred tax was recognised		(0,3)		
– Capital losses	1,1	0,1		0,1
– Expenses not deductible for tax purposes[1]	10,9	(2,9)	2,9	0,3
– Exempt income (not subject to tax)	0,1	0,3		0,4
– Special tax allowances	(0,4)			
– Post-tax equity-accounted investment income[2]	(79,3)	14,6	(75,8)	29,9
– Disposal of investments and other non-core assets[3]		7,8		0,9
– Remeasurements of foreign tax rate differences[4]	(4,0)	0,5		
– Prior year tax adjustments[5]	(14,4)	1,3		1,7
– Deferred tax assets not recognised[6]	9,7	(0,9)		
– Reinstatement of deferred tax asset		0,4		
– Impairment of assets/investments[7]	119,9	(2,3)	95,0	(0,6)
– Exchange differences on translations[8]	(11,0)			
– Dividend withholding tax	0,3			
– Write-down of subsidiaries' loans				(0,2)
– Foreign tax credits and refunds[9]	(3,4)			
Standard tax rate	28,0	28,0	28,0	28,0
Effective tax rate for operations, excluding income from equity-accounted investments, impairment charge and share of tax thereon	0,5	19,8		

1 *Non-deductible legal and consulting fees have doubled from the prior year inter alia due to prefeasibility studies for new coal projects, the acquisition of Total Coal South Africa Proprietary Limited (TCSA) transaction and the sale of NCC. Also included in the prior year was an amount of R1,2 billion that related to the realisation of foreign currency translation differences as a result of the tax migration of Exxaro International BV to SA.*

2 *Post-tax equity-accounted investment income and dividend income (majority from SIOC) has reduced by approximately 32% in the current year.*

3 *There were no significant disposals of investments or other non-allowance assets during the current year. In the prior year Exxaro Base Metals was sold to Lebonix Proprietary Limited.*

4 *The differences in tax rates did not change significantly from the prior year, however due to the significant change in profit or loss before tax from the prior year, the effect it has on the tax rate is greater.*

5 *Prior year adjustments to tax is as a result of differences between income tax returns submitted and tax accruals made in the prior year. Although the amounts were not significant, the effect it has on the tax rate is greater due to the significant reduction in profit or loss before tax.*

6 *Related to capital development expenditure.*

7 *The majority of the impairments relate to the Mayoko iron ore project.*

8 *Deferred tax was not recognised in the current year on foreign translation differences.*

9 *The majority relates to an 80% credit received on tax by Mayoko Investment Company in Mauritius.*

The discontinued operations in 2013 had an income tax expense of Rnil. There were no discontinued operations in the current year.

8.4 Deferred tax

At 31 December	Group 2014 Rm	Group 2013 Rm	Company[1] 2014 Rm	Company[1] 2013 Rm
The movements on the deferred tax account are as follows:				
At beginning of year	3 115	2 325	(303)	(235)
Statement of comprehensive income charge	(71)	460	(86)	(132)
– Current	26	554	(86)	(80)
– Prior	(72)	(94)		(52)
– Deferred tax relating to non-current assets held-for-sale	(25)			
Exchange rate differences on translation	36			
Items charged directly to equity				
– Share-based payments movement[2]	35	100	24	64
Items charged directly to other comprehensive income	78	142		
– Revaluation of available-for-sale investments	78	28		
– Unrealised exchange differences on foreign operations		114		
Net reclassification to non-current assets held-for-sale		90		
Other		(2)		
At end of year	3 193	3 115	(365)	(303)
– Deferred tax asset as per statement of financial position	(539)	(366)	(365)	(303)
– Deferred tax liability as per statement of financial position	3 732	3 481		

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

2 *In the prior year deferred tax movements on share-based payments were incorrectly reflected in other comprehensive income, but were correctly charged directly to equity.*

8.4 Deferred tax (continued)

Comprising the following items

Group	At 31 December 2013	Movements during the year				At 31 December 2014		
	Total Rm	Recognised in profit or loss Rm	Exchange rate difference on translation Rm	Recognised in other comprehensive income Rm	Recognised directly in equity Rm	Assets Rm	Liabilities Rm	Total Rm
Property, plant and equipment	2 988	690				61	3 617	3 678
Share-based payments	(114)	40			35	(30)	(9)	(39)
Other accruals and provisions	(158)	213				168	(113)	55
Bad debt reassessment	(6)					(6)		(6)
Restoration provisions	(262)	(202)				(198)	(266)	(464)
Decommissioning provision	(35)	(85)				(54)	(66)	(120)
Leave pay accrual	(48)	2				(26)	(20)	(46)
Retention payables		(68)				(1)	(67)	(68)
Prepayments	17	9				8	18	26
Environmental Rehabilitation Fund	159	63				84	138	222
Income received in advance	(6)	3				(3)		(3)
Inventories	(5)	34				(1)	30	29
Unrealised foreign currency gains/(losses)	100	(171)	36			(107)	72	(35)
Finance lease receivable	24						24	24
Local tax losses carried forward	(257)	(24)				(276)	(5)	(281)
Foreign tax losses carried forward	(53)	(32)				(85)		(85)
Financial instruments	27			78		65	40	105
Borrowing costs capitalised	187	91				(66)	344	278
Derecognition of deferred tax assets	43	(108)				(72)	7	(65)
Mineral resource	514	(526)					(12)	(12)
Total	3 115	(71)	36	78	35	(539)	3 732	3 193

Company	At 31 December 2013 Rm	Movements during the year: Recognised in profit or loss Rm	Movements during the year: Recognised directly in equity Rm	At 31 December 2014 Rm
Property, plant and equipment	26	(56)		(30)
Share-based payments	(80)	30	24	(26)
Other accruals and provisions	(41)	(3)		(44)
Restoration provision	(8)			(8)
Leave pay accrual	(11)	2		(9)
Environmental Rehabilitation Fund	6			6
Unrealised foreign currency gains/(losses)	1	(2)		(1)
Assessed losses	(196)	(57)		(253)
Total	(303)	(86)	24	(365)

Calculated tax losses

At 31 December	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Tax losses available for set-off against future taxable income on which deferred tax was raised				
– Local	1 004	918	904	700
– Foreign	304	189		
Tax losses on which no deferred tax assets were raised	363	219		
All recognised deferred tax asset balances are supported by the future taxable profits against which they can be utilised.				

8.5 Notes to the statements of cash flows relating to taxation

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Normal tax paid				
Amounts (unpaid)/receivable at beginning of year	(49)	18		
Amounts receivable at beginning of year: non-current assets held-for-sale	24			
Amounts charged to the statement of comprehensive income	(56)	(184)		
Arising on translation of foreign operations	3	(17)		
Reclassification to non-current assets/(liabilities) held-for-sale	9	(24)		
Amounts (receivable)/unpaid at end of year	(51)	49		
Normal tax paid	(120)	(158)		

8.6 Tax effect of other comprehensive income

At 31 December	2014 Before tax Rm	2014 Tax Rm	2014 Net of tax Rm	2013 Before tax Rm	2013 Tax Rm	2013 Net of tax Rm
Group						
Unrealised exchange differences on translating foreign operations	224		224	648	(114)	534
Share of comprehensive income of equity-accounted investments	570	51	621	2 103	(100)	2 003
Revaluation of available-for-sale financial assets	423	(78)	345	128	(28)	100
Non-controlling interests' share of other comprehensive income				3		3
Total	1 217	(27)	1 190	2 882	(242)	2 640

09 NON-RECURRING EVENTS

9.1 Accounting policies relating to non-recurring events

Impairment of non-current assets

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.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit (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. For goodwill, a recognised impairment loss is not reversed.

Non-current assets and liabilities held-for-sale

If the carrying amount of non-current assets and liabilities (or a disposal group) will be recovered principally through a sale transaction 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 sale is highly probable and the assets and liabilities (or a disposal group) are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9.2 Impairment charges/(reversals) of non-current assets

		Group		Company	
For the year ended 31 December	Notes	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Mayoko iron ore project		5 208		4 922	
Impairment charges		5 760		4 922	
– Property, plant and equipment	11.1.2	4 740			
– Goodwill	11.3.2	1 020			
– Impairment of subsidiaries				4 922	
Net tax effect		(552)			
Intellectual property		202		202	
Impairment of intangible asset – Total impairment charges (pre- and post-tax)		202		202	
New Clydesdale Colliery (NCC) operation			132		
Net impairment charges			143		
– Impairment of property, plant and equipment			292		
– Partial reversal of impairment of property, plant and equipment			(149)		
Net tax effect			(11)		
Zincor			(98)		
Partial reversal of impairment of property, plant and equipment			(98)		
Other					68
Impairment of subsidiaries[1]					44
Impairment of investments[2]					24
Net impairment charges per statement of comprehensive income		5 962	45	5 124	68
Net tax effect		(552)	(11)		
Net effect on attributable earnings		5 410	34	5 124	68
– Continuing operations		5 410	132	5 124	68
– Discontinued operations			(98)		

1 *In December 2013 Skyprops 112 Proprietary Limited (100% held subsidiary of Exxaro Resources Limited) declared a dividend in specie to Exxaro. An impairment assessment was performed by comparing the carrying amount of the investment to the net asset value of the company in which the investment was held. As a result, an impairment of R44 million was recognised.*

2 *Impairment of the Botswana investment on 31 December 2013 of R24 million due to the changing risk profile of the investment.*

9.2 Impairment charges/(reversals) of non-current assets (continued)

9.2.1 Mayoko iron ore project

The Mayoko iron ore project is located in the RoC and was acquired in February 2012 through the acquisition of African Iron Limited (AKI). The project is reported within the iron ore operating segment which forms part of the ferrous reporting segment.

After the acquisition, Exxaro aimed to secure a mining convention agreement, as well as port and rail access agreements (project agreements). This included a company mining tax regime with the government of the RoC. These negotiations were done simultaneously with ongoing work for:

- Confirmation of inferred and proven resources
- Clearing and construction of the infrastructure required to mine the resource.

Based on the conceptual positive business case, a decision was taken to start the project in phases (ramping up to two Mtpa) as soon as the mining convention and project agreements had been finalised.

Based on the assumption that project agreements would be finalised in a reasonable timeframe, Exxaro began acquiring assets (such as rolling stock, beneficiation plant, harbour cranes, etc.) and appointing people to permit fast-track initiation. However, the mining convention was not signed until January 2014 (effectively 10 months after the original submission) and there has since been slow progress on other required project agreements, which are still outstanding.

With the time lapse, the financial models (on a 12Mt concept study level) were updated with the latest assumptions on capital, operational costs, resources and long-term iron ore prices which indicated that the project may not achieve Exxaro's required hurdle rates. The major driver of the change in the returns since acquisition was attributed to higher capital expenditure. At the time of finalising the revised concept study, Exxaro had not yet been successful in concluding the definitive project agreements.

As a result of the delays in finalising these agreements, as well as higher future project development costs following the outcome of the concept study, a pre-tax impairment loss of R5 803 million (R5 760 million excluding the impairment of financial assets and write-down of trade and other receivables) was raised consisting of an impairment of goodwill acquired in the business combination with AKI in 2012 of R1 020 million, impairment of property, plant and equipment of R4 740 million (including the mineral resource of R1 877 million recognised on acquisition of the project and project-related costs capitalised of R1 696 million) as well as impairment and write-off of financial assets amounting to R43 million in terms of IAS 39 *Financial Instruments*: *Recognition and Measurement*.

The recoverable amount, being the fair value less costs of disposal (level 3 as per IFRS 13 *Fair value Measurement*), was considered to be immaterial and the project was impaired to a recoverable amount of Rnil. This was derived using a discounted cash flow valuation technique (consistent with the valuation technique used on 31 December 2013) where cash flow projections and a post-tax discount rate of 17% (31 December 2013: 14%) were used. The increase in the discount rate is as a result of the market assumptions on risk inherent in the implementation of the project.

Key assumptions made in the valuation included the following:

- Life of mine (LoM): estimated at 25 years (31 December 2013: 35 years)
- Iron ore price: range US$78/tonne and US$117/tonne (31 December 2013: US$88/tonne and US$169/tonne)
- Post-tax discount rate 17,0% (31 December 2013: 14,0%).

The values assigned to the key assumptions represented management's best estimates with respect to its LoM and operating projections, as well as pricing forecasts. The iron ore price ranges were based on the current known industry trends and analysis. The discount rate was a post-tax US-based weighted average cost of capital adjusted for various risk factors, based on historical data from both external and internal sources. The decrease in the LoM to 25 years (31 December 2013: 35 years) is mainly due to the increase in annual production costs, acceleration in ramp-up, lower plant yield and different ore mix, based on the most recent information available. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount.

The following table shows the amounts by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount prior to the impairment:

Key assumption	Unit	Charge required
Post-tax discount rate	(%)	(8)
Iron ore price range	(US$/tonne)	17 and 26

9.2.2 Intellectual property

Exxaro has taken the decision not to develop the underground coal gasification project in 2015. The decision is based on the current economic environment and the expected capital expenditure required for the project. The licence relating to this technology is not transferable and non-income generating. The licence (intangible asset) has been fully impaired with a value of R202 million following the revised management intention.

9.2.3 NCC operation

The carrying value of property, plant and equipment of the NCC coal operation, reported within the commercial operating segment contained in the coal reporting segment, was impaired with R292 million to the recoverable amount based on impairment tests performed in June 2013. The recoverable amount was revised following the classification of the NCC operation as held-for-sale at the end of the 2013 reporting year due to the signing of the sales agreement of the NCC operation, which was concluded with Universal Coal Development VII Proprietary Limited (Universal) in January 2014. As a result of the revision of the recoverable amount, a partial impairment reversal to the amount of R149 million was recorded, bringing the net impairment loss (pre-tax) recorded to R143 million.

9.2.4 Zincor

The partial impairment reversal of the carrying value of property, plant and equipment at the Zincor operation was based on the revised recoverable amount of the operation. The recoverable amount was revised following the sale of Exxaro Base Metals, which included the Zincor assets.

9.3 (Loss)/gain on the disposal of subsidiaries

9.3.1 Continuing operations

Group For the year ended 31 December 2014	Exxaro Coal Botswana Proprietary Limited Rm	Total Rm
Loss on the disposal of subsidiary		
Consideration received or receivable:		
Cash[1]		
Total disposal consideration		
Carrying amount of net asset value sold	(28)	(28)
– Property, plant and equipment	(1)	(1)
– Trade and other receivables	(1)	(1)
– Cash and cash equivalents	(2)	(2)
– Non-controlling interest	(27)	(27)
– Foreign currency translation reserve	(17)	(17)
– Provisions	20	20
Loss on sale[2]	(28)	(28)

1 *The company was sold for 1 pula.*
2 *After tax of Rnil.*

9.3 (Loss)/gain on the disposal of subsidiaries (continued)

9.3.1 Continuing operations (continued)

Company

For the year ended 31 December 2014	Exxaro Coal Botswana Proprietary Limited Rm	Total Rm
Loss on the disposal of subsidiary		
Consideration received or receivable:		
Cash[1]		
Total disposal consideration		
Carrying amount of net asset value sold	(1)	(1)
Loss on sale[2]	(1)	(1)

1 *The company was sold for 1 pula.*
2 *After tax of Rnil.*

9.3.2 Discontinued operations

Group

For the year ended 31 December 2013	Exxaro Base Metals Rm	Total Rm
Gains on the disposal of subsidiary		
Cash consideration received or receivable[1]	183	183
Total disposal consideration	183	183
Carrying amount of net asset value sold	781	781
– Property, plant and equipment	(98)	(98)
– Inventories	(5)	(5)
– Trade and other receivables	(44)	(44)
– Provisions	914	914
– Trade and other payables	14	14
Gain on disposal[2]	964	964

1 *The outstanding amount relating to the sale of Exxaro Base Metals amounts to R86,3 million on 31 December 2014.*
2 *After tax of Rnil.*

Company

For the year ended 31 December 2013	Exxaro Base Metals Rm	Total Rm
Loss on the disposal of subsidiary		
Consideration received or receivable:		
Cash[1]	183	183
Total disposal consideration	183	183
Carrying amount of net assets sold	(555)	(555)
Loss on sale[2]	(372)	(372)

1 *The outstanding amount relating to the sale of Exxaro Base Metals amounts to R86,3 million on 31 December 2014.*
2 *After tax of Rnil.*

9.4 Non-current assets and liabilities held-for-sale

NCC operation

Exxaro concluded a sale of asset agreement relating to the NCC operation with Universal in January 2014. The sale is conditional on section 11 approval required in terms of the MPRDA for transfer of the new-order mining right from Exxaro Coal Mpumalanga Proprietary Limited to the new owners. On 31 December 2014, conditions precedent to the sale agreement with Universal had not been met. The NCC operation remains a non-current asset classified as held-for-sale.

The NCC operation met the relevant recognition criteria to be classified as a non-current asset held-for-sale on 31 December 2013. The NCC operation does not meet the criteria to be classified as a discontinued operation since it does not represent a separate major line of business, nor does it represent a major geographical area of operation since it forms part of the Mpumalanga coal region which is reported as part of the commercial coal operating segment.

Other

The held-for-sale property, plant and equipment also includes farms in the Waterberg region (with a carrying value of R25 million on 31 December 2014) which are expected to be sold in 2015.

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

	Group		Company	
At 31 December	**2014 Rm**	**2013 Rm**	**2014 Rm**	**2013 Rm**
Assets				
Property, plant and equipment	174	149		
Deferred tax	65	90		
Financial assets	73	67		
Inventories	8	8		
Trade and other receivables	8	4		
Trade receivables	3			
Non-financial instrument receivables	5	4		
Current tax receivable		24		
Total assets	328	342		
Liabilities				
Non-current interest-bearing borrowings				
Non-current provisions	(158)	(144)		
Post-retirement employee obligations	(4)	(3)		
Trade and other payables	(21)	(39)		
Trade payables	(11)	(20)		
Other payables	(3)	(7)		
Derivative instruments		(9)		
Non-financial instrument payables	(7)	(3)		
Current provisions	(40)	(39)		
Tax payable	(9)			
Total liabilities	(232)	(225)		
Net assets held-for-sale	96	117		

9.5 Transactions with non-controlling interest

During April 2013, the group acquired the remaining 3% of the issued shares of DMC Iron Congo SA (which is the holding company of the Mayoko iron ore project) for a purchase consideration of AU$9,9 million (R96 million). The group now holds 100% of the equity share capital of DMC Iron Congo SA. The carrying amount of the non-controlling interest in DMC Iron Congo SA on the date of acquisition was R28 million.

The group derecognised non-controlling interest of R28 million and recorded a decrease in equity attributable to owners of the parent of R68 million. The effect of changes in the ownership interest of DMC Iron Congo SA on the equity attributable to owners of the company during the year is summarised in the table below.

	Group	Company
At 31 December	2013 Rm	2013 Rm
Carrying amount of non-controlling interest acquired	(28)	
Excess of consideration paid recognised in parent's equity	(68)	
Consideration paid for non-controlling interest	(96)	

10 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

10.1 Accounting policies relating to investments in associates and joint arrangements

Investments in associates and joint arrangements

Associates are those entities in which the group has significant influence, but not control or 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.

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. They 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 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.

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. Equity-accounted income represents the group's proportionate share of profits of those entities and the share of tax thereon.

The consolidated 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.

When Exxaro's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interest that forms part thereof, is reduced to zero, and recognition of further losses is discontinued except to the extent that Exxaro has an obligation or has made payments on behalf of the investee.

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

The retained earnings of an associate, net of any dividends, are classified as distributable reserves. The group's interest in associates is carried in the statement of financial position at an amount that reflects its share of the net assets and the goodwill on acquisition.

Where an increase in the shareholding of an equity investment through a share buy-back executed by the associate has been accounted for in the records of the investor at the original cost of the investment, the investment in the associate in the records of the investor will not change, but the components of the carrying amounts within the investment will change.

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

Unrealised gains from transactions with equity-accounted investees are eliminated against the investment to the extent of Exxaro's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

10.2 Income from investments in associates and joint ventures

For the year ended 31 December	Share of income/(loss) from equity-accounted investments		Dividends and other income	
	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Associates	2 339	3 605	3 733	3 216
Listed investments				
Tronox Limited	(628)	(981)	553	507
Unlisted investments				
SIOC	2 830	4 166	3 095	2 664
Tronox SA	(38)	238		
Tronox UK[1]	98	105	85	45
Black Mountain	77	77		
Joint ventures	176	26		
Mafube	267	131		
South Dunes Coal Terminal Company State-owned Company (SOC) Limited (SDCT)	1	(2)		
Cennergi	(92)	(103)		
Total income from investments in associates and joint ventures	2 515	3 631	3 733	3 216

1 *The income from Tronox UK for the company comprises partnership profits.*

10.3 Investments in associates and joint ventures

10.3.1 Investments in associates

At 31 December	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Investments in associates				
Investments (per statement of financial position)				
– Listed	9 686	10 267	10 880	10 880
– Unlisted	8 902	8 940	2 272	2 272
Total investments in associates	18 588	19 207	13 152	13 152

10.3 Investments in associates and joint ventures (continued)

10.3.1 Investments in associates (continued)

Refer note 10.5.1 for market and directors' valuations of investments.

Group	Notes	Investments Rm	Total Rm
2014			
At beginning of year		19 207	19 207
Loss on dilution of investment		(58)	(58)
Net share of results	10.2	2 339	2 339
Dividends received		(3 719)	(3 719)
Other		(3)	(3)
Share of reserve movements		822	822
At end of year (refer note 10.5)		18 588	18 588
2013			
At beginning of year		17 154	17 154
Loss on dilution of investment		(12)	(12)
Net share of results	10.2	3 605	3 605
Dividends received		(3 229)	(3 229)
Share of reserve movements		1 689	1 689
At end of year (refer note 10.5)		19 207	19 207

There were no loans with associates for the 2014 and 2013 financial years.

10.3.2 Investments in joint ventures

	Group		Company	
At 31 December	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Investments (per statement of financial position)	966	861	267	159
Loans	83	255	60	60
Total investments and loans in joint ventures	1 049	1 116	327	219

Refer note 10.5.1 for market and directors' valuations of investments.

Group	Notes	Investments Rm	Loans[1,2] Rm	Total Rm
2014				
At beginning of year		861	255	1 116
Additional interests acquired		108		108
Net share of results		198	1	199
– Share of equity-accounted income	10.2	175	1	176
– Elimination of intergroup profits		23		23
Share of reserve movements		(201)		(201)
Movement in indebtedness from joint ventures			(173)	(173)
At end of year (refer note 10.5)		966	83	1 049
2013				
At beginning of year		425	557	982
Additional interests acquired		82		82
Net share of results		40	(2)	38
– Share of equity-accounted income	10.2	26	(2)	24
– Elimination of intergroup profits		14		14
Share of reserve movements		314		314
Movement in indebtedness from joint ventures			(300)	(300)
At end of year (refer note 10.5)		861	255	1 116

1 The loans to joint ventures are included in financial assets on the statement of financial position. (Refer note 11.4.3.)

2 The loans have no fixed repayment terms.

Company	Notes	Investments Rm	Loans[1,2] Rm	Total Rm
2014				
At beginning of year		159	60	219
Additional interests acquired		108		108
At end of year (refer note 10.5)		267	60	327
2013				
At beginning of year		77	60	137
Additional interests acquired		82		82
At end of year (refer note 10.5)		159	60	219

1 *The loans to joint ventures are included in financial assets on the statement of financial position. (Refer note 11.4.3.)*

2 *The loans have no fixed repayment terms. The loan to Cennergi is interest free.*

10.4 Notes to the statements of cash flows relating to investments in associates

10.4.1 Income from investments in associates

		Group		Company	
For the year ended 31 December	Notes	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Share of income from investments in associates	10.2	2 515	3 631		
Dividends received	10.5.2	3 719	3 229	3 648	3 171
Non-cash flow income from investments in associates		(2 515)	(3 631)		
Total income from investments in associates		3 719	3 229	3 648	3 171

10.5 Detailed analysis of investments in associates and joint ventures

10.5.1 Summary of investments in associates and joint ventures

At 31 December	Nature of business[1]	Country of incorporation[2]	Number of shares held	Percentage holding 2014 %	Percentage holding 2013 %
Associated companies					
Listed					
Tronox Limited[4]	A	USA	51 154 280	43,98	44,40
Unlisted					
SIOC	A	RSA	240 000 000	19,98	19,98
Tronox SA	A	RSA	208	26,00	26,00
Tronox UK	F	UK	[5]	26,00	26,00
Black Mountain[6]	A	RSA	260	26,00	26,00
Total associated companies (refer note 10.3.1)					
Joint ventures[7]					
Incorporated					
Unlisted					
Mafube	A	RSA	50	50,00	50,00
– Investment					
– Loan					
SDCT	A	RSA	1 333	33,33	33,33
– Investment					
– Loan					
Cennergi	EN	RSA	50	50,00	50,00
– Investment					
– Loan					
Joint operations					
Unincorporated					
Moranbah Coal Project	A	AUS		50,00	50,00
Total joint ventures (refer note 10.3.2)					
Total investment in associates and joint ventures					

1 *A – Mining, F – Financing, EN – Energy.*

2 *RSA – Republic of South Africa, USA – United States of America, UK – United Kingdom, AUS – Australia.*

3 *Fair value represents the directors' value for unlisted investments and market value for listed investments.*

4 *The group's 44,40% investment in Tronox Limited on 31 December 2013 was diluted during the year to 43,98% on 31 December 2014 due to share warrants and share options that were exercised by participants during the year. The fair value of the investment is based on a share price of US$28,88 on 31 December 2014 (31 December 2013: US$23,07) and an exchange rate against the US$ of R11,56 (31 December 2013: R10,44).*

5 *Tronox UK does not have shares, but only members' interest.*

6 *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.*

7 *Carrying values of joint ventures include loans to joint ventures (disclosed as part of financial assets) for this summary.*

8 *The fair value of the investment is based on the listed share price of Kumba Iron Ore Limited (KIO) on 31 December 2013 of R239,90 per share (31 December 2013: R443,45 per share), adjusted for a liquidity discount of 20%.*

The investments are valued at the reporting date. Unlisted shares are valued at directors' value.

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 notes 13.3 and 13.4 for details with regard to contingent liabilities and assets relating to associates and joint ventures.

Refer note 13.5 for details with regard to commitments relating to associates and joint ventures.

Group carrying value 2014 Rm	Group carrying value 2013 Rm	Company carrying value 2014 Rm	Company carrying value 2013 Rm	Fair value[3] 2014 Rm	Fair value[3] 2013 Rm	Fair value hierarchy level	Valuation technique
9 686	10 267	10 880	10 880	14 122	12 319	1	Listed market price
5 422	5 523			16 700	30 800	2	Adjusted equity value[8]
1 786	1 819	1 181	1 181	1 786	1 819	3	Net asset value
1 337	1 239	1 091	1 091	1 337	1 239	3	Net asset value
357	359			828	614	3	Discounted cash flow (DCF)
18 588	19 207	13 152	13 152	34 773	46 791		
818	714			1 030	918	3	DCF
818	528						
	186						
83	69			227	89	3	DCF
83	69						
148	333	327	219	581	461	3	DCF
148	333	267	159				
		60	60				
1 049	1 116	327	219	1 838	1 468		
19 637	20 323	13 479	13 371	36 611	48 259		

10.5 Detailed analysis of investments in associates and joint ventures (continued)

10.5.2 Summarised financial information

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

	Associate companies					Joint ventures		
	Tronox Limited Rm	Tronox SA Rm	Tronox UK Rm	SIOC Rm	Black Mountain Rm	Mafube Rm	Cennergi Rm	SDCT Rm
Statements of comprehensive income for the year ended 31 December 2014								
Revenue	18 801	6 510		47 597	1 863	1 987		1
Operating expenses	(19 478)	(6 178)	(8)	(27 939)	(1 451)	(1 135)	(281)	
Net operating (loss)/profit	(677)	332	(8)	19 658	412	852	(281)	1
Finance income	141	131	740	75	8	4	5	5
Finance expense	(1 548)	(501)	(340)	(551)	(7)	(40)		(4)
Impairment charges				(439)				
Share of losses from equity-accounted investments				(5)				
(Loss)/profit before tax	(2 084)	(38)	392	18 738	413	816	(276)	2
Income tax benefit/(expense)	240	(107)	(14)	(4 573)	(115)	(236)	92	
(Loss)/profit for the year	(1 844)	(145)	378	14 165	298	580	(184)	2
Other comprehensive income/(loss)	670	(26)		(14 671)	5			
Total comprehensive (loss)/income for the year	(1 174)	(171)	378	(506)	303	580	(184)	2
(Loss)/profit attributable to:	(1 844)	(145)	378	14 165	298	580	(184)	2
Owners of the parent	(1 924)	(145)	378	14 165	298	580	(184)	2
Non-controlling interests	80							
Total comprehensive (loss)/income attributable to:	(1 174)	(171)	378	(506)	303	580	(184)	2
Owners of the parent	(925)	(171)	378	(506)	303	580	(184)	2
Non-controlling interests	(249)							
Dividends paid to Exxaro	553			3 095	71			
Statements of financial position at 31 December 2014								
Non-current assets	34 410	13 208	4 399	37 748	1 489	1 997	2 128	46
Current assets	26 354	5 625	781	13 198	600	686	53	100
Total assets	60 764	18 833	5 180	50 946	2 089	2 683	2 181	146
Equity and liabilities								
Total equity	21 092	6 868	5 143	27 138	1 372	1 636	242	(2)
Equity attributable to owners of the parent	19 041	6 868	5 143	27 138	1 372	1 636	242	(2)
Non-controlling interests	2 051							
Non-current liabilities	35 038	10 341	30	14 258	482	909	1 743	97
Interest-bearing borrowings	26 982	7 728	30	4 004		232	1 374	97
Non-current provisions	1 453	329		2 092		332		
Post-retirement employee obligations	1 922	77			163			
Share-based payment liability							166	
Deferred tax	3 937	2 207		8 162	319	345	90	
Other (including non-current tax payable)	744						113	
Current liabilities	4 634	1 624	7	9 550	235	138	196	51
Trade and other payables	3 460	773		3 356	235	138	76	26
Interest-bearing borrowings	210	787		5 593				25
Current tax payable	372		7	509				
Current provisions	96	64		92				
Current shareholder loan							120	
Other (including financial liabilities – warranties)	496							
Total equity and liabilities	**60 764**	**18 833**	**5 180**	**50 946**	**2 089**	**2 683**	**2 181**	**146**
Included above in joint ventures:								
– Cash and cash equivalents						357	29	10
– Depreciation and amortisation						194	1	

	Associate companies					Joint ventures		
	Tronox Limited[1] Represented Rm	Tronox SA Rm	Tronox UK Rm	SIOC Rm	Black Mountain Rm	Mafube Rm	Cennergi Rm	SDCT Rm
Statements of comprehensive income for the year ended 31 December 2013								
Revenue	18 718	7 259		54 461	1 567	1 577		5
Operating expenses	(19 434)	(5 687)	(2)	(25 396)	(1 146)	(1 117)	(262)	(13)
Net operating (loss)/profit	(716)	1 572	(2)	29 065	421	460	(262)	(8)
Finance income	82	62	384	108	8	7	3	19
Finance expense	(1 276)	(372)		(427)	(4)	(67)	(3)	(21)
Losses from investments	(7)							
Share of losses from equity-accounted investments				(46)				
(Loss)/profit before tax	(1 917)	1 262	382	28 700	425	400	(262)	(10)
Income tax benefit/(expense)	405	(347)	20	(7 847)	(127)	(118)	56	3
(Loss)/profit for the year	(1 512)	915	402	20 853	298	282	(206)	(7)
Other comprehensive income/(loss)	2 073	(24)		8 384	(3)			
Total comprehensive income/(loss) for the year	561	891	402	29 237	295	282	(206)	(7)
(Loss)/profit attributable to:	(1 512)	915	402	20 853	298	282	(206)	(7)
Owners of the parent	(1 869)	915	402	20 853	298	282	(206)	(7)
Non-controlling interests	357							
Total comprehensive income/(loss) attributable to:	561	891	402	29 237	295	282	(206)	(7)
Owners of the parent	884	891	402	29 237	295	282	(206)	(7)
Non-controlling interests	(323)							
Dividends paid to Exxaro	507			2 664	58			
Statements of financial position at 31 December 2013								
Non-current assets	36 161	12 570	4 404	32 816	1 444	2 144	1 481	219
Current assets	25 224	5 053	388	12 165	574	327	108	262
Total assets	61 385	17 623	4 792	44 981	2 018	2 471	1 589	481
Equity and liabilities								
Total equity	23 127	6 996	4 767	27 645	1 379	1 056	731	(16)
Equity attributable to owners of the parent	21 042	6 996	4 767	27 645	1 379	1 056	731	(16)
Non-controlling interests	2 085						(0)	
Non-current liabilities	33 929	9 599	21	12 043	313	1 203	832	497
Interest-bearing borrowings	24 458	7 088	21	2 234		407	608	428
Loans – Exxaro Resources				17		185		
Non-current provisions	1 161	369		1 946		273	15	69
Post-retirement employee obligations	1 505	59						
Deferred tax	6 311	2 060		7 846	313	338	192	
Other (including non-current tax payable)	494	23					17	
Current liabilities	4 329	1 028	4	5 293	326	212	26	
Trade and other payables	3 146	608	1	3 764	174	143	26	
Interest-bearing borrowings	192	385	1	615				
Current tax payable	291	27	2	559	1	12		
Current provisions	84	8		355	151	57		
Other (including financial liabilities – warranties)	616							
Total equity and liabilities	61 385	17 623	4 792	44 981	2 018	2 471	1 589	481
Included above in joint ventures:								
– Cash and cash equivalents						33	29	1
– Depreciation and amortisation						210	1	

1 The summarised financial information of Tronox for the comparative period has been revised to reflect the amounts presented in Tronox's consolidated financial statements under IFRS and to include adjustments made by Exxaro when using the equity method. The revisions to the comparative financial information also include the effects of a retrospective change in accounting policy by Tronox that relates to the treatment of deferred taxes associated with certain Australian tenements. The adjustments to the summarised financial information did not have any impact on Exxaro's initial investment in Tronox, which was recognised at cost (the change in accounting policy did however result in a net decrease in the fair value of identifiable assets and liabilities on date of acquisition, and therefore resulted in an increase in the excess of cost of the investment over the fair value of identifiable assets and liabilities, which is disclosed as part of the reconciliation of the cost of the investment to Exxaro's share of Tronox's closing net assets below). The adjustments to the summarised financial information also did not have a material impact on Exxaro's share of the post-acquisition changes in net assets of Tronox in prior periods.

10.5 Detailed analysis of investments in associates and joint ventures (continued)

10.5.3 Reconciliation of carrying amount of investment

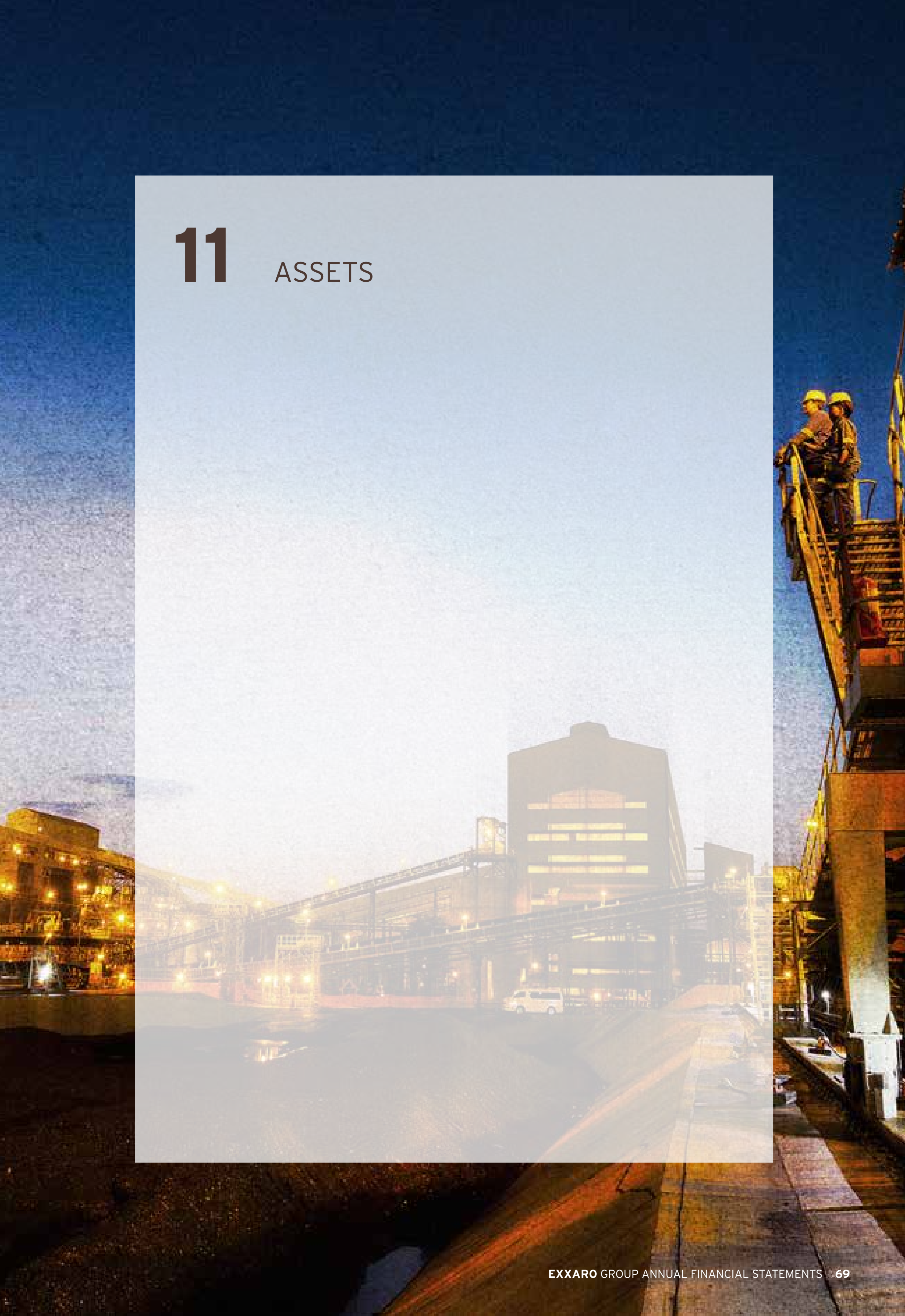
Set out below is a reconciliation of the equity attributable to owners of the parent (closing net assets) as disclosed, to the carrying value of the investment.

	Associate companies					Joint ventures		
	Tronox Limited Represented Rm	Tronox SA Rm	Tronox UK Rm	SIOC Rm	Black Mountain Rm	Mafube Rm	Cennergi[1] Rm	SDCT[2] Rm
2014								
Closing net assets	19 041	6 868	5 143	27 138	1 372	1 636	242	(2)
Interest in equity-accounted investment (%)	43,98	26,00	26,00	19,98	26,00	50,00	50,00	33,33
Interest in equity-accounted investment	8 374	1 786	1 337	5 422	357	818	121	
Excess of carrying value over fair value of identifiable assets and liabilities[3]	1 312							
Unrealised profit in closing balances							(33)	
Loans to equity-accounted investments							60	83
Carrying value at 31 December	9 686	1 786	1 337	5 422	357	818	148	83
2013								
Closing net assets	21 042	6 996	4 767	27 645	1 379	1 056	731	(16)
Interest in equity-accounted investment (%)	44,40	26,00	26,00	19,98	26,00	50,00	50,00	33,33
Interest in equity-accounted investment	9 343	1 819	1 239	5 523	359	528	366	
Excess of carrying value over fair value of identifiable assets and liabilities[3]	924							
Unrealised profit in closing balances							(33)	
Loans to equity-accounted investments						186		69
Carrying value at 31 December	10 267	1 819	1 239	5 523	359	714	333	69

1 *Loan to Cennergi is capitalised to the investment in the accounting records of Exxaro.*

2 *Investment value is limited to zero. Further equity losses are deducted from loans.*

3 *The excess of carrying value over fair value of identifiable assets and liabilities (goodwill) is treated as part of the assets and liabilities of the foreign operation and is translated at the closing rate.*



11 ASSETS

11.1 Property, plant and equipment

11.1.1 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.

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 for items of property, plant and equipment are:

2014	Coal	Ferrous	Other
Buildings and infrastructure (including residential buildings)	1 – 40 years[1]	3 – 40 years	3 – 25 years
Mineral properties	1 – 25 years	7 – 25 years	n/a
Fixed plant and equipment	1 – 40 years	2 – 15 years	1 – 10 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	13 000 – 50 000 hours or 1 – 15 years	1 – 8 years	2 – 10 years
Loose tools and computer equipment	1 – 6 years	1 – 5 years	1 – 10 years
Refractory relines	5 – 10 years	n/a	n/a
Site preparation and mining development	1 – 25 years	25 years	n/a

1 *Increase in useful life for the coal asset mainly due to the commissioning of the GMEP project with components with an expected useful life of 40 years.*

2013	Coal	Ferrous	Other
Buildings and infrastructure (including residential buildings)	1 – 25 years	3 – 40 years	5 – 25 years
Mineral properties	1 – 25 years	25 years	
Fixed plant and equipment	1 – 25 years	2 – 15 years	1 – 25 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	13 000 – 50 000 hours or 1 – 15 years	1 – 5 years	4 – 10 years
Loose tools and computer equipment	1 – 6 years	1 – 5 years	1 – 6 years
Refractory relines	5 – 10 years	n/a	n/a
Site preparation and mining development	1 – 25 years	25 years	n/a

Maintenance and repairs which neither materially add to the value of assets nor prolong their useful lives are expensed through profit or loss, as well as gains and losses on the disposal of property, plant and equipment.

Expenses relating to major capital projects and site preparations are capitalised until the assets are brought to working condition for intended use and include dismantling and site restoration costs.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings was utilised. Capitalisation of borrowing costs ceases when the qualifying asset is substantially complete as intended by management. Qualifying assets within the group are assets that take a substantial period of time to get ready for intended use or sale.

Exploration cost

The group expenses all exploration and evaluation costs until management concludes that future economic benefits are more likely than not probable of being realised. In evaluating if expenditures meet 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 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 overhead. The group capitalises development costs once approval for such development is obtained from management. 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.

11.1 Property, plant and equipment (continued)

11.1.2 Property, plant and equipment

At 31 December Group	Notes	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 development and rehabilitation Rm	Assets under cons-truction Rm	Total Rm
2014									
Gross carrying amount									
At beginning of year		263	3 499	346	1 259	7 664	290	11 830	25 151
Additions		27			1	209		2 960	3 197
Changes in decommissioning assets	13.2				20	22		1	43
Disposal of subsidiaries and other business operations						(3)			(3)
Borrowing costs capitalised	12.1.2							333	333
Disposal of items of property, plant and equipment						(217)			(217)
Reclassification to non-current assets held-for-sale		(25)							(25)
Exchange differences on translation		1	124			(22)	(32)	(21)	50
Transfer (to)/from other assets		(5)	(5)		1	(1)			(10)
Transfer between classes		3		297	1 295	8 436	4	(10 035)	
Other movements								2	2
At end of year		264	3 618	643	2 576	16 088	262	5 070	28 521
Accumulated depreciation									
At beginning of year			932	66	537	3 055	168	12	4 770
Charges for the year	7.1.3	9	70	24	112	635	25		875
Disposal of subsidiaries and other business operations						(2)			(2)
Disposal of items of property, plant and equipment						(181)			(181)
Transfer between classes					(1)	1			
At end of year		9	1 002	90	648	3 508	193	12	5 462
Impairment of assets									
At beginning of year			39						39
Charges for the year	9.2		1 877		1	1 098		1 764	4 740
Exchange differences on translation						(40)		(24)	(64)
At end of year			1 916		1	1 058		1 740	4 715
Net carrying amount at end of year		255	700	553	1 927	11 522	69	3 318	18 344

At 31 December Group	Notes	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 development and rehabilitation Rm	Assets under cons-truction Rm	Total Rm
2013									
Gross carrying amount									
At beginning of year		177	3 456	93	1 289	6 321	337	9 480	21 153
Additions		92			18	1 181		3 472	4 763
Changes in decommissioning assets	13.2			(2)	11	9	1	(2)	17
Disposal of subsidiaries and other business operations		(1)			(85)	(747)		(22)	(855)
Borrowing costs capitalised	12.1.2					338			338
Disposal of items of property, plant and equipment					(3)	(175)		(2)	(180)
Reclassification to non-current assets held-for-sale		(7)	(51)		(60)	(378)	(74)		(570)
Exchange differences on translation		2	94			151	28	210	485
Transfer between classes				255	89	964	(2)	(1 306)	
At end of year		263	3 499	346	1 259	7 664	290	11 830	25 151
Accumulated depreciation									
At beginning of year			911	51	531	3 072	178	13	4 756
Charges for the year	7.1.3		67	15	75	633	30		820
Disposal of subsidiaries and other business operations					(37)	(300)		(1)	(338)
Disposal of items of property, plant and equipment					(3)	(151)	(1)		(155)
Reclassification to non-current assets held-for-sale			(46)		(29)	(203)	(39)		(317)
Exchange differences on translation						4			4
At end of year			932	66	537	3 055	168	12	4 770
Impairment of assets									
At beginning of year		1			48	447		20	516
Impairment reversals					(20)	(227)			(247)
Charges for the year	9.2		39			253			292
Disposal of subsidiaries		(1)			(28)	(369)		(20)	(418)
Reclassification to non-current assets held-for-sale						(104)			(104)
At end of year			39						39
Net carrying amount at end of year		263	2 528	280	722	4 609	122	11 818	20 342

11.1 Property, plant and equipment (continued)

11.1.2 Property, plant and equipment (continued)

At 31 December Company	Notes	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	Total Rm
2014					
Gross carrying amount					
At beginning of year		8	640	221	869
Additions			15	107	122
Disposal of items of property, plant and equipment			(62)		(62)
Transfer between classes			117	(117)	
At end of year		8	710	211	929
Accumulated depreciation					
At beginning of year		3	264		267
Charges for the year	7.1.3	1	88		89
Disposal of items of property, plant and equipment			(56)		(56)
At end of year		4	296		300
Net carrying amount at end of year		4	414	211	629
2013					
Gross carrying amount					
At beginning of year		20	327	438	785
Additions			17	118	135
Disposal of items of property, plant and equipment		(12)	(39)		(51)
Transfer between classes			335	(335)	
At end of year		8	640	221	869
Accumulated depreciation					
At beginning of year		4	154		158
Charges for the year	7.1.3		138		138
Disposal of items of property, plant and equipment		(1)	(28)		(29)
At end of year		3	264		267
Net carrying amount at end of year		5	376	221	602

11.1.3 Capital commitments

	Group		Company	
At 31 December	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Capital expenditure contracted for plant and equipment	2 887	4 204	125	297
Capital expenditure authorised for plant and equipment but not contracted	2 160	2 826	403	25
Capital commitments include the group's share of capital commitments of associates and joint ventures.	1 485	963		
Capital expenditure will be financed from available cash resources, funds generated from operations and available borrowing capacity.				
Capital expenditure contracted relating to tied mines is financed by ArcelorMittal SA Limited for the Tshikondeni operation and by Eskom for the Arnot and Matla operations	159	317		
11.1.4 Notes to the statements of cash flows relating to property, plant and equipment				
11.1.4.1 Investments in property, plant and equipment to maintain operations				
Replacement of property, plant and equipment	(1 380)	(1 205)	(122)	(135)
Reconditional spares	(80)	(52)		
	(1 460)	(1 257)	(122)	(135)
11.1.4.2 Investments in property, plant and equipment to expand operations				
Expansion and new technology	(1 737)	(3 507)		

11.2 Biological assets

11.2.1 Accounting policies relating to biological assets

Biological assets comprise plantation, livestock and game. They are measured at their fair value less estimated point-of-sale costs on initial recognition and at each financial year end. Any change in value is included in the net profit or loss for the period in which it arises.

The fair value of plantations is determined annually by an independent appraiser.

The fair value of livestock is determined by the age and size of the animals and the market price. Market price is determined on the basis that the animal is sold to be slaughtered with reference to market prices of beef provided by an independent specialist. Livestock held-for-sale is classified as consumable biological assets (inventories).

The fair value of game is deemed to be the market price. Market price is determined with reference to the most recent live auction selling prices as provided by an independent specialist. Game earmarked for sale is classified as consumable biological assets (inventories).

11.2 Biological assets (continued)

11.2.2 Biological assets

At 31 December	Plantation Rm	Livestock Rm	Game Rm	Total Rm
Group				
2014				
Reconciliation of carrying amount and Level 3 hierarchy				
At beginning of year	19	5	48	72
Acquisitions			11	11
Gains attributable to physical and price changes	1	2	5	8
Net reclassification to inventory	(1)	(1)	(5)	(7)
At end of year	19	6	59	84
Fair value of biological assets split:				
– Mature	17	6	59	82
– Immature[1]	2			2
2013				
Reconciliation of carrying amount and Level 3 hierarchy				
At beginning of year	15	8	32	55
Gains attributable to physical and price changes	1	3	16	20
Net reclassification from/(to) inventory	3	(6)		(3)
At end of year	19	5	48	72
Fair value of biological assets split:				
– Mature	18	5	48	71
– Immature[1]	1			1

1 *Plantations are considered immature when less than three years old and not ready for harvesting.*

Plantation, livestock and game are classified within Level 3 in terms of the fair value hierarchy as there are no quoted market prices or observable prices available.

There were no transfers between the fair value levels of the hierarchy during the 2014 year.

The plantation was valued by Mr Johannes Bezuidenhout, an independent appraiser, on 24 November 2014.

All biological assets are valued at the highest and best use values.

There were no changes to the valuation techniques of biological assets in the current or prior financial years.

	2014	2013
Closing stock consist of:		
Plantation[1] (hectares)	1 147	1 147
Livestock[2] (quantity)	1 636	2 277
Game[3] (quantity)	4 993	4 489

1 *Wattle and blue gum trees.*
2 *Cattle and horses.*
3 *Rhino, buffalo, warthog, giraffe, ostrich and a variety of antelope.*

Sensitivity

Changes in any of the unobservable inputs would result in a higher/(lower) fair value measurement.

			2014		2013	
	Unobservable inputs	**Sensitivity of inputs and fair value measurement**[1]	**Range of inputs**	**Sensitivity analysis of a 10% increase in the inputs**[2] **Rm**	**Range of inputs**	**Sensitivity analysis of a 10% increase in the inputs**[2] **Rm**
Plantation	Hectares (ha)	Ha increase	1 147	2	1 147	2
	Standing value per ha	Standing value increase	R110 to R475	2	R110 to R416	2
Livestock	Beef price per kg	Beef prices increase	R20,59 to R34,22	1	R16,60 to R30,85	1
	Number of animals	Number of animals increase	1 636	1	2 277	1
	Meat portion of total carcass weight	Carcass weight increase	84kg to 364kg	1	84kg to 364kg	1
Game	Auction prices per species	Auction prices increase	R317 to R427 000	4	R456 to R519 557	3
	Capture, transport and insurance cost	Cost decrease	R96 to R128 100	(2)	R137 to R155 867	(1)
	Number of animals	Number of animals increase	4 993	6	4 489	5

1 *Change in unobservable inputs will result in an increase in the fair value measurement.*

2 *A 10% decrease in the respective inputs would have an equal but opposite effect, on the basis that all other variables remain constant.*

Interrelationships

Interrelationships between unobservable inputs are not considered to have a significant impact within the range of reasonably possible alternative assumptions for both reporting periods.

11.3 Intangible assets

11.3.1 Accounting policies relating to intangible assets

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the enterprise and the cost can be reliably measured.

Amortisation is charged on a systematic basis over the estimated useful lives of the intangible assets, except for goodwill, which are reviewed for impairment at every reporting period and whenever events or circumstances indicate that the carrying amount may not be recoverable.

For intangible assets with finite useful lives, the amortisation method and period are reviewed annually and impairment testing is undertaken when circumstances indicate the carrying amounts may not be recoverable.

11.3.1.1 Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each cash-generating unit (CGU), or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

11.3 Intangible assets (continued)

11.3.1 Accounting policies relating to intangible assets (continued)

11.3.1.1 Goodwill (continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

11.3.1.2 Research

Research is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Expenditure on research activities is recognised in profit or loss as incurred.

11.3.1.3 Development

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Exxaro intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of material, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing cost. Other development expenditure is recognised in profit or loss as it is incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only if it increases the future benefits embodied in the specific asset to which it relates.

11.3.1.4 Patents and licences

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring the specific software to use. These costs are amortised over their estimated useful lives. Other intangible assets (consisting of intellectual property, rights and options) have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses.

11.3.1.5 Impairment of intangible assets

Intangible assets that have indefinite useful lives or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

11.3.1.6 Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted where appropriate.

The estimated useful lives of items of intangible assets are:

	2014	2013
Patents and licences		
Options and rights	10 – 20 years	15 years
Software licences	1 – 5 years	1 – 3 years
Technology licences – Intellectual property	25 years	25 years

11.3.2 Intangible assets

At 31 December	Note	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Goodwill[1]					
Gross carrying amount					
– At beginning of year		953	902		
– Exchange differences		67	51		
At end of year		1 020	953		
Accumulated impairment					
– Impairment charge	9.2	1 020			
At end of year		1 020			
Patents and licences[2]					
Gross carrying amount		258	232	245	219
– At beginning of year		232	121	219	79
– Additions		30	201	26	230
– Transfers from other assets		1			
– Write-offs		(5)	(90)		(90)
Accumulated amortisation		22	9	15	3
– At beginning of year		9	61	3	55
– Write-offs		(1)	(88)		(87)
– Amortisation charge	7.1.3	14	36	12	35
Accumulated impairment					
– Impairment charge	9.2	202		202	
At end of year		202		202	
Net carrying amount at end of year		34	1 176	28	216

1 *Goodwill is allocated to AKI, which is regarded as a single CGU.*

2 *Includes software licences, intellectual property and an option to receive specific quantities of water from the Eungella water pipeline (Australia) and the right to receive water from the Zeeland Water Treatment Works (Lephalale).*

11.4 Financial assets

11.4.1 Accounting policies relating to financial assets

Dividend and interest income

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

Interest is recognised on the time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

Recognition, derecognition, classification, measurement and impairment of financial assets

The accounting policy for financial assets is disclosed in chapter 16, Financial instruments.

11.4.2 Income from financial assets

For the year ended 31 December	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Dividends				
– Listed shares	4	3		
– Unlisted shares	5	9		9
Total income from financial assets	9	12		9

11.4 Financial assets (continued)

11.4.3 Financial assets

		Group		Company	
		2014	2013	2014	2013
At 31 December	Notes	Rm	Rm	Rm	Rm
Environmental rehabilitation funds	16.2	826	618	16	15
Loans to joint ventures	10.3.2	83	255	60	60
Non-current receivables	16.2.2.8	522	751	129	44
Investments	16.2	1 262	845		
– Available-for-sale		1 240	805		
– KIO		22	40		
Lease receivables[1]		160	188		
Per statement of financial position		2 853	2 657	205	119
Included in non-current assets held-for-sale					
Environmental rehabilitation fund		73	67		
Total financial assets, including financial assets held-for-sale		2 926	2 724	205	119

1 *The lease receivable balance of 2014 is shown after the impairment of financial assets relating to the Mayoko iron ore project of R21 million.*

11.5 Net investment in finance lease

11.5.1 Accounting policies relating to leased assets

11.5.1.1 Where the group is the lessee

Leases involving plant and equipment whereby the lessor provides finance to the group with the asset as security and where the group assumes substantially all the benefits and risks of ownership, are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the useful life of the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance charge is charged against income over the lease period using the effective interest rate method.

For a sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and recognised on the straight-line basis over the period of the lease.

Leases of assets to the group under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged against income on the straight-line basis over the period of the lease.

Arrangements that contain the right to use an asset are evaluated for recognition, classification as a finance or operating lease, measured, and accounted for accordingly.

11.5.1.2 Where the group is the lessor

Portions of fixed property and leased property are leased or sub-leased out under operating leases. The fixed property is included in property, plant and equipment in the statement of financial position. Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term. All other rental income is recognised as it becomes due.

Leases are classified as finance leases based on an overall assessment of whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee.

The group recognises the long-term portion of the net investment in the finance lease, which is the aggregate of the minimum lease payments receivable discounted at the interest rate implicit in the lease as a financial asset, at the commencement of the lease. The short-term portion is included in other receivables. 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.

11.5.1.3 Contingent rent

The portion of the lease payments or receipts that is not fixed in amount but based on the future amount of a factor that changes other than with the passage of time, is classified as contingent rent and disclosed accordingly.

11.5.2 Net investment in finance lease

	Group	
At 31 December	**2014 Rm**	**2013 Rm**
Total gross investment in finance lease	174	180
– Not later than one year	14	13
– Later than one year but not later than five years	56	54
– Later than five years	104	113
Less: Unearned finance income (actual financial liability as per statement of financial position)	(88)	(95)
Present value of minimum lease payments receivable	86	85
– Not later than one year	3	2
– Later than one year but not later than five years	17	14
– Later than five years	66	69

The lease relates to the upgrade of the Zeeland Water Treatment Works (in Lephalale), of which Exxaro Coal Proprietary Limited will fund the capital for a period of 15 years. The municipality's share of the capital expenditure will be 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.

12 FUNDING

12.1 Debt

12.1.1 Accounting policies relating to net financing costs and interest-bearing borrowings

12.1.1.1 Borrowing costs, finance income and other financing expenses

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 their 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 and loans to joint ventures, as well as interest income on funds invested including available-for-sale financial assets and hedging instruments 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 and agreements for the use of assets classified as finance leases, unwinding of the discount on provisions and amortisation of transaction costs.

12.1.1.2 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 received.

12.1.1.3 Loans and borrowings

The accounting policy in respect of loans and borrowings is disclosed in chapter 16, Financial Instruments.

12.1.2 Net financing costs

	Group		Company	
For the year ended 31 December	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Continuing operations				
Total finance income	80	81	18	3
Interest income	66	48	18	3
Finance lease interest income	9	11		
Interest income from loans to joint ventures	5	22		
Total finance costs	(183)	(367)	(322)	(338)
Interest expense	(323)	(329)	(310)	(327)
Unwinding of discount rate on rehabilitation cost	(183)	(367)	(2)	(2)
Amortisation of transaction costs	(10)	(9)	(10)	(9)
Borrowing costs capitalised	333	338		
Total net financing costs	(103)	(286)	(304)	(335)
Included in interest income are:				
Interest income on unimpaired loans and receivables	13	2	9	1
Interest income on cash and cash equivalents	26	16	8	1
Interest income on financial assets designated at fair value through profit or loss	24	29	1	1
Interest income on non-financial assets	3	1		
	66	48	18	3
Included in interest expense are:				
Interest expense on financial liabilities measured at amortised cost	(280)	(270)	(279)	(268)
Interest expense on bank overdrafts	(31)	(59)	(31)	(59)
Interest on non-financial liabilities[1]	(12)			
	(323)	(329)	(310)	(327)

1 *Includes interest and penalties on VAT.*

12.1.3 Interest-bearing borrowings

		Group		Company	
At 31 December	Notes	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Interest-bearing borrowings					
Summary of loans by financial year of redemption					
2014			31		31
2015		34	324	34	324
2016[1]		392	326	392	326
2017		874	1 927	874	1 927
2018		395	329	395	329
2019		917	331	917	331
2020 onwards		398	332	398	332
Total interest-bearing borrowings	16.2	3 010	3 600	3 010	3 600
– Current interest-bearing borrowings[2]		34	31	34	31
– Non-current interest-bearing borrowings[3]		2 976	3 569	2 976	3 569
Overdraft					
Bank overdraft	16.2	67	806	66	804

1 *During 2014 an addendum to the senior loan facility was signed extending the date of the first capital repayment to 30 January 2016.*

2 *The R34 million current portion represents interest capitalised of R44 million reduced by amortised transaction costs of R10 million.*

3 *The non-current portion includes R34 million in respect of transaction costs that will be amortised using the effective interest rate method, over the term of the facilities.*

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

12.1 Debt (continued)

12.1.4 Detailed analysis of interest-bearing borrowings

	Senior loan facility			
	Term loan		Revolving facility	
At 31 December	2014	2013	2014	2013
Aggregate Nominal amount (Rm)	5 000	5 000	3 000	3 000
Issue date/draw down date	31 May 2012	31 May 2012	24 April 2012	24 April 2012
Maturity date	30 June 2020	30 June 2020	30 June 2017	30 June 2017
Capital payments[1]	12 equal payments for the outstanding amount from 30 January 2016	12 equal payments for the outstanding amount from 30 January 2015	No fixed/determined payments, the total outstanding amount is payable on final maturity date	No fixed/determined payments, the total outstanding amount is payable on final maturity date
Duration (months)	97	97	62	62
Secured/Unsecured	Unsecured	Unsecured	Unsecured	Unsecured
Undrawn portion (Rm)	3 000	3 000	3 000	1 400
Interest				
Interest payment basis	Floating rate	Floating rate	Floating rate	Floating rate
Interest payment period	Six months	Six months	One month	One month
Interest rate	JIBAR plus a margin of 275 basis points (2,75%)	JIBAR plus a margin of 275 basis points (2,75%)	JIBAR plus a margin of 250 basis points (2,50%)	JIBAR plus a margin of 250 basis points (2,50%)
Effective interest rates for the transaction costs	0,47%	0,47%	Not applicable	Not applicable
Rate of interest per year	9,12%	7,97%	8,54%	7,87%

1 *During 2014 an addendum to the senior loan facility was signed extending the date of the first capital repayment to 30 January 2016.*

There were no defaults in terms of interest-bearing borrowings during both reporting periods.

The breach in the loan covenants in terms of dividend declaration was waived by the requisite banks (refer note 16.2.6.1 on capital management).

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

There are no significant restrictions on the subsidiaries to transfer funds to Exxaro in the form of cash dividends or to repay loans or advances made by Exxaro.

	Domestic Medium Term Note Programme (Bond)			
	R480 million senior unsecured floating rate note		R520 million senior unsecured floating rate note	
	2014	2013	2014	2013
	480		520	
	15 May 2014		15 May 2014	
	19 May 2017		19 May 2019	
	No fixed/determined payments, the total outstanding amount is payable on final maturity date		No fixed/determined payments, the total outstanding amount is payable on final maturity date	
	36		60	
	Unsecured		Unsecured	
	Not applicable		Not applicable	
	Floating rate		Floating rate	
	Three months		Three months	
	JIBAR plus a margin of 170 basis points (1,70%)		JIBAR plus a margin of 195 basis points (1,95%)	
	0,13%		0,08%	
	8,02%		8,29%	

12.1 Debt (continued)

12.1.5 Net debt reconciliation

At 31 December	Notes	Group 2014 Rm	Group 2013[1] Rm	Company 2014 Rm	Company 2013 Rm
Net debt is presented by the following items on the face of the statement of financial position (excluding assets and liabilities held-for-sale):		(1 071)	(3 377)		
– Cash and cash equivalents		2 006	1 029		
– Non-current interest-bearing borrowings		(2 976)	(3 569)		
– Current interest-bearing borrowings		(34)	(31)		
– Overdraft		(67)	(806)		
Cash inflow/(outflow) from operating and investing activities:		2 280	(1 044)		
Add:					
– Shares issued			14		
– Share-based payments			(2)		
– Consideration paid to non-controlling interests			(96)		
– Non-cash flow movement for interest accrued not yet paid		(4)	(40)		
– Non-cash flow for amortisation of transaction costs		(10)	(9)		
– Translation differences of movements in cash and cash equivalents		40	(1)		
Decrease/(increase) in net debt		2 306	(1 178)		

1 *Represented due to a reclassification of foreign currency difference not related to cash and cash equivalents.*

12.1.6 Notes to the statements of cash flows relating to net financing costs paid

	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Interest received		59	70	9	3
Total finance income	12.1.2	80	81	18	3
Non-cash flow items:					
– Interest income not yet received		(12)		(9)	
– Finance lease interest income adjustment		(9)	(11)		
Interest paid		(307)	(262)	(295)	(261)
Total finance costs	12.1.2	(183)	(441)	(322)	(338)
Non-cash flow items:					
– Unwinding of discount rate on rehabilitation cost	13.2	183	441	2	1
– Amortisation of transaction costs		10	9	10	9
– Borrowing costs capitalised		(333)	(338)		
– Finance cost capitalised to loan less finance costs paid and interest accrued not yet paid		16	67	15	67
Net financing cost paid		(248)	(192)	(286)	(258)

12.2 Equity

12.2.1 Accounting policy relating to share capital

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

	Group		Company	
At 31 December	**2014 Rm**	**2013 Rm**	**2014 Rm**	**2013 Rm**
Share capital at par value				
Authorised				
500 000 000 ordinary shares of R0,01 each	5	5	5	5
Issued and fully paid				
358 115 505 (2013: 358 115 505) ordinary shares of R0,01 each	4	4	4	4
Share premium	2 971	2 971	2 971	2 971
Treasury shares held by Kumba Resources Management Share Trust and Mpower 2012[1]	(566)	(579)		
Total	2 409	2 396	2 975	2 975

1 *These trusts have been consolidated.*

	Group		Company	
	Number of shares		Number of shares	
Reconciliation of authorised shares not issued	**2014 '000**	**2013 '000**	**2014 '000**	**2013 '000**
Number of authorised unissued ordinary shares at beginning of year	145 027	145 392	141 884	142 212
Unissued shares	141 884	142 212	141 884	142 212
Shares held by Kumba Resources Management Share Trust and Mpower 2012[1]	3 143	3 180		
Treasury shares distributed by Mpower 2012 to good leavers	(66)	(37)		
Number of shares issued during the year		(328)		(328)
Number of authorised unissued shares at end of year	144 961	145 027	141 884	141 884

1 *These trusts have been consolidated.*

Refer the notice of the AGM in the summarised group annual financial statements and notice of the annual general meeting 2014 for resolutions pertaining to the unissued ordinary shares under the control of the directors until the forthcoming annual general meeting.

Refer statement of changes in equity (5.3 and 5.4) for details of movements in issued share capital.

12.2.3 Unlisted securities

Exxaro has no unlisted securities.

12.2.4 Share repurchases

No shares were repurchased by the company during 2014 or 2013.

12.2.5 Shareholder analysis

Refer chapter 19, Annexure 3 for the shareholder analysis.

13 PROVISIONS, CONTINGENCIES AND OTHER COMMITMENTS

13.1 Accounting policies relating to provisions, contingencies and other commitments

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money, and where appropriate, the risk specific to the liability.

Decommissioning and environmental rehabilitation

Provision is made for environmental rehabilitation (including possible affected water treatment) and decommissioning costs where either a legal or constructive obligation exists as a result of past events. Estimates are based on costs that are regularly reviewed and adjusted as appropriate for new circumstances. Where a provision is made for dismantling and site restoration costs, an asset of similar initial value is raised and amortised in accordance with the group's accounting policy for property, plant and equipment.

Contributions are made to the group's environmental rehabilitation funds, created in accordance with statutory requirements, to provide for the funding of the estimated cost of pollution control and rehabilitation during, and at the end of the life of mines. The environmental rehabilitation funds are consolidated.

Expenditure on plant and equipment for pollution control is capitalised and depreciated over the useful lives of the assets while the cost of the ongoing current programme to prevent and control pollution and to rehabilitate the environment is charged against profit or loss as incurred.

13.2 Provisions

At 31 December Group	Notes	Environmental rehabilitation Rm	De-commissioning Rm	Other site closure cost Rm	Litigation Rm	Total Rm
2014						
At beginning of year		1 480	353	47		1 880
Charge to operating expenses		250	(1)	152	17	418
Additional provision		437	27	152	17	633
Unused amounts reversed		(187)	(28)			(215)
Unwinding of discount rate on rehabilitation cost	12.1.2	139	34	10		183
Provisions capitalised to property, plant and equipment			43			43
Utilised during year		(8)		(8)		(16)
Reclassification to non-current liabilities held-for-sale		(13)	(2)			(15)
Disposal of subsidiary		(20)				(20)
Total provisions at end of year		1 828	427	201	17	2 473
Current portion included in current liabilities		(78)		(159)	(17)	(254)
Total non-current provisions		1 750	427	42		2 219

13.2 Provisions (continued)

At 31 December Group	Notes	Environmental rehabilitation Rm	De-commissioning Rm	Other site closure cost Rm	Total Rm
2013					
At beginning of year		2 371	555	37	2 963
Charge to operating expenses		(327)	(99)		(426)
Additional provision		80			80
Unused amounts reversed		(407)	(99)		(506)
Unwinding of discount rate on rehabilitation cost	12.1.2	302	121	18	441
Provisions capitalised to property, plant and equipment			17		17
Utilised during year		(10)		(8)	(18)
Reclassification to non-current liabilities held-for-sale		(168)	(15)		(183)
Disposal of subsidiary		(688)	(226)		(914)
Total provisions at end of year		1 480	353	47	1 880
Current portion included in current liabilities		(9)		(8)	(17)
Total non-current provisions		1 471	353	39	1 863

At 31 December Company	Notes	Environmental rehabilitation Rm	Other site closure cost Rm	Total Rm
2014				
At beginning of year		28		28
Charge to operating expenses			11	11
Additional provision			11	11
Unwinding of discount rate on rehabilitation cost	12.1.2	2		2
Total provisions at end of year		30	11	41
Current portion included in current liabilities			(11)	(11)
Total non-current provisions		30		30
2013				
At beginning of year		26		26
Unwinding of discount rate on rehabilitation cost	12.1.2	2		2
Total non-current provisions		28		28

Funding of environmental and decommissioning rehabilitation

Contributions towards the cost of the mine closure are also made to the environmental rehabilitation funds and the balance of the funds amount to R904 million on 31 December 2014 (2013: R690 million). Of this amount, R899 million (2013: R685 million) is included in financial assets and R5 million (2013: R5 million) in trade and other receivables of the group. Cash flows will take place when the mines are rehabilitated.

Other site closure cost

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

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

Litigation

The liability in 2014 includes ongoing litigation claims against Exxaro that may result in an outflow of economic benefits in future.

13.3 Contingent liabilities

	Group	
At 31 December	2014 Rm	2013 Rm
Total contingent liabilities	2 609	2 066
– DMC Iron Congo South Africa		84
– Pending litigation claims[1]	445	328
– Operational guarantees	1 263	977
– Share of contingent liabilities of equity-accounted investments[2]	901	677

1 *Pending litigation claims consist of legal cases with Exxaro as defendant. The outcome of these claims is uncertain and the amount of possible legal obligations that may be incurred can only be estimated at this stage.*

2 *Relate mainly to rehabilitation guarantees.*

Operational guarantees 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.

13.4 Contingent assets

	Group	
At 31 December	2014 Rm	2013 Rm
Total contingent assets	256	108
– Surrender fee on prospecting, exploration and mining rights[1]		81
– Guarantee on sale of NCC[2]	170	
– Share of contingent assets of equity-accounted investments[3]	86	27

1 *In 2013 a surrender fee in exchange for the exclusive right to prospect, explore, investigate and mine for coal within a designated area of Central Queensland and Moranbah, Australia, conditional to the grant of a mining lease, was included as a contingent asset. However, in 2014, circumstances changed to the extent that the possibility for this surrender fee no longer exists, hence no amount relating to this matter is included in the current year.*

2 *Exxaro has received a guarantee from Universal as part of the sales transaction of NCC.*

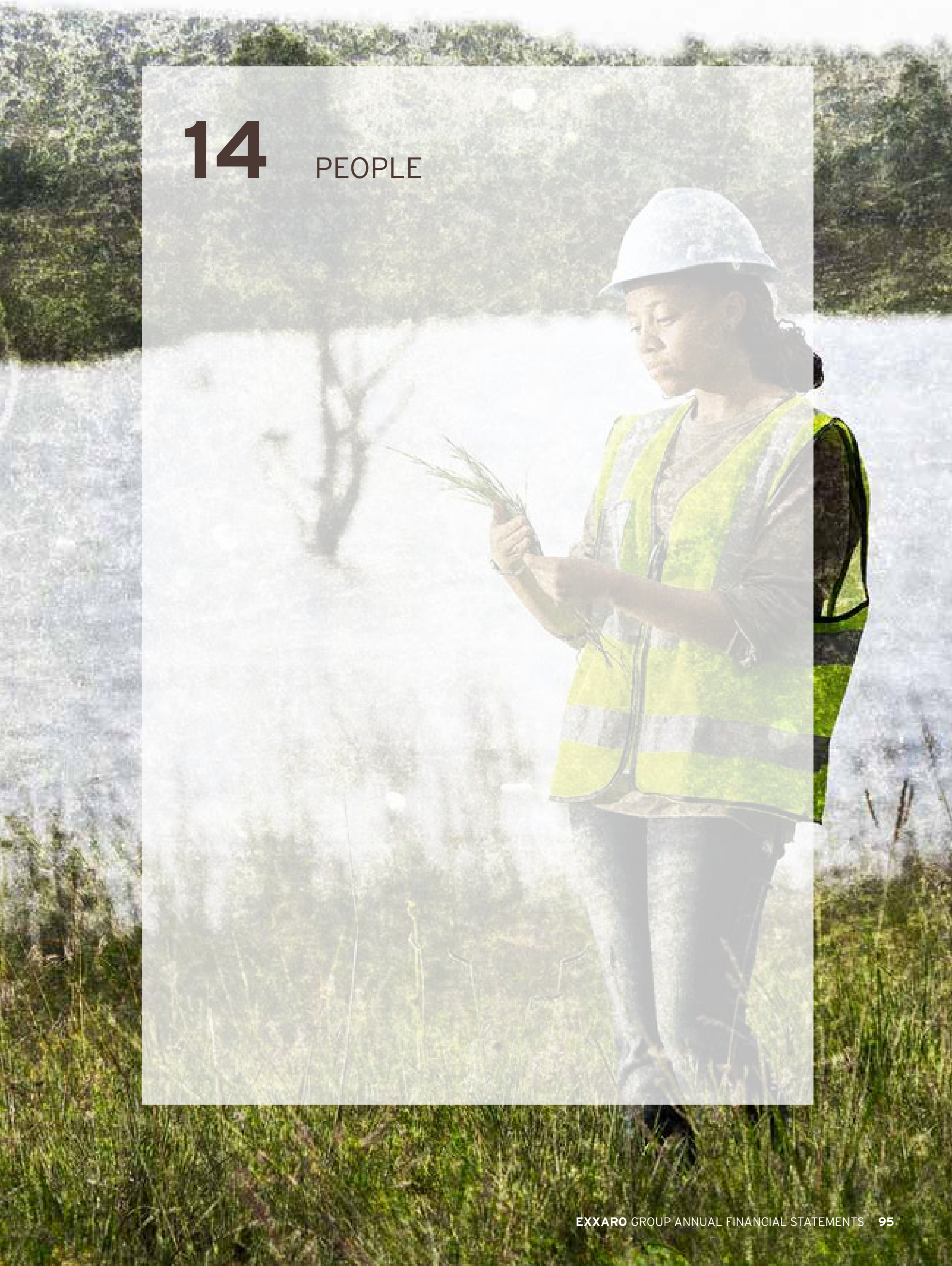
3 *Bank guarantee issued in favour of SIOC related to environmental rehabilitation.*

13.5 Other commitments

	Group		Company	
At 31 December	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– Less than one year	70	43	35	
– More than one year and less than five years	65	169	29	
	135	212	64	
Operating sublease receivable				
Non-cancellable operating lease rentals are receivable as follows:				
– More than one year and less than five years	1		1	
	1		1	

Exxaro entered into numerous operating lease arrangements. All major lease arrangements are renewable if there is mutual agreement between the parties to the arrangements with some contracts specifying extension periods. Arrangements containing escalation clauses are usually based on Consumer Price Index or Producer Price Index. None of the lease arrangements contain restrictive clauses that are unusual considering the particular type of lease.

14 PEOPLE



14.1 Accounting policies relating to payments to employees

14.1.1 Post-employment benefits

Defined contribution plan

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 contribution to the defined contribution fund is 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 post-retirement medical contribution 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 post-retirement medical contribution 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. 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 participated in the share appreciation right scheme (SARs), long-term incentive plan (LTIP), deferred bonus plan (DBP) and Mpower 2012.

SARs, LTIP, DBP and Mpower 2012 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.

14.2 Employee benefits

14.2.1 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 as follows:

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

Members generally pay a contribution of 7%, with the employer's contribution of 10% in general to the above funds being expensed as incurred.

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

14.2.1.1 Defined contribution funds

Membership of each fund at 31 December 2014 and 31 December 2013 and employer contributions to each fund were as follows:

	Employer contributions		Working members[1]	
	2014 Rm	2013 Rm	2014 Number	2013 Number
Group				
Continuing operations	243	197	8 236	7 889
Exxaro Selector Funds	107	96	2 371	2 263
Iscor Employees' Provident Fund	51	45	2 677	2 543
Mine Workers Provident Fund	24	15	1 549	1 568
Sentinel Retirement Fund[2]	49	34	1 331	1 207
Other funds	12	7	308	308
Discontinued operations[3]		1		26
Exxaro Selector Funds				4
Iscor Employees' Provident Fund		1		20
Sentinel Retirement Fund[2]				2
Total	243	198	8 236	7 915
Company				
Exxaro Selector Funds	47	43	795	768
Iscor Employees' Provident Fund	2	2	62	81
Sentinel Retirement Fund[2]	5	4	49	46
Total	54	49	906	895

1 *Working members who are contributing members to an accredited retirement fund.*
2 *The fund changed its name from Sentinel Mining Industry Retirement Fund to Sentinel Retirement Fund.*
3 *Exxaro Base Metals was classified as a discontinued operation in 2013.*

14.2.2 Medical aid

The group and company contribute 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 against income amount to R91 million (2013: R87 million).

14.2.3 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:
  - On-target business unit incentive
  - Commodity business and group improvement incentive.

14.2.3.1 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 within the group.

14.2.3.2 The two-tier performance incentive

This incentive was created to reinforce a performance culture and applies to all full-time employees.

The second tier is profit based and 30% of gains above budget are shared with employees.

14.2 Employee benefits (continued)

14.2.3 Short-term incentives (continued)

14.2.3.2 The two-tier performance incentive (continued)

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.

14.2.4 Equity compensation benefits

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

14.2.4.1 Mpower 2012

During 2012 Exxaro created the Mpower 2012 trust with an effective date of 1 July 2012 to replace the previous Mpower scheme that came to an end in November 2011. Exxaro issued approximately three million shares which will be held in trust to the benefit of selected Exxaro employee beneficiaries for a period of five years. At inception, all qualifying employees will receive the same number of units. Each unit represents a vested right in the subscription shares held by the trust and entitles them to dividends on the Exxaro shares in trust. On the final date (after the five year period), the trustees of the trust will deliver the subscription shares underlying each unit to the participants. The Mpower 2012 scheme is an equity-settled share based-payment scheme.

14.2.4.2 Share appreciation right scheme (SARs)

Participants obtain the right, if performance conditions are met, to receive a number of Exxaro shares to the value of the difference between the exercise price and the grant price. The performance condition relates to headline earnings per share of the group and is calculated for a minimum and maximum performance condition. 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 at which time the performance conditions are calculated. The vested grants will lapse after seven years from the grant date. No new issues were made since the 2011 grant.

SARs is an equity-settled share-based payment scheme.

14.2.4.3 Long-term incentive plan (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. LTIP is an equity-settled share-based payment scheme.

Participants to the 2014 LTIP grant obtained the right, provided performance conditions are met, to receive a number of Exxaro shares. The performance conditions relate to:

- 30% on the basis of the retention of qualifying employees during the vesting period
- 70% on the basis of headline earning per share of the group and is calculated for a minimum and maximum performance condition, subject to qualifying employees remaining in service.

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 at which the performance conditions are calculated.

Participants to the 2013 LTIP grants obtained the right, provided performance conditions are met, to receive a number of Exxaro shares. The performance condition relates to headline earnings per share of the group and is calculated for a minimum and maximum performance condition. 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 at which time the performance conditions are calculated.

14.2.4.4 Deferred bonus plan (DBP)

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 uplift 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:

14.2.4.5 Mpower 2012

		2014 Number of instruments ‘000	2013 Number of instruments ‘000
Unit awards accepted at start of scheme (held in trust)[1]			
Outstanding at beginning of year		2 789	2 666
Issued during the year		81	165
Exercised during the year		(66)	(36)
Lapsed/cancelled during the year		(114)	(6)
Outstanding at end of year		2 690	2 789
Terms of outstanding at end of year	Expiry date 2017	2 690	2 789
Exercise price range for instruments exercised during the year (R)		100,00 – 169,81	138,35 – 169,81
Total proceeds if shares are issued (Rm)		301	438

1 *Price per share at the start of the scheme was R193,37.*

14.2 Employee benefits (continued)

14.2.4 Equity compensation benefits (continued)

14.2.4.6 Share appreciation rights scheme

		2014		2013	
		Number of instruments '000	Grant price range R	Number of instruments '000	Grant price range R
Outstanding at beginning of year		3 530	60,60 – 210,84	4 711	59,42 – 210,84
Issued during the year[1]				2	
Exercised during the year		(376)	59,42 – 126,77	(1 099)	60,60 – 163,95
Lapsed/cancelled during the year		(1 184)	150,66 – 210,84	(84)	64,52 – 210,84
Subsidiaries sold					
Outstanding at end of year		1 970	67,07 – 163,95	3 530	60,60 – 210,84
Terms of outstanding at end of year	Expiry date				
	2014			23	59,42 – 163,95
	2015	368	67,61 – 155,69	425	67,61 – 155,69
	2016	775	67,07 – 91,92	954	63,45 – 92,51
	2017	811	110,91 – 127,27	929	110,91 – 127,27
	2018	16	126,77 – 150,66	1 086	126,77 – 185,92
	2019			113	163,95 – 210,84
		1 970		3 530	
Vested but not sold during the year		1 970	67,07 – 163,95	2 329	59,42 – 210,84
Exercise price range for instruments exercised during the year (R)					
			102,85 – 152,30		136,45 – 171,59
Total proceeds if shares are issued (Rm)		203,1		518,0	

[1] *The 2013 rights relate to the rights that have been cancelled due to termination of services but an agreement was reached and the rights reinstated.*

14.2.4.7 Long-term incentive plan

		2014		2013	
		Number of instruments '000	Face value range[1] R	Number of instruments '000	Face value range[1] R
Outstanding at beginning of year		4 139	67,07 – 212,26	2 226	67,07 – 216,26
Issued during the year		2 816	112,32 – 150,49	2 360	142,33 – 197,54
Exercised during the year		(312)	99,25 – 151,60	(328)	142,00 – 179,16
Lapsed/cancelled during the year		(190)	140,08 – 210,84	(119)	67,07 – 212,26
Subsidiaries sold					
Outstanding at end of year		6 453	99,25 – 212,26	4 139	67,07 – 212,26
Terms of outstanding at end of year	Expiry date				
	2014			298	150,66 – 163,95
	2015	1 517	150,06 – 212,26	1 575	150,06 – 212,26
	2016	2 186	142,33 – 165,02	2 266	142,33 – 165,02
	2017	2 750	112,32 – 150,49		
		6 453	112,32 – 212,26	4 139	150,06 – 212,26
Face value range for instruments exercised during the year (R)			99,25 – 151,60		142,00 – 179,16
Total value of shares outstanding (Rm)		665,2		607,3	

1 *Face value is the volume weighted average price of the previous business day when the transaction is executed.*

14.2 Employee benefits (continued)

14.2.4 Equity compensation benefits (continued)

14.2.4.8 Deferred bonus plan

		2014		2013	
		Number of instruments '000	Share price[1] R	Number of instruments '000	Share price[1] R
Outstanding at beginning of year		95	112,68 – 206,12	67	112,68 – 206,12
Issued during the year		93	140,52 – 150,49	60	161,98 – 167,72
Exercised during the year		(18)	137,50 – 151,60	(32)	148,70 – 169,51
Lapsed/cancelled during the year		(2)	140,52 – 163,40		
Subsidiaries sold					
Outstanding at end of year		168	112,68 – 163,40	95	112,68 – 206,12
Terms of outstanding at end of year	Expiry date				
	2014			20	147,01 – 180,28
	2015	23	153,39 – 206,12	21	153,39 – 206,12
	2016	53	161,98 – 167,72	54	161,98 – 167,72
	2017	92	140,52 – 150,49		
		168	140,52 – 206,12	95	
Share price range for instruments exercised during the year (R)					148,70 – 169,51
Total value of shares outstanding (Rm)		17,2		13,8	

1 *Price at which the shares were bought/sold.*

14.2.4.9 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.

A modified binomial tree model is used for the valuation of SARs, while a Monte Carlo Simulation model is used for the 2012 LTIP schemes. The conditional matching awards granted in terms of the DBP are the economic equivalent of granting an Exxaro share, without dividend rights for the period from grant date to vesting date. Therefore the value of the DBP is equal to the grant date share price at the vesting date, less the present value of future dividends expected to be granted over the term of the scheme, multiplied by the pledged shares in the trust. Non-vesting conditions have been incorporated into the grant date fair value of the awards. In 2013 the LTIP scheme was redefined. As a result, the valuation of the 2013 and 2014 scheme was performed using the same approach followed in valuing the DBP.

		2014	2013
Weighted average fair value for grants during the year (R):			
LTIP		39,40	138,05
DBP		132,01	145,76
Inputs to the valuation models for:			
LTIP	Share price at valuation date (R)	142,61	163,30
	Weighted average option life (years)	3	3
	Dividend yield (%)	2,74	4,01
	Risk-free interest rate (%)	7,29	5,57
	Employee forfeiture rate (%)	5,07	5,36
DBP	Share price at valuation date – March (R)	146,17	163,30
	Share price at valuation date – August (R)	150,88	162,39
	Weighted average option life (years)	3	3
	Dividend yield – March (%)	2,86	4,02
	Dividend yield – August (%)	2,50	3,23
	Risk-free interest rate – March (%)	7,43	5,57
	Risk-free interest rate – August (%)	6,83	6,93
	Employee forfeiture rate (%)	1,37	0,79

14.3 Post-retirement medical obligation

Following the merger with Eyesizwe Proprietary Limited in November 2006 and the successful creation of Exxaro, the post-employment healthcare benefit which was provided to a group of continuation and in-service members on the Witbank Coal Medical Aid Scheme and the BHP Billiton SA Medical Scheme was honoured. This benefit, which is no longer offered, applied to certain employees previously employed by Eyesizwe or Ingwe Coal and comprises a subsidy of contributions.

Exxaro Coal Mpumalanga's contribution to the post-retirement medical aid benefit of retired employees for the year ended 31 December 2014 amounts to R5 million (2013: R4,8 million).

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

14.3 Post-retirement medical obligation (continued)

(i) The movement in the net defined benefit medical obligation over the year is as follows:

At 31 December	2014 Rm	2013 Rm
Group		
At beginning of year	149	142
Charge to operating expenses	19	10
Current service costs	8	6
Interest expense	15	12
Remeasurements		(4)
Expected employer benefit payments	(4)	(4)
Reclassification to non-current liabilities held-for-sale	(1)	(3)
At end of year	167	149
Remeasurements		(4)
Remeasurements due to experience adjustments:		
– Inflation in healthcare cost including changes in members' benefit options		5
– Changes in membership		(16)
Remeasurements due to changes in financial assumptions:		
– Change in real discount rate		7

(ii) The defined benefit medical obligation is composed by country as follows:

Republic of South Africa:	2014 Rm	2013 Rm
Present value of unfunded obligations	171	153

(iii) The actuarial assumptions were as follows:

	%	%
Discount rate	10	10
Salary growth rate	8,8	8,8
Healthcare cost inflation	9,3	9,3
Expected retirement age (years)	60	60

The sensitivity of the defined benefit medical obligation to changes in the weighted principal assumptions:

	Impact on defined benefit medical obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1,00%	Decrease by 16,3%	Increase by 21,5%
Healthcare cost inflation	1,00%	Increase by 21%	Decrease by 16,2%
Expected retirement age	1 year	Decrease by 5,4%	Increase by 5,9%

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit medical obligation to significant actuarial assumptions the projected credit method (present value of the defined benefit medical obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the medical liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(iv) Through its defined benefit post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below:

- Inflation risk: The majority of the plans' benefit obligations are linked to inflation, and a higher inflation will lead to higher liabilities
- Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

(v) Impact on future cash flows of the group:

Expected contributions to post-retirement medical aid schemes for the year ending 31 December 2015 amount to R4 million.

14.4 Directors' and prescribed officers' remuneration

This report on remuneration and related matters (refer to the integrated report 2014 for the detailed Remuneration report) covers issues which are the concern of the board as a whole, in addition to those which were dealt with by the REMCO.

14.4.1 Remuneration policy

The REMCO has a defined mandate from the board aimed at:

- Ensuring that the company's chairman, directors and senior executives are fairly rewarded for their individual contributions to the company's overall performance
- Ensuring that the company's 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 company.

14.4.2 Summary of remuneration received or receivable

2014	Basic salary R	Performance bonuses[1] R	Benefits and allowances[2] R	Retirement fund contributions R	Gains on management share schemes R	Total R
Executive directors						
SA Nkosi	7 323 305	3 196 069	93 941	724 283	5 509 697	16 847 295
WA de Klerk	4 574 666	1 946 148	180 255	452 439	2 792 914	9 946 422
	11 897 971	5 142 217	274 196	1 176 722	8 302 611	26 793 717
Less: Gains on management share schemes						(8 302 611)
Less: Reversal of share-based payment expense[3]						(3 159 229)
Total remuneration paid by Exxaro						15 331 877

1 *All incentive schemes are performance related and were approved by the board. The two-tier short-term incentive scheme applies to all employees throughout the group.*

2 *Include travel allowances.*

3 *Reversal of share-based payment expense as a result of the non-market conditions not being achieved.*

14.4 Directors' and prescribed officers' remuneration (continued)

14.4.2 Summary of remuneration received or receivable (continued)

2014	Basic salary R	Fees for services R	Performance bonuses[1] R	Benefits and allowances[2] R	Retirement fund contributions R	Gains on management share schemes R	Total R
Non-executive directors							
S Dakile-Hlongwane		413 707					413 707
Dr CJ Fauconnier		684 700		28 692			713 392
JJ Geldenhuys[3]		317 115		9 389			326 504
Dr D Konar (chairman)		1 395 873					1 395 873
NB Mbazima		398 036					398 036
VZ Mntambo		423 114					423 114
RP Mohring		823 781		20 832			844 613
V Nkonyeni[4]		225 083					225 083
MF Randera		427 540		2 106			429 646
NL Sowazi[5, 6]		123 368					123 368
J van Rooyen		599 734					599 734
D Zihlangu		410 575					410 575
Total remuneration paid by Exxaro		6 242 626		61 019			6 303 645
Prescribed officers							
MDM Mgojo	4 266 607		2 031 253	161 484	357 182	2 135 162	8 951 688
MI Mthenjane	3 344 464		1 490 613	110 930	248 683		5 194 690
M Piater	3 264 332		1 250 408	126 613	317 797	1 347 297	6 306 447
PE Venter[7]	4 358 693		1 733 633	199 045	377 156	1 881 695	8 550 222
M Veti	2 837 160		79 324	36 394	280 598	988 532	4 222 008
CH Wessels	1 775 303		501 048	68 818	143 943	415 262	2 904 374
	19 846 559		7 086 279	703 284	1 725 359	6 767 948	36 129 429
Less: Gains on management share schemes							(6 767 948)
Less: Reversal of share-based payment expense[8]							(3 977 830)
Total remuneration paid by Exxaro							25 383 651

1 *All incentive schemes are performance related and were approved by the board. The two-tier short-term incentive scheme applies to all employees throughout the group.*
2 *Include travel allowances.*
3 *Retired on 27 May 2014.*
4 *Appointed on 3 June 2014.*
5 *Fees paid to the respective employer and not the individual.*
6 *Resigned on 3 June 2014.*
7 *Retired with effect 28 February 2015.*
8 *Reversal of share-based payment expense as a result of the non-market conditions not being achieved.*

Retirement amounts paid or received by executive directors are paid or received under defined contribution retirement funds.

2013	Basic salary R	Fees for services R	Performance bonuses[1] R	Benefits and allowances[2] R	Retirement fund contributions R	Gains on management share schemes R	Total R
Executive directors							
SA Nkosi	6 780 615		3 977 050	86 980	670 610	11 980 202	23 495 457
WA de Klerk	4 252 911		2 878 942	167 364	414 654	10 504 741	18 218 612
	11 033 526		6 855 992	254 344	1 085 264	22 484 943	41 714 069
Less: Gains on share scheme							(22 484 943)
Add: Share-based payment expense							17 950 027
Total remuneration paid by Exxaro							37 179 153
Non-executive directors							
S Dakile-Hlongwane		336 607		8 258			344 865
Dr CJ Fauconnier[3]		42 753		389			43 142
JJ Geldenhuys		692 883		50 482			743 365
U Khumalo[4,5]		20 910					20 910
Dr D Konar (chairman)		1 167 820					1 167 820
NB Mbazima		266 737					266 737
VZ Mntambo		345 317		240			345 557
RP Mohring		690 173		14 017			704 190
MF Randera		313 897		3 849			317 746
NL Sowazi[5]		240 067					240 067
J van Rooyen		528 846					528 846
D Zihlangu		336 607		3 900			340 507
Total remuneration paid by Exxaro		4 982 617		81 135			5 063 752
Prescribed officers							
MDM Mgojo	3 861 539		2 182 983	139 895	335 907	4 704 242	11 224 566
MI Mthenjane[6]	1 731 044		830 367	147 014	159 221		2 867 646
M Piater	3 011 227		1 485 547	118 651	297 813	2 612 094	7 525 332
PE Venter	3 984 132		2 071 787	247 218	350 769	2 940 547	9 594 453
M Veti	2 588 593		1 172 820	33 202	255 685	2 723 349	6 773 649
CH Wessels	1 661 950		502 125	62 015	129 713		2 355 803
	16 838 485		8 245 629	747 995	1 529 108	12 980 232	40 341 449
Less: Gains on share scheme							(12 980 232)
Add: Share-based payment expense							15 424 152
Total remuneration paid by Exxaro							42 785 369

1 *All incentive schemes are performance related and were approved by the board. The two-tier short-term incentive scheme applies to all employees throughout the group.*
2 *Include travel allowances.*
3 *Appointed on 1 November 2013.*
4 *Resigned on 31 January 2013.*
5 *Fees paid to the respective employer and not the individual.*
6 *Appointed as an executive committee member on 1 May 2013.*

Retirement amounts paid or received by executive directors are paid or received under defined contribution retirement funds.

14.4 Directors' and prescribed officers' remuneration (continued)

14.4.3 Interest in Exxaro shares

(i) Number of shares

	2014		2013	
Directors at 31 December	**Direct**	**Indirect**	**Direct**	**Indirect**
Beneficial interest				
S Dakile-Hlongwane		488 763		488 763
WA de Klerk	1 462	19 011	1 462	11 371
Dr CJ Fauconnier	47 500		47 500	
Dr D Konar (chairman)	6 168		6 168	
VZ Mntambo		5 529 881		5 794 393
RP Mohring	1 000		1 000	
SA Nkosi	61 113	9 644 427	70 144	9 645 240
NL Sowazi		1 124 906		1 124 906
J van Rooyen		1 500		
D Zihlangu		2 818 552		2 817 773
Non-beneficial interest				
WA de Klerk		66 363		62 347
Dr CJ Fauconnier		1 000		1 000

(ii) Percentages (direct and indirect)

	2014	2013
S Dakile-Hlongwane	0,14	0,14
VZ Mntambo	1,54	1,62
SA Nkosi	2,71	2,71
NL Sowazi	0,31	0,31
D Zihlangu	0,79	0,79

There have been no changes in the directors' interests in Exxaro shares between the end of the financial year 2014 and the date on which the annual financial statements were approved.

14.4.4 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:

14.4.4.1 Management share appreciation right scheme

2014	Rights held at 31 December[1] Number	Grant date price R	Exercisable period	Proceeds if exercisable at 31 December R	Pre-tax gain if exercisable at 31 December[2] R	Shares forfeited[3] Number
Executive directors						
SA Nkosi	41 780	112,35	01/04/2015	4 324 230		
	67 430	67,07	01/04/2016	6 979 005	2 456 475	
	45 474	126,77	01/04/2017	4 706 559		
		163,95	01/04/2018			36 538
	154 684			16 009 794	2 456 475	36 538
WA de Klerk		163,95	01/04/2018			18 268
Prescribed officers						
MDM Mgojo	15 720	112,35	01/04/2015	1 627 020		
	27 530	67,07	01/04/2016	2 849 355	1 002 918	
	16 358	126,77	01/04/2017	1 693 053		
		163,95	01/04/2018			14 084
	59 608			6 169 428	1 002 918	14 084
M Piater	9 420	112,35	01/04/2015	974 970		
	16 330	67,07	01/04/2016	1 690 155	594 902	
	9 380	126,77	01/04/2017	970 830		
		163,95	01/04/2018			8 542
	35 130			3 635 955	594 902	8 542
PE Venter[4]	17 376	126,77	01/04/2017	1 798 416		
		163,95	01/04/2018			14 104
	17 376			1 798 416		14 104
M Veti		163,95	01/04/2018			6 168
CH Wessels		163,95	01/04/2018			2 936

1 *Refers to rights held by employees including vested not yet exercised as well as unvested rights.*
2 *Based on a share price of R103,50 which prevailed on 31 December 2014.*
3 *Shares forfeited due to performance conditions not being fully met.*
4 *Retired with effect 28 February 2015.*

It is assumed that directors will not exercise rights which are out of the money. There were no management share appreciation right scheme rights exercised nor shares forfeited during the year 2014.

14.4 Directors' and prescribed officers' remuneration (continued)

14.4.4 Share options and restricted share awards (continued)

14.4.4.1 Management share appreciation right scheme (continued)

2013	Rights held at 31 December[1] Number	Grant date price R	Exercisable period	Proceeds if exercisable at 31 December R	Pre-tax gain if exercisable at 31 December[2] R
Executive directors					
SA Nkosi					
	41 780	112,35	01/04/2015	6 119 099	1 425 116
	67 430	67,07	01/04/2016	9 875 798	5 353 268
	45 474	126,77	01/04/2017	6 660 122	895 383
	36 538	163,95	01/04/2018	5 351 355	
	191 222			28 006 374	7 673 767
WA de Klerk					
	18 268	163,95	01/04/2018	2 675 531	
	18 268			2 675 531	
Prescribed officers					
MDM Mgojo					
	15 720	112,35	01/04/2015	2 302 351	536 209
	27 530	67,07	01/04/2016	4 032 044	2 185 607
	16 358	126,77	01/04/2017	2 395 793	322 089
	14 084	163,95	01/04/2018	2 062 743	
	73 692			10 792 931	3 043 905
M Piater					
	9 420	112,35	01/04/2015	1 379 653	321 316
	16 330	67,07	01/04/2016	2 391 692	1 296 439
	9 380	126,77	01/04/2017	1 373 795	184 692
	8 542	163,95	01/04/2018	1 251 061	
	43 672			6 396 201	1 802 447
PE Venter	17 376	126,77	01/04/2017	2 544 889	342 133
	14 104	163,95	01/04/2018	2 065 672	
	31 480			4 610 561	342 133
M Veti					
	6 168	163,95	01/04/2018	903 365	
	6 168			903 365	
CH Wessels	2 936	163,95	01/04/2018	430 007	

1 *Refers to rights held by employees including vested not yet exercised as well as unvested rights.*
2 *Based on a share price of R146,46 which prevailed on 31 December 2013.*

It is assumed that directors will not exercise rights which are out of the money. There were no management share appreciation right scheme rights exercised nor shares forfeited during 2013.

Rights exercised during the year Number	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
38 680	60,6	150,77	3 487 776	13/11/2013
38 680			3 487 776	
19 330	60,6	167,92	2 074 496	23/09/2013
16 410	112,35	152,44	657 877	12/11/2013
37 760	67,07	152,44	3 223 571	12/11/2013
21 478	126,77	152,44	551 340	12/11/2013
94 978			6 507 284	
18 340	60,6	150,77	1 653 718	13/11/2013
18 340			1 653 718	
9 840	60,6	140,81	789 266	09/12/2013
9 840			789 266	
11 590	67,07	153,86	1 005 896	04/06/2013
7 624	126,77	163,03	276 446	26/08/2013
19 214			1 282 342	

14.4 Directors' and prescribed officers' remuneration (continued)

14.4.4 Share options and restricted share awards (continued)

14.4.4.2 Management share scheme – long-term incentive plan

2014	Rights held at 31 December Number	Exercisable period Number	Proceeds if exercisable at 31 December R	Pre-tax gain if exercisable at 31 December[1] R
Executive directors				
SA Nkosi		01/04/2014		
	68 565	01/04/2015	7 096 478	7 096 478
	94 011	01/04/2016	9 730 139	9 730 139
	135 608	01/04/2017	14 035 428	14 035 428
	298 184		30 862 045	30 862 045
WA de Klerk		01/04/2014		
	34 689	01/04/2015	3 590 312	3 590 312
	14 630	01/11/2015	1 514 205	1 514 205
	58 439	01/04/2016	6 048 437	6 048 437
	82 010	01/04/2017	8 488 035	8 488 035
	189 768		19 640 989	19 640 989
Prescribed officers				
MDM Mgojo		01/04/2014		
	27 812	01/04/2015	2 878 542	2 878 542
	38 843	01/04/2016	4 020 251	4 020 251
	47 848	01/04/2017	4 952 268	4 952 268
	114 503		11 851 061	11 851 061
MI Mthenjane	21 589	01/05/2016	2 234 462	2 234 462
	23 246	01/05/2017	2 405 961	2 405 961
	44 835		4 640 423	4 640 423
M Piater		01/04/2014		
	15 632	01/04/2015	1 617 912	1 617 912
	8 606	01/11/2015	890 721	890 721
	30 632	01/04/2016	3 170 412	3 170 412
	37 876	01/04/2017	3 920 166	3 920 166
	92 746		9 599 211	9 599 211
PE Venter[3]		01/04/2014		
	28 318	01/04/2015	2 930 913	2 930 913
	41 015	01/04/2016	4 245 053	4 245 053
	50 523	01/04/2017	5 229 131	5 229 131
	119 856		12 405 097	12 405 097
M Veti		01/04/2014		
	12 424	01/04/2015	1 285 884	1 285 884
	18 458	01/04/2016	1 910 403	1 910 403
	23 146	01/04/2017	2 395 611	2 395 611
	54 028		5 591 898	5 591 898
CH Wessels		01/06/2014		
	5 345	01/04/2015	553 208	553 208
	8 849	01/04/2016	915 872	915 872
	10 942	01/04/2017	1 132 497	1 132 497
	25 136		2 601 577	2 601 577

1 *Based on a share price of R103,50 which prevailed on 31 December 2014.*

2 *Shares forfeited due to performance conditions not being fully met.*

3 *Retired with effect 28 February 2015.*

Options exercised during the year Number	Shares forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
34 801	1 737	140,08	4 874 924	09/04/2014
34 801	1 737		4 874 924	
17 399	869	140,08	2 437 252	03/04/2014
17 399	869		2 437 252	
13 414	670	140,08	1 879 033	10/04/2014
13 414	670		1 879 033	
8 136	406	140,08	1 139 691	07/04/2014
8 136	406		1 139 691	
13 433	671	140,08	1 881 695	04/04/2014
13 433	671		1 881 695	
5 875	293	140,08	822 970	10/04/2014
5 875	293		822 970	
2 796	140	148,52	415 262	2014/09/02
2 796	140		415 262	

14.4 Directors' and prescribed officers' remuneration (continued)

14.4.4 Share options and restricted share awards (continued)

14.4.4.2 Management share scheme – long-term incentive plan (continued)

2013	Rights held at 31 December Number	Exercisable period Number	Proceeds if exercisable at 31 December R	Pre-tax gain if exercisable at 31 December[1] R
Executive directors				
SA Nkosi				
	36 538	01/04/2014	5 351 355	5 351 355
	68 565	01/04/2015	10 042 030	10 042 030
	94 011	01/04/2016	13 768 851	13 768 851
	199 114		29 162 236	29 162 236
WA de Klerk				
	18 268	01/04/2014	2 675 531	2 675 531
	34 689	01/04/2015	5 080 551	5 080 551
	14 630	01/11/2015	2 142 710	2 142 710
	58 439	01/04/2016	8 558 976	8 558 976
	126 026		18 457 768	18 457 768
Prescribed officers				
MDM Mgojo	14 084	01/04/2014	2 062 743	2 062 743
	27 812	01/04/2015	4 073 346	4 073 346
	38 843	01/04/2016	5 688 946	5 688 946
	80 739		11 825 035	11 825 035
MI Mthenjane	21 589	01/05/2016	3 161 925	3 161 925
M Piater	8 542	01/04/2014	1 251 061	1 251 061
	15 632	01/04/2015	2 289 463	2 289 463
	8 606	01/11/2015	1 260 435	1 260 435
	30 632	01/04/2016	4 486 363	4 486 363
	63 412		9 287 322	9 287 322
PE Venter	14 104	01/04/2014	2 065 672	2 065 672
	28 318	01/04/2015	4 147 454	4 147 454
	41 015	01/04/2016	6 007 057	6 007 057
	83 437		12 220 183	12 220 183
M Veti	6 168	01/04/2014	903 365	903 365
	12 424	01/04/2015	1 819 619	1 819 619
	18 458	01/04/2016	2 703 359	2 703 359
	37 050		5 426 343	5 426 343
CH Wessels	2 936	01/06/2014	430 007	430 007
	5 345	01/04/2015	782 829	782 829
	8 849	01/04/2016	1 296 025	1 296 025
	17 130		2 508 861	2 508 861

1 *Based on a share price of R146,46 which prevailed on 31 December 2013.*
2 *Shares forfeited due to performance conditions not being fully met.*

Options exercised during the year Number	Shares forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
46 559	853	163,4	7 607 741	08/04/2013
46 559	853		7 607 741	
21 092	386	163,4	3 446 433	08/04/2013
21 092	386		3 446 433	
16 064	294	163,4	2 624 858	12/04/2013
16 064	294		2 624 858	
9 212	168	163,4	1 505 241	08/04/2013
9 212	168		1 505 241	
17 064	312	163,4	2 788 258	05/04/2013
17 064	312		2 788 258	
7 487	137	163,4	1 223 376	08/04/2013
7 487	137		1 223 376	

14.4 Directors' and prescribed officers' remuneration (continued)

14.4.4 Share options and restricted share awards (continued)

14.4.4.3 Management share scheme – deferred bonus plan

2014	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors								
SA Nkosi		28/02/2014			1 492	149,12	222 487	19/03/2014
		31/03/2014			2 934	140,52	412 286	07/04/2014
	569	11/11/2014	58 892	58 892				
	1 346	28/02/2015	139 311	139 311				
	3 099	31/03/2015	320 747	320 747				
	370	31/08/2015	38 295	38 295				
	1 326	08/03/2016	137 241	137 241				
	1 004	31/08/2016	103 914	103 914				
	3 204	07/03/2017	331 614	331 614				
	409	31/08/2017	42 332	42 332				
	11 327		1 172 346	1 172 346	4 426		634 773	
WA de Klerk		28/02/2014			932	149,12	138 980	10/03/2014
		31/03/2014			1 542	140,52	216 682	09/04/2014
	355	11/11/2014	36 743	36 743				
	842	28/02/2015	87 147	87 147				
	1 679	31/03/2015	173 777	173 777				
	234	31/08/2015	24 219	24 219				
	827	08/03/2016	85 595	85 595				
	4 320	31/03/2016	447 120	447 120				
	640	31/08/2016	66 240	66 240				
	2 082	07/03/2017	215 487	215 487				
	5 687	31/03/2017	588 605	588 605				
	262	31/08/2017	27 117	27 117				
	16 928		1 752 050	1 752 050	2 474		355 662	
Prescribed officers								
MDM Mgojo		28/02/2014			600	149,12	89 472	10/03/2014
		31/03/2014			1 186	140,52	166 657	07/04/2014
	252	11/11/2014	26 082	26 082				
	558	28/02/2015	57 753	57 753				
	1 455	31/03/2015	150 593	150 593				
	104	31/08/2015	10 764	10 764				
	127	08/03/2016	13 145	13 145				
	3 854	01/04/2016	398 889	398 889				
	574	31/08/2016	59 409	59 409				
	2 255	07/03/2017	233 393	233 393				
	4 560	31/03/2017	471 960	471 960				
	778	31/08/2017	80 523	80 523				
	14 517		1 502 511	1 502 511	1 786		256 129	

1 *Based on a share price of R103,50 which prevailed on 31 December 2014.*

2014	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
MI Mthenjane	138	31/08/2016	14 283	14 283				
	563	31/03/2017	58 271	58 271				
	701		72 554	72 554				
M Piater		28/02/2014			644	149,12	96 033	18/03/2014
		31/03/2014			794	140,52	111 573	09/04/2014
	250	11/11/2014	25 875	25 875				
	609	28/02/2015	63 032	63 032				
	947	31/03/2015	98 015	98 015				
	167	31/08/2015	17 285	17 285				
	597	08/03/2016	61 790	61 790				
	1 330	01/04/2016	137 655	137 655				
	252	31/08/2016	26 082	26 082				
	1 462	07/03/2017	151 317	151 317				
	4 046	31/03/2017	418 761	418 761				
	185	31/08/2017	19 148	19 148				
	9 845		1 018 960	1 018 960	1 438		207 606	
PE Venter[2]								
	213	31/08/2015	22 046	22 046				
	213		22 046	22 046				
M Veti		28/02/2014			510	149,12	76 051	17/03/2014
		31/03/2014			637	140,52	89 511	10/04/2014
	197	11/11/2014	20 390	20 390				
	134	31/08/2015	13 869	13 869				
	461	08/03/2016	47 714	47 714				
	208	31/08/2016	21 528	21 528				
	688	07/03/2017	71 208	71 208				
	88	31/08/2017	9 108	9 108				
	1 776		183 817	183 817	1 147		165 562	
CH Wessels	428	01/04/2016	44 298	44 298				
	126	31/08/2016	13 041	13 041				
	430	07/03/2017	44 505	44 505				
	735	31/03/2017	76 073	76 073				
	55	31/08/2017	5 693	5 693				
	1 774		183 610	183 610				

1 Based on a share price of R103,50 which prevailed on 31 December 2014.

2 Resigned with effect 28 February 2015.

14.4 Directors' and prescribed officers' remuneration (continued)

14.4.4 Share options and restricted share awards (continued)

14.4.4.3 Management share scheme – deferred bonus plan

2013	Rights held at 31 December	Exercisable period	Proceeds if exercisable at 31 December	Pre-tax gain if exercisable at 31 December[1]	Options exercised during the year	Sale price/ market price	Pre-tax gain	Date exercised
	Number		R	R	Number	R	R	
Executive directors								
SA Nkosi					1 433	167,72	240 343	13/03/2013
					3 527	163,40	576 312	08/04/2013
					420	161,98	68 032	11/09/2013
	1 492	28/02/2014	218 518	218 518				
	2 934	31/03/2014	429 714	429 714				
	569	11/11/2014	83 336	83 336				
	1 346	28/02/2015	197 135	197 135				
	3 099	31/03/2015	453 880	453 880				
	370	31/08/2015	54 190	54 190				
	1 326	08/03/2016	194 206	194 206				
	1 004	31/08/2016	147 046	147 046				
	12 140		1 778 025	1 778 025	5 380		884 687	
WA de Klerk					1 003	167,72	168 223	11/03/2013
					2 083	163,40	340 362	09/04/2013
					262	161,98	42 439	09/09/2013
	932	28/02/2014	136 501	136 501				
	1 542	31/03/2014	225 841	225 841				
	355	11/11/2014	51 993	51 993				
	842	28/02/2015	123 319	123 319				
	1 679	31/03/2015	245 906	245 906				
	234	31/08/2015	34 272	34 272				
	827	08/03/2016	121 122	121 122				
	4 320	31/03/2016	632 707	632 707				
	640	31/08/2016	93 734	93 734				
	11 371		1 665 395	1 665 395	3 348		551 024	
Prescribed officers								
MDM Mgojo					832	167,72	139 543	19/03/2013
					1 530	163,40	250 002	10/04/2013
					223	161,98	36 122	09/09/2013
	600	28/02/2014	87 876	87 876				
	1 186	31/03/2014	173 702	173 702				
	252	11/11/2014	36 908	36 908				
	558	28/02/2015	81 725	81 725				
	1 455	31/03/2015	213 099	213 099				
	104	31/08/2015	15 232	15 232				
	127	08/03/2016	18 600	18 600				
	3 854	01/04/2016	564 457	564 457				
	574	31/08/2016	84 068	84 068				
	8 710		1 275 667	1 275 667	2 585		425 667	
MI Mthenjane	138	31/08/2016	20 211	20 211				

1 *Based on a share price of R146,46 which prevailed on 31 December 2013.*

2013	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
M Piater					688	167,72	115 391	19/03/2013
					1 058	163,40	172 877	08/04/2013
					181	161,98	29 318	11/09/2013
	644	28/02/2014	94 320	94 320				
	794	31/03/2014	116 289	116 289				
	250	11/11/2014	36 615	36 615				
	609	28/02/2015	89 194	89 194				
	947	31/03/2015	138 698	138 698				
	167	31/08/2015	24 459	24 459				
	597	08/03/2016	87 437	87 437				
	1 330	01/04/2016	194 792	194 792				
	252	31/08/2016	36 908	36 908				
	5 590		818 712	818 712	1 927		317 586	
PE Venter					908	167,72	152 290	13/03/2013
	213	31/08/2015	31 196	31 196				
	213		31 196	31 196	908		152 290	
M Veti					498	167,72	83 525	13/03/2013
					675	163,40	110 295	08/04/2013
					147	161,98	23 811	11/09/2013
	510	28/02/2014	74 695	74 695				
	637	31/03/2014	93 295	93 295				
	197	11/11/2014	28 853	28 853				
	134	31/08/2015	19 626	19 626				
	461	08/03/2016	67 518	67 518				
	208	31/08/2016	30 464	30 464				
	2 147		314 451	314 451	1 320		217 631	
CH Wessels	428	01/04/2016	62 685	62 685				
	126	31/08/2016	18 454	18 454				
	554		81 139	81 139				

1 *Based on a share price of R146,46 which prevailed on 31 December 2013.*

15 RELATED PARTIES

15.1 Related party transactions

During the year, the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are not more or less favourable than those arranged with third parties.

Associates and joint ventures

Details of investments in associates and joint ventures and income received therefrom are disclosed in chapter 10. There were no finance costs or expenses in respect of bad debt or doubtful debt incurred with regard to the associates or the joint ventures during the financial years ended 31 December 2014 or 2013.

		Joint ventures	Associates	Joint ventures	Associates
		2014		2013	
	Notes	Rm	Rm	Rm	Rm
Items of income and expense incurred during the year					
– Group sales of goods		3	58		126
– Group purchases of goods and services		1 927		1 025	
The outstanding balances at 31 December					
– Included in trade and other receivables	7.2.3		6		
– Included in trade and other payables	7.2.4	148		162	

During both years under review, there was no provision raised for doubtful debt related to the outstanding balances above.

Subsidiaries

Details of income from, and investments in subsidiaries are disclosed in note 17.

Service level commitment and corporate service fees

The following significant service level commitment and corporate service fees were received by Exxaro Resources Limited for essential services rendered:

	2014 Rm	2013 Rm
Exxaro Coal Proprietary Limited	1 457	1 547
Exxaro FerroAlloys Proprietary Limited	12	16
Ferroland Grondtrust Proprietary Limited	3	2
Mayoko Investment Company	3	

Special purpose entities

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

Entity	Nature of business
Exxaro Environmental Rehabilitation Fund	Trust fund for mine closure
Exxaro Employee Empowerment Participation Scheme Trust	Employee share incentive trust
Mpower 2012 Trust	Employee share incentive trust
Exxaro Foundation	Local social economic development[1]
Exxaro Chairman's Fund	Local social economic development[1]
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
Matla and Arnot Rehabilitation Trust	Trust fund for mine closure

1 *Non-profit organisations.*

15.1 Related party transactions (continued)

Directors

Details relating to directors' emoluments and shareholding (including options) in the company are disclosed in note 14.4.

Senior employees

Details relating to option and share transactions are disclosed in note 14.2.

Key management personnel

For Exxaro Resources Limited, other than the executive and non-executive directors, no other key management personnel were identified. Refer to note 14.4 for details on directors' remuneration.

For the group, for 2014 and 2013, the executive committee has been identified as being both key management personnel and prescribed officers. Refer to note 14.4 for details on their remuneration.

Shareholders

The principal shareholders of the company at 31 December 2014 are detailed in Annexure 3 Analysis of shareholders schedule.

16 FINANCIAL INSTRUMENTS

16.1. Accounting policies relating to financial instruments

16.1.1 Recognition

A financial instrument is recognised when the group becomes a party to a contract which entitles it to receive contractually agreed cash flows on the instrument. All acquisitions of financial assets that require delivery within the time frame established by regulation or market convention (regular-way purchases) are recognised at trade date, which is the date on which the group commits to acquire the asset.

16.1.2 Derecognition

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in financial assets transferred that is created or retained by the group is recognised as a separate asset or liability.

The group may enter into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all, or substantially all, risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

The rights and obligations retained in the transfer of financial instruments are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The group derecognises a financial liability when it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires.

The group may enter into transactions where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

16.1.3 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt instruments, trade and other payables, cash and cash equivalents, loans and borrowings and trade and other receivables.

Non-derivative financial instruments are recognised initially at fair value plus, in the case where financial instruments are not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash on hand, deposits held on call and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated. Bank overdrafts that are repayable on demand form an integral part of the group's cash management system and are included as a component of cash and cash equivalents for purposes of the cash flow statements. Cash and cash equivalents are measured at amortised cost.

16.1.4 Financial instruments at fair value through profit or loss

The group designates financial assets and financial liabilities at fair value through profit or loss when either:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis; or
- The assets or liabilities contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract and has to be separately disclosed and fair valued through profit or loss.

Subsequent to initial recognition, financial instruments designated or classified as at fair value through profit or loss are measured at fair value with changes in fair value recognised in profit or loss.

16.1.5 Available-for-sale financial assets

The group has designated certain assets as available-for-sale financial assets. In other circumstances available-for-sale financial assets are classified as such because they do not fall within the classification of loans and receivables, held to maturity investments or financial assets at fair value through profit or loss. Gains or losses on available-for-sale financial assets are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary items, which are taken to profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in equity is recycled to profit or loss.

16.1.6 Financial instruments not at fair value through profit or loss, and not available-for-sale

Receivables

Non-current receivables and trade and other receivables are measured at amortised cost using the effective interest rate method. Effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or group of financial assets or financial liabilities) and allocating the interest income or interest expense over the relevant period. Amortised cost is the amount at which the non-current receivables and trade and other receivables are measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment or uncollectibility.

Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently carried at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs (this accounting treatment is applied to the term loan and bond). To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates (this accounting treatment is applied to the revolving facility).

Payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost, namely original debt less principal repayments and any amortisation, using the effective interest rate method.

Investment in equity instruments

The fair value of investments is based on quoted bid prices for listed securities or valuations derived from discounted cash flow models for unlisted securities. Equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment. When equity instruments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

16.1.7 Derivative financial instruments

The group holds derivative financial instruments to hedge its foreign currency, interest rate and price risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivative instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative instruments are measured at fair value, and changes in fair value are accounted for as described below.

16.1. Accounting policies relating to financial instruments (continued)

16.1.8 Fair value hedges

When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm commitment, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the derivative expires or is sold; terminated; exercised; no longer meets the criteria for fair value hedge accounting; or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest rate method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

16.1.9 Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flow attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivatives is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to the asset in the same period during which the non-financial item affects profit or loss. For hedging of financial assets, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting; expires or is sold; terminated; exercised; or the designation is revoked, then hedge accounting is discontinued. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

16.1.10 Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

16.1.11 Net investments in foreign operation hedges

When a derivative, or a non-derivative financial liability, is designated as a hedge of a net investment in a foreign operation instrument, the effective portion of changes in the fair value of the hedging instrument is recognised directly in other comprehensive income, in the foreign currency translation reserve.
Any ineffective portion of changes in the fair value of the derivative instrument is recognised immediately in profit or loss. The amount recognised in other comprehensive income is removed and included in profit or loss on disposal of the foreign operation.

16.1.12 Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

16.1.13 Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any evidence that the asset should be impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment allowance is raised when there is an indication of impairment and a write-off is only effected when the receivable is deemed to be fully impaired and not recoverable.

An available-for-sale equity investment is impaired when:

- Its fair value has declined to below cost (adverse developments affecting the investee or operating environment have occurred since acquisition that, individually or collectively, amount to objective evidence of impairment; or the decline in fair value is significant or prolonged)
- There is objective evidence of impairment (sometimes referred to as a possible impairment indicator).

If any such evidence exists for available-for-sale financial assets, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

16.1.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

16.1.15 Determining fair values

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using generally accepted valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist and valuation models. The group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate and currency swaps. For these financial instruments, inputs into models are available on the market.

The fair value of long– and medium-term borrowings is calculated using quoted market prices, or where such prices are not available, discounted cash flow analysis using the applicable yield curve for the duration of the borrowing is used. The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from widely available current market transactions. The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, discounted cash flow analyses are used for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

16.1.16 Financial guarantee contracts

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment if a payment under the guarantee has become probable.

16.2. Financial instruments

16.2.1 Carrying amounts and fair value amounts of financial and non-financial instruments at 31 December

The tables below set out the group's and company's classification of each category of financial assets and financial liabilities, as well as their fair values

Group	At fair value through profit or loss: Held-for-trading Rm	At fair value through profit or loss: Designated Rm	Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	Non-financial assets at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm	Maximum exposure of the carrying amount to credit risk Rm
2014								
Assets								
Non-current assets								
Property, plant and equipment					18 344	18 344		
Biological assets					84	84		
Intangible assets					34	34		
Investments in associates					18 588	18 588		
Investment in joint ventures					966	966		
Deferred tax					539	539		
Financial assets, consisting of:		848	605	1 240	160	2 853		
– Environmental rehabilitation funds		826				826	826	
– Loans to joint ventures			83			83	83	83
– KIO		22				22	22	
– Chifeng				267		267	267	
– RBCT				973		973	973	
– Lease receivables[1]					160	160		160
– Non-current receivables			522			522	522	522
Total non-current assets		848	605	1 240	38 715	41 408		
Current assets								
Inventories					998	998		
Trade receivables			1 830		513	2 343	1 830	1 830
Other receivables[2]			260			260	260	255
Current tax receivable					78	78		
Derivative financial asset	8					8	8	8
Cash and cash equivalents			2 006			2 006	2 006	2 006
Total current assets	8		4 096		1 589	5 693		
Non-current assets as held-for-sale		73	3		252	328	76	3
Total assets	8	921	4 704	1 240	40 556	47 429		

1 *The categories in this disclosure are determined by IAS 39 Financial Instruments: Recognition and Measurement. Finance leases are outside the scope of IAS 39, but remain within the scope of IFRS 7 Financial Instruments: Disclosures.*

2 *Other receivables includes sundry receivables, reclassification of creditors with debit balances and R5 million in respect of the short-term portion of the environmental rehabilitation funds.*

Group	Financial liabilities at amortised cost Rm	Non-financial liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm
2014				
Equity and liabilities				
Capital and reserves				
Share capital		2 409	2 409	
Other components of equity		6 031	6 031	
Retained earnings		25 985	25 985	
Equity attributable to equity holders of the parent		34 425	34 425	
Total equity		34 425	34 425	
Non-current liabilities				
Interest-bearing borrowings	2 976		2 976	2 976
Non-current provisions		2 219	2 219	
Post-retirement employee obligations		167	167	
Financial liability[1]		88	88	
Deferred tax		3 732	3 732	
Total non-current liabilities	2 976	6 206	9 182	
Current liabilities				
Trade and other payables	2 502	706	3 208	2 502
Interest-bearing borrowings	34		34	34
Current tax payable		27	27	
Current provisions		254	254	
Overdraft	67		67	67
Total current liabilities	2 603	987	3 590	
Non-current liabilities held-for-sale	14	218	232	14
Total equity and liabilities	5 593	41 836	47 429	

1 *The categories in this disclosure are determined by IAS 39 Financial Instruments: Recognition and Measurement. Finance leases are outside the scope of IAS 39, but remain within the scope of IFRS 7 Financial Instruments: Disclosures.*

16.2. Financial instruments (continued)

16.2.1 Carrying amounts and fair value amounts of financial and non-financial instruments at 31 December (continued)

Group	At fair value through profit or loss							
	Held-for-trading Rm	Designated Rm	Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	Non-financial assets at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm	Maximum exposure of the carrying amount to credit risk Rm
2013								
Assets								
Non-current assets								
Property, plant and equipment					20 342	20 342		
Biological assets					72	72		
Intangible assets					1 176	1 176		
Investments in associates					19 207	19 207		
Investment in joint ventures					861	861		
Deferred tax					366	366		
Financial assets, consisting of:		658	1 006	805	188	2 657		
– Environmental rehabilitation funds		618				618	618	
– Loans to joint ventures			255			255	255	255
– KIO		40				40	40	
– Chifeng				253		253	253	
– New Age Exploration Limited				1		1	1	
– RBCT				551		551	551	
– Lease receivables[1]					188	188		188
– Non-current receivables			751			751	751	751
Total non-current assets		658	1 006	805	42 212	44 681		
Current assets								
Inventories					938	938		
Trade receivables			1 550		588	2 138	1 550	1 550
Other receivables[2]			295			295	295	290
Current tax receivable					82	82		
Derivative financial asset	1					1	1	1
Cash and cash equivalents			1 029			1 029	1 029	1 029
Total current assets	1		2 874		1 608	4 483		
Non-current assets held-for-sale		67			275	342	67	
Total assets	1	725	3 880	805	44 095	49 506		

1 *The categories in this disclosure are determined by IAS 39 Financial Instruments: Recognition and Measurement. Finance leases are outside the scope of IAS 39, but remain within the scope of IFRS 7 Financial Instruments: Disclosures.*

2 *Other receivables includes sundry receivables, reclassification of creditors with debit balances and R5 million in respect of the short-term portion of the environmental rehabilitation funds.*

Group	Financial liabilities at amortised cost Rm	Non-financial liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm
2013				
Equity and liabilities				
Capital and reserves				
Share capital		2 396	2 396	
Other components of equity		4 234	4 234	
Retained earnings		29 668	29 668	
Equity attributable to equity holders of the parent		36 298	36 298	
Non-controlling interest		(26)	(26)	
Total equity		36 272	36 272	
Non-current liabilities				
Interest-bearing borrowings	3 569		3 569	3 569
Non-current provisions		1 863	1 863	
Post-retirement employee obligations		149	149	
Financial liability[1]		95	95	
Deferred tax		3 481	3 481	
Total non-current liabilities	3 569	5 588	9 157	
Current liabilities				
Trade and other payables	2 056	797	2 853	2 056
Derivative financial liability			14	14
Interest-bearing borrowings	31		31	31
Current tax payable		131	131	
Current provisions		17	17	
Overdraft	806		806	806
Total current liabilities	2 893	945	3 852	
Non-current liabilities held-for-sale	27	189	225	36
Total equity and liabilities	6 489	42 994	49 506	

1 *The categories in this disclosure are determined by IAS 39 Financial Instruments: Recognition and Measurement. Finance leases are outside the scope of IAS 39, but remain within the scope of IFRS 7 Financial Instruments: Disclosures.*

16.2. Financial instruments (continued)

16.2.1 Carrying amounts and fair value amounts of financial and non-financial instruments at 31 December (continued)

Company	Designated at fair value through profit or losses Rm	Loans and receivables at amortised cost Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm	Maximum exposure of the carrying amount to credit risk[1] Rm
2014							
Assets							
Non-current assets							
Property, plant and equipment				629	629		
Intangible assets				28	28		
Investments in associates				13 152	13 152		
Investment in joint ventures				267	267		
Investments in subsidiaries		2 985		3 449	6 434	2 985	2 985
Deferred tax				365	365		
Financial assets, consisting of:	16	189			205		
– Environmental rehabilitation fund	16				16	16	
– Loans to joint ventures		60			60	60	60
– Non-current receivables		129			129	129	129
Total non-current assets	16	3 174		17 890	21 080		
Current assets							
Trade receivables		4 817		49	4 866	4 817	4 817
Other receivables[2]		143			143	143	143
Cash and cash equivalents		1 297			1 297	1 297	1 297
Total current assets		6 257		49	6 306		
Total assets	16	9 431		17 939	27 386		
Equity and liabilities							
Capital and reserves							
Share capital				2 975	2 975		
Other components of equity				955	955		
Retained earnings				11 735	11 735		
Total equity				15 665	15 665		
Non-current liabilities							
Interest-bearing borrowings			2 976		2 976	2 976	
Non-current provisions				30	30		
Total non-current liabilities				30	3 006		
Current liabilities							
Trade and other payables			8 456	148	8 604	8 456	
Interest-bearing borrowings			34		34	34	
Current provisions				11	11		
Overdraft			66		66	66	
Total current liabilities			8 556	159	8 715		
Total equity and liabilities			11 532	15 854	27 386		

1 *Equity and liabilities do not have maximum exposure of carrying amount to credit risk.*

2 *Other receivables include sundry receivables and reclassification of creditors with debit balances.*

Company	Designated at fair value through profit or losses Rm	Loans and receivables at amortised cost Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm	Maximum exposure of the carrying amount to credit risk[1] Rm
2013							
Assets							
Non-current assets							
Property, plant and equipment				602	602		
Intangible assets				216	216		
Investments in associates				13 152	13 152		
Investment in joint ventures				159	159		
Investments in subsidiaries		3 600		8 254	11 854	3 600	3 600
Deferred tax				303	303		
Financial assets, consisting of:	15	104			119		
– Environmental rehabilitation fund	15				15	15	
– Loans to joint ventures		60			60	60	60
– Non-current receivables		44			44	44	44
Total non-current assets	15	3 704		22 686	26 405		
Current assets							
Inventories				3	3		
Trade receivables		5 179		31	5 210	5 179	5 179
Other receivables[2]		170			170	170	170
Cash and cash equivalents		238			238	238	238
Total current assets		5 587		34	5 621		
Total assets	15	9 291		22 720	32 026		
Equity and liabilities							
Capital and reserves							
Share capital				2 975	2 975		
Other components of equity				1 039	1 039		
Retained earnings				15 158	15 158		
Total equity				19 172	19 172		
Non-current liabilities							
Interest-bearing borrowings			3 569		3 569	3 569	
Non-current provisions				28	28		
Total non-current liabilities			3 569	28	3 597		
Current liabilities							
Trade and other payables			8 198	224	8 422	8 198	
Interest-bearing borrowings			31		31	31	
Overdraft			804		804	804	
Total current liabilities			9 033	224	9 257		
Total equity and liabilities			12 602	19 424	32 026		

1 *Equity and liabilities do not have maximum exposure of carrying amount to credit risk.*

2 *Other receivables include sundry receivables and reclassification of creditors with debit balances.*

16.2 Financial instruments (continued)

16.2.2 Fair values

The financial assets designated at fair value through profit and loss are managed, evaluated and reported internally on a fair value basis. Therefore the designation is deemed appropriate as this is in line with the group accounting policies.

As disclosed in the tables above, there were no financial liabilities designated at fair value through profit or loss as at 31 December 2014 and 31 December 2013 for the group and the company.

16.2.2.1 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 for the asset or liability.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group 2014	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets held-for-trading at fair value through profit or loss	8		8	
– Current derivative financial assets	8		8	
Financial assets designated at fair value through profit or loss	921	921		
– Environmental rehabilitation funds	826	826		
– Environmental rehabilitation fund held-for-sale	73	73		
– KIO	22	22		
Available-for-sale financial assets	1 240			1 240
– Chifeng	267			267
– RBCT	973			973
Net financial assets held at fair value	2 169	921	8	1 240

Reconciliation of Level 3 hierarchy	Chifeng Rm	RBCT Rm	Total Rm
Opening balance	253	551	804
Movement during the year			
Total gains for the period recognised in other comprehensive income (pre-tax effect)[1]	1	422	423
Exchange gains for the period recognised in other comprehensive income	13		13
Closing balance	267	973	1 240

[1] *Tax on RBCT amounts to R78 million.*

Company 2014	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets designated at fair value through profit or loss	16	16		
– Environmental rehabilitation fund	16	16		
Net financial assets held at fair value	16	16		

Group 2013	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets held-for-trading at fair value through profit or loss	1		1	
– Current derivative financial assets	1		1	
Financial assets designated at fair value through profit or loss	725	725		
– Environmental rehabilitation funds	618	618		
– Environmental rehabilitation fund held-for-sale	67	67		
– KIO	40	40		
Available-for-sale financial assets	805	1		804
– Chifeng	253			253
– New Age Exploration Limited	1	1		
– RBCT	551			551
Financial liabilities held-for-trading at fair value through profit or loss	(23)		(23)	
– Current derivative financial liabilities	(14)		(14)	
– Current derivative financial liabilities held-for-sale	(9)		(9)	
Net financial assets/(liabilities) held at fair value	1 508	726	(22)	804

Reconciliation of Level 3 hierarchy	Chifeng Rm	RBCT Rm	Total Rm
Opening balance	174	467	641
Movement during the year			
Total gains for the period recognised in other comprehensive income (pre-tax effect)[1]	46	82	128
Settlements		2	2
Exchange gains for the period recognised in other comprehensive income	33		33
Closing balance	253	551	804

1 *Tax on RBCT amounts to R28 million.*

Company 2013	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets designated at fair value through profit or loss	15	15		
– Environmental rehabilitation fund	15	15		
Net financial assets held at fair value	15	15		

16.2. Financial instruments (continued)

16.2.2 Fair values (continued)

16.2.2.2 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 nor between Level 2 and Level 3 of the fair value hierarchy during the periods ended 31 December 2014 and 31 December 2013, as shown in the reconciliation above.

16.2.2.3 Valuation process applied by the group

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 audit committee in accordance with the group's reporting governance.

16.2.2.4 Current derivative financial instruments

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

16.2.2.5 Environmental rehabilitation funds (ERF)

Included in the ERF is the Exxaro Environmental Rehabilitation Fund for the Exxaro group of companies, and the Matla and Arnot Environmental Rehabilitation Fund specifically for the aforementioned mines, which is recoverable from Eskom.

The ERF is classified within Level 1 of the fair value hierarchy. The funds receive, hold and invest monies contributed for the rehabilitation or management of negative environmental impacts associated with mining and exploration activities. The contributions are aimed at providing for sufficient funds at date of estimated closure of mining activities to address the rehabilitation and environmental impacts.

The ERF was created and complies with the requirements of the MPRDA.

Funds accumulated for a specific mine or exploration project can only be utilised for the rehabilitation and environmental impacts of that specific mine or project.

The trustees of the fund are appointed by Exxaro and consist of sufficiently qualified Exxaro employees capable of fulfilling their fiduciary duties.

16.2.2.6 KIO

The investment is classified within Level 1 as the investment is listed on the JSE. At 31 December 2014, the shares were trading at R239,90 (2013: R443,45).

16.2.2.7 New Age Exploration Limited

The New Age Exploration Limited investment was acquired by Exxaro through AKI on 14 February 2012. The investment is classified within Level 1 as the price is listed on the Australian Securities Exchange (ASE). At 31 December 2014 the shares were trading at AU$0,009 (31 December 2013: AU$0,051).

16.2.2.8 Non-current receivables

Included in the non-current receivables is an amount of R521 million (2013: R751 million) recoverable from Eskom in respect of the rehabilitation and environmental expenditure of the Matla and Arnot mines at the end-of-life of these mines. The corresponding anticipated liability is disclosed as part of the non-current provisions (refer note 13.2).

There were no allowances for impairments on non-current receivables at cost during the period under review.

16.2.2.9 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

a) Chifeng

Chifeng is classified within a Level 3 of the fair value hierarchy as there is no quoted market price or observable price available for this investment. This unlisted investment is valued as the present value of the estimated future cash flows, using a discounted cash flow model. The valuation technique is consistent to that used in previous reporting periods.

The significant observable and unobservable inputs used in the fair value measurement of the investment in Chifeng are rand/Chinese Renminbi (RMB) exchange rate, RMB/US$ exchange rate, Zinc London Metal Exchange (LME) price, production volumes, operational costs and the discount rate.

Observable inputs	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
2014			
Rand/RMB exchange rate	R1,86/RMB1	Strengthening of the rand to the RMB	26
RMB/US$ exchange rate	RMB6,13 to RMB6,75/US$1	Strengthening of the RMB to the US$	152
Zinc LME price (US$ per tonne in real terms)	US$2 311 to US$2 226	Increase in price of Zinc Concentrate	152
Unobservable inputs			
Production volumes (tonnes)	85 000 tonnes	Increase in production volumes	37
Operational costs (US$ million per annum in real terms)	US$63 to US$76	Decrease in operations costs	(133)
Discount rate (%)	9,94%	Decrease in the discount rate	(20)
2013			
Rand/RMB exchange rate	R1,72/RMB1	Strengthening of the rand to the RMB	25
RMB/US$ exchange rate	RMB6,02 to RMB5,95/US$1	Strengthening of the RMB to the US$	161
Zinc LME price (US$ per tonne in real terms)	US$2 039 to US$2 027	Increase in price of Zinc Concentrate	161
Unobservable inputs			
Production volumes (tonnes)	208 750 tonnes	Increase in production volumes	177
Operational costs (US$ million per annum in real terms)	US$74 to US$88	Decrease in operations costs	(143)
Discount rate (%)	10%	Decrease in the discount rate	(21)

1 *Change in observable/unobservable input which will result in an increase in the fair value measurement.*

2 *A 10% decrease in the respective inputs would have an equal but opposite effect on the above, on the basis that all other variables remain constant.*

16.2. Financial instruments (continued)

16.2.2 Fair values (continued)

16.2.2.9 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 (continued)

a) Chifeng (continued)

Interrelationships

Any interrelationships between unobservable inputs is not considered to have a significant impact within the range of reasonably possible alternative assumptions for both reporting periods.

b) RBCT

RBCT is classified within a Level 3 of the fair value hierarchy as there is no quoted market price or observable price available for this investment. This unlisted investment is valued as the present value of the estimated future cash flows, using a discounted cash flow model. It is not anticipated that the RBCT investment will be disposed of in the near future. The valuation technique is consistent to that used in previous reporting periods.

The significant observable and unobservable inputs used in the fair value measurement of the investment in RBCT are rand/US$ exchange rate, API4 export price, Transnet Market Demand Strategy, annual utilisation factor and the discount rate.

Observable inputs	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
2014			
Rand/US$ exchange rate	R10,94 to R18,80/US$1	Strengthening of the rand to the US$	257
API4 export price (US$ steam coal A-grade price per tonne in real terms)	US$62 to US$93	Increase in API4 export price per tonne	154
Unobservable inputs			
Transnet Market Demand Strategy for the terminal (Mtpa)	74Mpta to 81Mtpa	Acceleration of Transnet Freight Rail performance, ie: reach full capacity sooner	97
Discount rate (%)	13% to 17%	Decrease in the discount rate	(120)
Annual utilisation factor (safety and rail delay factor) (%)	90%	Increase in annual utilisation factor	123
2013			
Rand/US$ exchange rate	R9,85 to R10,15/US$1	Strengthening of the rand to the US$	119
API4 export price (US$ steam coal A-grade price per tonne in real terms)	US$75,50 to US$97	Increase in API4 export price per tonne	119
Unobservable inputs			
Transnet Market Demand Strategy for the terminal (Mtpa)	77Mtpa to 81Mpta	Acceleration of Transnet Freight Rail performance, ie: reach full capacity sooner	127
Discount rate (%)	13% to 17%	Decrease in the discount rate	(109)
Annual utilisation factor (safety and rail delay factor)	90%	Increase in annual utilisation factor	119

1 Change in observable/unobservable input which will result in an increase in the fair value measurement.

2 A 10% decrease in the respective inputs would have an equal but opposite effect on the above, on the basis that all other variables remain constant.

Any interrelationships between unobservable inputs is not considered to have a significant impact within the range of reasonably possible alternative assumptions for both reporting periods.

16.2.3 Reclassification of financial assets

No reclassification of financial assets occurred during the period.

16.2.4 Derecognition of financial assets

No financial assets were derecognised during the period.

16.2.5 Statement of changes in equity

The amounts included in the financial instruments revaluation reserve in the statement of changes in equity arise from the group associate companies.

16.2.6 Risk management

16.2.6.1 Financial risk management

The group's corporate treasury function provides financial risk management services to the business, co-ordinates 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 or trade 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. Compliance with policies and exposure limits is reviewed by the internal auditors annually, with the results being reported to the audit committee.

Capital management

The board of directors is ultimately responsible to monitor debt levels, return on capital, total shareholders' return as well as compliance with contractually agreed loan covenants. These key metrics are detailed on page 10. The group aims to cover its annual net funding requirements through long-term loan facilities with maturities spread evenly over time.

During the year, the group complied with all its contractually agreed loan covenants, except in respect of the dividend declaration financing covenant. The latter was a result of the non-cash impairment of the Mayoko iron ore project in the RoC, resulting in insufficient attributable earnings to cover the interim dividend declared, as prescribed by the loan covenant terms. The company, however, obtained approval from the requisite banks to adjust for the Mayoko iron ore project non-cash impairment on the covenant calculation, resulting in the payment of the interim dividend.

16.2.6.2 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.

16.2. Financial instruments (continued)

16.2.6 Risk management (continued)

16.2.6.2 Market risk management (continued)

The group's activities expose it primarily to the financial risks of changes in the ERF prices (see 16.2.6.2.1 below) foreign currency exchange rates (see 16.2.6.2.2 below), commodity prices (see 16.2.6.2.3 below) and interest rates (see 16.2.6.2.4 below). The group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risks, interest rate and commodity price risks, including:

- Forward foreign exchange contracts (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.

16.2.6.2.1 Price risk management

As the ERF is invested by Exxaro's inhouse treasury department on the JSE and NYSE, the group is exposed to price changes. The funds are also invested with other reputable financial institutions in accordance with a strict mandate to ensure capital preservation and real growth. Thus the exposure to price changes is managed in this manner.

A 2% increase in the JSE and NYSE industry average at reporting date would have increased equity by R2,7 million (2013: R2,4 million) after tax; an equal change in the opposite direction would have decreased equity by R2,7 million (2013: R2,4 million). The impact on profit or loss would have been an increase or decrease of R2,7 million (2013: R2,4 million) after tax. The analysis has been performed on the same basis for 2014 and 2013.

Other price risks

The group is exposed to equity price risks arising from equity investments, namely KIO and New Age Exploration Limited.

These investments are listed on the JSE and ASE respectively.

Equity investments are held for strategic rather than trading purposes. The group does not actively trade these investments.

Price risk sensitivity

A 10% increase in the respective investments' share price is demonstrated in the table below.

The analysis has been performed on the same basis for 2014 and 2013.

	Profit/(loss)		Equity	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
KIO	2	3		
New Age Exploration Limited	0,001	0,01		

A 10% decrease in the respective investments' share price would have an equal but opposite effect on the above, on the basis that all other variables remain constant.

Refer to note 16.2.2.9 regarding the price sensitivity of investments in Chifeng and RBCT.

16.2.6.2.2 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, Australian dollar and Central African franc (XAF).

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 currency borrowings 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 2014 amount to US$4 million (2013: US$9 million), whereas uncovered cash and cash equivalents amount to US$95 million (2013: US$23 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:R11,56 (2013: US$1:R10,44).

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.

The following significant exchange rates applied for both group and company during the year:

	2014			2013		
	Average spot rate	Average achieved rate	Closing spot rate	Average spot rate	Average achieved rate	Closing spot rate
US$	10,83	10,86	11,56	9,62	9,48	10,44
€	14,38		14,06	12,78		14,39
XAF	0,02		0,02	0,02		0,02
AU$	9,80		9,48	9,35		9,31

Economic hedges – foreign currency risk

The group has entered into certain forward exchange contracts, which relate to specific foreign commitments not yet due and export earnings for which the proceeds are not yet receivable.

Details of the contracts at 31 December 2014 and 31 December 2013 are as follows:

Group	Market related value	Foreign amount	Contract value	Recognised fair value profits Rm
2013				
Exports				
US$ – FECs	210	20	211	1
2014				
Imports				
US$ – FECs				
Less than three months	126	11	118	8
Total	126	11	118	8
2013				
Imports				
€ – FECs				
Less than three months	5	1	4	1
Three months	3		3	
Six months	1		1	
Total	9	1	8	1

16.2 Financial instruments (continued)

16.2.6 Risk management (continued)

16.2.6.2 Market risk management (continued)

16.2.6.2.2 Foreign currency risk management (continued)

With respect to the above-mentioned economic import hedges, the future expected cash flows are represented below:

Foreign currency sensitivity

2014 Imports	2015 Rm	Total Rm
Expected future cash flows		
US$ – FECs	118	118
Expected gain in profit or loss		
US$ – FECs	8	8

2013 Imports	2014 Rm	Total Rm
Expected future cash flows		
€ – FECs	8	8
Expected gain in profit or loss		
€ – FECs	1	1

The following table includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% increase in foreign currency rates and details the group and company sensitivity thereto. Foreign currency denominated monetary items such as cash balances, trade receivables, trade payables and loans have been included in the analysis.

	Profit/(loss)		Equity	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Group – US$	110	51		
Company – US$	110	24		

A 10% decrease in the rand against each foreign exchange rate would have an equal but opposite effect on the above, on the basis that all other variables remain constant.

For exports (US$), an increase in the exchange rate of the rand against the US$ (eg FEC taken out on exports at R11,56: US$1, with actual rate realising at R11,66: US$1) represents a weakening of the ZAR against the US$, which results in a loss incurred of R0,10. The opposite applies for a decrease in the exchange rate.

For imports, an increase in the exchange rate of the rand against the euro (eg, FEC taken out on imports at R14,06: €1, with actual rate coming out at R14,16: €1) represents a weakening of the rand against the euro, which results in a gain of R0,10. The opposite applies for a decrease in the exchange rate.

16.2.6.2.3 Commodity price risk management

The group entered into commodity forward exchange contracts to hedge certain of its export product exposure, in terms of coal prices for the period ended 31 December 2013. The price hedge on coal has matured in March 2014, realising a total gain of R5 million.

Details of the contracts at 31 December 2013 are as follows:

Group 2013	Tonnes Rm	Market related value million	Contract value Rm	Recognised fair value losses Rm
Commodity				
Coal	600 000	530	516	(14)

Commodity sensitivity

An adverse change in the commodity price of 10% is demonstrated below. This analysis assumes that all other variables remains constant.

	Profit/(loss)		Equity	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Group				
Coal		37		

A 10% positive move against the above commodity prices at 31 December 2013 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

16.2.6.2.4 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 risk is managed by entering into interest rate swaps. 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 is summarised below:

At 31 December 2014	1 – 6 months Rm	Total borrowings Rm
Non-current interest-bearing borrowings	2 976	2 976
Current interest-bearing borrowings[1]	34	34
	3 010	3 010
Total borrowings (%)	100	100
At 31 December 2013		
Non-current interest-bearing borrowings	3 569	3 569
Current interest-bearing borrowings[1]	31	31
	3 600	3 600
Total borrowings (%)	100	100

1 *The R34 million (2013: R31 million) represents interest capitalised of R44 million (2013: R40 million) reduced by the amortised transaction costs of R10 million (2013: R9 million).*

Interest rate sensitivity

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

	(Loss)/profit	
	2014 Rm	2013 Rm
Increase of 50 basis points in interest rate	(15)	(18)

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

16.2.6.3 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.

16.2 Financial instruments (continued)

16.2.6 Risk management (continued)

16.2.6.3 Liquidity risk management (continued)

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. The group aims to cover at least its net debt requirements through long-term borrowing facilities.

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

	Group	
	2014 Rm	2013 Rm
Amount approved	43 031	45 340
Total borrowings	(3 010)	(3 600)
	40 021	41 740

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2014 and 2013 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.

16.2.6.3.1 Maturity profile of financial instruments

The following table details the group's contractual maturities of financial assets and financial liabilities:

			Maturity			
	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	More than 5 years Rm
Group						
2014						
Financial assets						
Derivative financial asset	8	8	8			
Trade and other receivables	2 085	2 085	2 085			
Cash and cash equivalents	2 006	2 006	2 006			
Total financial assets	4 099	4 099	4 099			
Percentage profile (%)		100	100			
Financial liabilities						
Interest-bearing borrowings	3 010	3 877	292	625	2 551	409
Overdraft	67	67	67			
Trade and other payables	2 502	2 502	2 502			
Total financial liabilities	5 579	6 446	2 861	625	2 551	409
Percentage profile (%)		100	44	10	40	6
Liquidity gap identified[1]	(1 480)	(2 347)	1 238	(625)	(2 551)	(409)
Derivative financial liabilities (Included in the above)						
Foreign exchange forward contracts used for hedging – Buy (rands outflow)	118					

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

			Maturity			
	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	More than 5 years Rm
Group						
2013						
Financial assets						
Derivative financial asset	1	1	1			
Trade and other receivables	1 840	1 840	1 840			
Cash and cash equivalents	1 029	1 029	1 029			
Total financial assets	2 870	2 870	2 870			
Percentage profile (%)		100	100			
Financial liabilities						
Interest-bearing borrowings	3 600	4 642	313	590	3 400	339
Overdraft	806	806	806			
Trade and other payables	2 056	2 056	2 056			
Derivative financial liability	14	14	14			
Total financial liabilities	6 476	7 518	3 189	590	3 400	339
Percentage profile (%)		100	43	8	45	4
Liquidity gap identified[1]	(3 606)	(4 648)	(319)	(590)	(3 400)	(339)
Derivative financial liabilities (Included in the above)						
Foreign exchange forward contracts used for hedging						
– Sell (rands inflow)	728					
– Buy (rands outflow)	8					

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

16.2 Financial instruments (continued)

16.2.6 Risk management (continued)

16.2.6.3 Liquidity risk management (continued)

16.2.6.3.1 Maturity profile of financial instruments (continued)

	Carrying amount Rm	Contractual cash flows Rm	Maturity 0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	More than 5 years Rm
Company						
2014						
Financial assets						
Trade and other receivables	4 960	4 960	4 960			
Cash and cash equivalents	1 297	1 297	1 297			
Total financial assets	6 257	6 257	6 257			
Percentage profile (%)		100	100			
Financial liabilities						
Interest-bearing borrowings	3 010	3 877	292	625	2 551	409
Overdraft	66	66	66			
Trade and other payables	8 456	8 458	8 458			
Total financial liabilities	11 532	12 401	8 816	625	2 551	409
Percentage profile (%)		100	71	5	21	3
Liquidity gap identified[1]	(5 275)	(6 133)	(2 548)	(625)	(2 551)	(409)

1 *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place. The majority of trade and other payables represent intercompany loans which are not expected to be repaid in the foreseeable future.*

	Carrying amount Rm	Contractual cash flows Rm	Maturity 0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	More than 5 years Rm
Company						
2013						
Financial assets						
Trade and other receivables	5 349	5 349	5 349			
Cash and cash equivalents	238	238	238			
Total financial assets	5 587	5 587	5 587			
Percentage profile (%)		100	100			
Financial liabilities						
Interest-bearing borrowings	3 600	4 642	313	590	3 400	339
Overdraft	804	804	804			
Trade and other payables	8 198	8 198	8 198			
Total financial liabilities	12 602	13 644	9 315	590	3 400	339
Percentage profile (%)		100	68	4	25	3
Liquidity gap identified[1]	(7 015)	(8 057)	(3 728)	(590)	(3 400)	(339)

1 *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place. The majority of trade and other payables represent intercompany loans which are not expected to be repaid in the foreseeable future.*

16.2.6.4 Credit risk management

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

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 is spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board annually.

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

Exxaro establishes an allowance for non-recoverability or impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have historical data of payment statistics for similar financial assets.

16.2.6.4.1 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.

The maximum exposure to credit risk at both reporting dates was equal to the carrying value of financial assets for both group and company.

Detail of the trade receivables credit risk exposure:

	Group	
	2014 %	2013 %
By geographical area		
South Africa	73	77
Europe	12	11
Asia	15	12
Total	100	100
By industry		
Steel	18	13
Manufacturing	5	3
Merchants	20	9
Public utilities	53	58
Chemicals		10
Mining	2	
Other	2	7
Total	100	100

16.2 Financial instruments (continued)

16.2.6 Risk management (continued)

16.2.6.4 Credit risk management (continued)

16.2.6.4.1 Exposure to credit risk (continued)

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
The carrying amount of the financial assets at 31 December was:				
Neither past due nor impaired	4 867	4 064	9 431	9 291
– Trade receivables	1 830	1 550	4 817	5 179
– Other receivables (due to R5 million in respect of TRF)	255	290	143	170
– Derivative financial asset	8	1		
– Loans to joint ventures	83	255	60	60
– Loans to subsidiaries			2 985	3 600
– Non-current receivables	522	751	129	44
– Lease receivables	160	188		
– Trade receivables held-for-sale	3			
– Cash and cash equivalents	2 006	1 029	1 297	238
Past due	322		94	
– Trade receivables	322		94	
Total financial assets	5 189	4 064	9 525	9 291
Impaired	44	29		
– Trade receivables	29	29		
– Other receivables	15			
Financial assets including impaired receivables	5 233	4 093	9 525	9 291

The group strives to enter into sales contracts with clients 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. Therefore the credit quality of the above assets deemed to be neither past due nor impaired is considered to be within industry norms.

There were no financial assets with renegotiated terms during the 2014 and 2013 reporting periods.

16.2.6.4.2 Trade and other receivables age analysis

	Group		Company	
	2014 Rm	**2013 Rm**	**2014 Rm**	**2013 Rm**
Past due but not impaired				
1 – 30 days overdue	1		1	
31 – 60 days overdue	203			
61 – 90 days overdue	6		5	
>180 days overdue	112		88	
Total carrying amount of financial instruments past due but not impaired[1]	322		94	
Past due and impaired[1]				
>180 days overdue	44	29		
Total carrying amount of financial instruments past due and impaired	44	29		
Total carrying amount of financial instruments past due or impaired	366	29	94	

1 *The group's past due but not impaired receivable of R228 million relates to the Europe geographical area, and R94 million of the group and company receivables relate to South Africa. These outstanding amounts have subsequently been settled.*

Before the financial assets can be impaired, they are evaluated for the possibility of any recovery as well as the length of time at which the debt has been long outstanding.

16.2.6.4.3 Credit quality of financial assets

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

	Group		Company	
	2014 Rm	**2013 Rm**	**2014 Rm**	**2013 Rm**
Cash and cash equivalents				
Fitch ratings				
F1+	1 412	500	1 097	238
F1	200		200	
Standard and Poor's ratings				
A-1+	30	212		
A-1	364	240		
A-2		77		
	2 006	1 029	1 297	238
Derivative financial assets				
Fitch ratings				
F1+	8	1		
	8	1		

16.2 Financial instruments (continued)

16.2.6 Risk management (continued)

16.2.6.4 Credit risk management (continued)

16.2.6.4.3 Credit quality of financial assets (continued)

Fitch ratings

F1 Highest credit quality

"+" denotes any exceptionally strong credit feature

Standard and Poor's

A-1+ Highest certainty of payment

A-1 Very high certainty of payment

A-2 Good certainty of payment

Loans and receivables designated at fair value through profit or loss
The group had no loans and receivables designated as at fair value through profit or loss during the period.

16.2.2.4.3 Collateral
No collateral was held by the group as security and other enhancements over the financial assets during the years ended 31 December 2014 and 2013.

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 years ended 31 December 2014 and 31 December 2013. The guarantees issued relate to operational liabilities. (Refer note 13.3 on contingent liabilities)

16.3 Notes to the statements of cash flows relating to financial instruments

	Group		Company	
For the year ended	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Cash and cash equivalents				
Cash and cash equivalents	2 006	1 029	1 297	238
Bank overdraft	(67)	(806)	(66)	(804)
Cash and cash equivalents	1 939	223	1 231	(566)

17 SUBSIDIARIES

17.1 Accounting policies relating to subsidiaries

17.1.1 Interest and dividend income

Interest is recognised on the time proportion basis, taking into account the principal amount outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

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 and 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 special purpose entities that, in substance, are controlled by the group, are consolidated.

The company carries its investments in subsidiaries at cost less accumulated impairment losses.

Business combinations are accounted for using the acquisition method as at the acquisition date – ie, 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 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.

17.2 Income from investments in subsidiaries

	Group		Company	
For the year ended 31 December	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Unlisted shares				
– Dividends[1]			282	
– Net finance income			450	486
Interest expense on financial liabilities measured at amortised cost[2]			(1 693)	(869)
Interest income on unimpaired loans and receivables			2 143	1 355

1 *Comprises of a dividend in specie declared by Exxaro Holdings Proprietary Limited (consisting of its investment in Exxaro Australia Proprietary Limited) to Exxaro Resources Limited.*

2 *Interest was calculated on the balances of the intercompany loans. (Refer note 16).*

17.3 Investments in subsidiaries

At 31 December	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Shares at cost less impairment losses				3 449	8 254
Non-current portion				2 985	3 600
Indebtedness				(366)	685
By subsidiaries				7 801	8 769
– Current				4 816	5 169
– Non-current				2 985	3 600
To subsidiaries (current)				(8 167)	(8 084)
Total current portion				3 351	2 915
– Included in trade and other receivables	7.2.3			(4 816)	(5 169)
– Included in trade and other payables	7.2.4			8 167	8 084
Per statement of financial position				6 434	11 854

Terms for loans

– *Back-to-back loans:* Similar terms as agreed with external lenders. Refer note 12.1.4 for the terms and conditions.
– *Treasury loans:* No repayment terms. Loans are payable on demand. Interest is charged at money market rates.

There was no indebtedness to and from subsidiaries with fixed rate of interest per year.

There are no significant restrictions on the subsidiaries to transfer funds to Exxaro in the form of cash dividends or to repay loans or advances made by Exxaro.

17.4 Notes to the statements of cash flows relating to investments in subsidiaries

At 31 December	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
17.4.1 Proceeds from disposal of subsidiaries					
Consideration received					
Exxaro Base Metals			87		87
Total proceeds from disposal of subsidiaries			87		87
17.4.2 Acquisition of subsidiaries					
Purchase consideration paid for acquisition of Exxaro Resources (Beijing) Commercial Company Limited				(2)	
Total acquisition of subsidiaries				(2)	
17.4.3 Decrease/(increase) in investments in subsidiaries					
Increase in investment in subsidiaries					(1 757)
Decrease/(increase) in indebtedness by subsidiaries				615	(800)
Total increase in investment in subsidiaries				615	(2 557)

17.5 Detailed analysis of investments in subsidiaries[1]

				Issued capital	Interest of company			
					Investment in shares		Indebtedness	
At 31 December	Country of incorporation[2]	Nature of business[3]	Public interest score[4]	Number of unlisted ordinary shares	2014 R	2013 R	2014 Rm	2013 Rm
Direct investments								
AlloyStream Holdings Proprietary Limited	RSA	H	23	1	746 163	746 163	22	21
AlloyStream Proprietary Limited	RSA	M	1	1	1	1		
Clipeus Investment Holdings Proprietary Limited	RSA	H	59	1	1	1	11	10
Colonna Properties Proprietary Limited	RSA	B	5	200	2 518 966	2 518 966	1	1
Cullinan Refractories Proprietary Limited	RSA	A	1	1 000	1 000	1 000		
Exxaro Australia Iron Holdings Proprietary Limited[5]	AUS	M		2 743 680 900		2 743 680 900		
Exxaro Australia Proprietary Limited[6]	AUS	A & P		11	416 660 264			
Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited	RSA	H	385	1	1	1	219	291
Exxaro Chairman's Fund	RSA	T						
Exxaro Coal Botswana Holding Company Proprietary Limited	BOT	H		600	10	10		
Exxaro Coal Proprietary Limited	RSA	A	59 304	1	1 000	1 000	7 008	8 304
Exxaro Employee Empowerment Participation Scheme Trust	RSA	T	1					
Exxaro Employee Empowerment Trust	RSA	T	2					
Exxaro Environmental Rehabilitation Fund	RSA	T						
Exxaro Esmore Cooperatief U.A[7]	NE	J		761 575 341		761 566 695		
Exxaro FerroAlloys Proprietary Limited	RSA	M	738	1	1	1	(31)	(65)
Exxaro Foundation	RSA	T						

At 31 December	Country of incorporation[2]	Nature of business[3]	Public interest score[4]	Issued capital Number of unlisted ordinary shares	Interest of company: Investment in shares 2014 R	Investment in shares 2013 R	Indebtedness 2014 Rm	Indebtedness 2013 Rm
Exxaro Holdings Congo Proprietary Limited	RSA	H	8	40 000	1 869 951 859	1 869 951 859	(69)	(69)
Exxaro Holdings Proprietary Limited	RSA	H	56	566 827	459 517 297	459 517 297	55	55
Exxaro Insurance Company Limited	RSA	I	284	50	5 000 000	5 000 000		
Exxaro Mountain Bike Academy NPC	RSA	E	9				8	5
Exxaro People Development Initiative NPC	RSA	E	1					
Exxaro Properties (Groenkloof) Proprietary Limited	RSA	B	1	1	1	1		
Exxaro Resources (Beijing) Commercial Company Limited[8]	PRC	C			1 609 275			
Ferroland Grondtrust Proprietary Limited	RSA	D	158	2	2	2	46	34
Gravelotte Iron Ore Company Proprietary Limited	RSA	A	47	1	1	1	42	44
Kumba Resources Management Share Trust	RSA	T	0				(40)	(37)
Rocsi Holdings Proprietary Limited	RSA	H	19	647 044 943	653 722 945	653 722 945	(478)	(565)
Skyprops 112 Proprietary Limited	RSA	H	1	100	1	1		
Mayoko Investment Company[5]	MAU	H		1 757 129 156	39 128 148	1 757 129 156		

1 *At 100% holding except where otherwise indicated.*

2 *RSA – Republic of South Africa, AUS – Australia, HK – Hong Kong, IRL – Ireland, MAU – Mauritius, NE – Netherlands, BER – Bermuda, BOT – Botswana, CON – Republic of Congo, PRC – People's Republic of China, SW – Switzerland.*

3 *A – Mining, B – Property, C – Service, D – Land management, E – Not for profit company, F – Finance, G – Dormant, H – Holdings, I – Insurance, J – Cooperative, M – Manufacturing, P – Exploration, T – Trust.*

4 *Public interest scores are only applicable to entities incorporated in the Republic of South Africa.*

5 *Impaired during 2014.*

6 *Exxaro Australia Proprietary Limited was declared as a dividend in specie to Exxaro Resources Limited during 2014, and as a result changed from being an indirect subsidiary in 2013 to a direct subsidiary in 2014.*

7 *Cooperative in Rotterdam, Netherlands. Member: Rocsi Holdings Proprietary Limited 100% (2013: Exxaro Resources Limited 99% and Rocsi Holdings Proprietary Limited 1%).*

8 *Incorporated during 2014.*

17.5 Detailed analysis of investments in subsidiaries[1] (continued)

At 31 December	Country of incorporation[2]	Nature of business[3]	Public interest Score[4]	Issued capital number of unlisted ordinary shares	Interest of company: Investment in shares 2014 R	Interest of company: Investment in shares 2013 R	Interest of company: Indebtedness 2014 Rm	Interest of company: Indebtedness 2013 Rm
Indirect investments								
African Iron Exploration SA (85%)	CON	P		196 000				
African Iron Proprietary Limited	AUS	H		1 172 872 253				
AKI Exploration (Bermuda) Proprietary Limited	BER	H		808				
AKI Exploration Proprietary Limited	AUS	H		8				
Coastal Coal Proprietary Limited	RSA	A	146	5 000			9	(3)
DMC Iron Congo SA	CON	A		156 800				2
DMC Mining Proprietary Limited	AUS	H		234 990 737				
Exxaro Australia Iron Investments Proprietary Limited	AUS	H		16				
Exxaro Australia Proprietary Limited[5]	AUS	A & P		11				1
Exxaro Base Metals China Limited	HK	H		1 354				
Exxaro Base Metals International BV	NE	P		119 209			214	(11)
Exxaro Coal Botswana Proprietary Limited (75%)[6]	BOT	P		200				1
Exxaro Coal Mpumalanga Proprietary Limited	RSA	A	19 699	100 000			(339)	(205)
Exxaro Esmore Cooperatief U.A[7]	NE	J		761 575 341				
Exxaro Finance Ireland[8]	IRL	F		21				
Exxaro International BV	NE	H		662 037			(6 942)	(6 990)

At 31 December	Country of incorporation[2]	Nature of business[3]	Public interest Score[4]	Issued capital number of unlisted ordinary shares	Interest of company: Investment in shares 2014 R	Investment in shares 2013 R	Indebtedness 2014 Rm	Indebtedness 2013 Rm
Exxaro International Coal Trading BV[9]	NE	C		172 866				
Exxaro International Trading AG[10]	SW	C		10 000				
Exxaro International Trading BV[9]	NE	C		172 866				
Exxaro Mayoko SA	CON	G		198 400				
Exxaro Mineral Sands BV	NE	P		148 274			167	(1)
Exxaro Reductants Proprietary Limited	RSA	M	1 216	1			(269)	(138)
Ferrowest Shareblock (RF) Proprietary Limited	RSA	B	1	136 500 000				
Inyanda Coal Proprietary Limited	RSA	A	1	1 000				
Quindong Minerals Proprietary Limited	AUS	G		8				
The Vryheid (Natal) Railway Coal and Iron Company Proprietary Limited	RSA	A	153	3 675				
Total investment in subsidiaries					3 448 856 936	8 253 836 000	(366)	685

1 At 100% holding except where otherwise indicated.

2 RSA – Republic of South Africa, AUS – Australia, HK – Hong Kong, IRL – Ireland, MAU – Mauritius, NE – Netherlands, BER – Bermuda, BOT – Botswana, CON – Republic of Congo, PRC – Peoples' Republic of China, SW – Switzerland.

3 A – Mining, B – Property, C – Service, D – Land management, E – Not for profit company, F – Finance, G – Dormant, H – Holdings, I – Insurance, J – Cooperative, M – Manufacturing, P – Exploration, T – Trust.

4 Public interest scores are only applicable to entities incorporated in the Republic of South Africa.

5 Exxaro Australia Proprietary Limited was declared as a dividend in specie to Exxaro Resources Limited during 2014, and as a result changed from being an indirect subsidiary in 2013 to a direct subsidiary in 2014.

6 Divested of during 2014.

7 Cooperative in Rotterdam, Netherlands. Member: Rocsi Holdings Proprietary Limited 100% (2013: Exxaro Resources Limited 99% and Rocsi Holdings Proprietary Limited 1%).

8 Liquidated during 2014.

9 Merged into Exxaro International Trading AG during 2014.

10 Incorporated during 2014.

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 2014 have been prepared under the supervision of WA de Klerk (CA)SA, SAICA registration number: 00133273. The principal accounting policies of the Exxaro Resources Limited company and group of companies (the group) as well as the disclosures made in the annual financial statements comply with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for the group's financial year as well as the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and 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 and biological assets. The annual financial statements are prepared on the going concern basis.

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 company and group annual financial statements, are disclosed below.

18.1.3 Basis of consolidation

The accounting policies applied for 2014 are consistent with those applied in 2013 by the Exxaro group of companies. 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.

18.1.4 Judgements made by management

The following judgements, apart from those involving estimates (as mentioned below), have been made by management in the process of applying the group's accounting policies that have the most significant effect on the amounts recognised in the annual financial statements:

- 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 arrangements in respect of employees, as well as the variable elements used in these models (refer note 14.2)
- In applying IFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations*, management has made judgements as to which non-current assets and discontinued operations fall within the scope of the standard and had to be reclassified and measured in terms of IFRS 5 (refer note 9.4)
- In applying IFRS 8 *Operating Segments* the identification of reportable operating segments of the group (refer note 4.2)
- In applying IAS 19 *Employee Benefits* the identification as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme (refer note 14)
- In applying IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* estimates of determining the present obligation of environmental and decommissioning provisions (refer note 13)
- In applying IFRS 11 *Joint Arrangements* management has assessed the level of influence that the group has on its investments in joint arrangements and subsequently classified the investments as joint operations or joint ventures in line with the standard's guidelines (refer note 10.3)
- In applying IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, when the costs of the stripping activity asset and the cost of inventory produced are not separately identifiable, the stripping costs will be allocated between the inventory produced and the stripping activity asset by using a relevant production measure
- In applying IFRIC 4 *Determining whether an Arrangement contains a Lease*, contractual agreements were assessed to determine if they contain a lease. Exxaro has reviewed the long-term coal supply agreements with Eskom which requires Exxaro to the agreements through the utilisation of plant and equipment. Exxaro is of the view that the plant and equipment is not a lease under IFRIC 4 as fulfilment of the arrangement is not dependent on the utilisation of specific plant and equipment. In addition, it is expected that more than an insignificant amount of coal processed by the plant and equipment during the arrangement will be exported.

18.1 Basis of preparation (continued)

18.1.5 Key assumptions made by management in applying accounting policies

The following key assumptions concerning the future, and other key sources of estimating 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 nor reported on by the group's independent external auditors.

18.1.5.1 Going concern

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.

18.1.5.2 Share-based payments

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. Refer note 14.2.

18.1.5.3 Environmental and decommissioning provisions

Provision is made for environmental and decommissioning costs where either a legal or constructive obligation exists as a result of past events. Estimates are made in determining the present obligation of environmental and decommissioning provisions, which include the actual estimate, the discount rate used and the expected date of closure of mining activities in determining the present value of environmental and decommissioning provisions. Estimates are based on costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances. Refer note 13.

Unwinding of discount due to passage of time is included as an element of finance costs in arriving at profit or loss for the year end in terms of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The movements from one reporting period to the next, due to change in the estimate of provision, are accounted for in profit or loss as well as the statement of financial position. Changes in the rehabilitation cost estimate other than changes related to the unwinding of the discount rate are included in profit or loss.

Included in the immediate closure cost upon which the environmental provision is based, all mines expected to close within five years of the end of the current financial period include an estimate for social and labour costs expected to be incurred as part of the rehabilitation process. The cost shall be estimated at a minimum of 2% of the total immediate closure cost of the mine, depending on the social exposure risk as determined by the safety, health, environment and community committee.

18.1.5.4 Other provisions

For other provisions, estimates are made of legal or constructive obligations resulting in possible outflow of economic benefits, and the expected date of probable outflow of economic benefits in order to assess whether the provision should be discounted or not. Refer note 13.

18.1.5.5 Post-retirement obligations

For defined benefit schemes, management is required to make annual 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. Refer note 14.3.

18.1.5.6 Impairments and impairment reversals

Impairment tests are performed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets which have been impaired are reviewed for possible reversal of impairment at each reporting date. Management has identified possible impairment indicators which include movements in exchange rates, commodity prices and the economic environment in which the businesses operate. 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 are pre-tax rates that 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.

18.1.5.7 Contingent liabilities

Management considers the existence of possible obligations which may arise from legal action as well as the possible non-compliance of the requirements of project completion guarantees and other guarantees provided. The estimation of the amount disclosed is based on the expected possible outflow of economic benefits should there be a present obligation. Refer note 13.3.

8.1.5.8 Deferred tax assets

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 income in determining the deferred tax asset to be raised. Refer note 8.

18.1.5.9 Useful life and residual values

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. Refer note 11.1.

18.1.5.10 Biological assets

For livestock and game, estimates are made in determining the fair value of the livestock and game. The estimates relate to the market prices, age and size of the animals. Market prices for livestock are determined on the basis that the animal is sold to be slaughtered. Market prices for game are determined with reference to the most recent live auction selling prices. Refer to note 11.2 for further details.

18.1.5.11 Mineral resources

Management makes estimates of mineral resources and ore reserves in accordance with the SAMREC Code (2007) for South African and Congolese properties and the JORC Code (2004) for Australian properties. Such estimates relate to the category for the resource (measured, indicated or inferred), the quantum and the grade.

18.2 Adoption of new and revised standards and interpretations

18.2.1 During 2014, the following accounting pronouncements became effective:

	Effective date
• Amendments to IFRS 10 *Consolidated Financial Statements,* IFRS 12 *Disclosure of Interest in Other Entities* and IAS 27 *Separate Financial Statements* These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an investment entity definition and which display particular characteristics. Changes have also been made to IFRS 12 to introduce disclosures that an investment entity needs to make.	1 January 2014
• Amendment to IAS 32 *Financial Instruments: Presentation* This amendment is to the application guidance in IAS 32 and to clarify some of the requirements for off setting financial assets and financial liabilities on the statement of financial position.	1 January 2014
• Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.	1 January 2014
• Amendment to IAS 36 *Impairment of Assets* This amendment addresses the disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	1 January 2014
• IFRIC 21 *Levies* This is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.	1 January 2014

18.1 Basis of preparation (continued)

18.2.2 Impact of adopting new, amended and revised standards on the financial statements

18.2.2.1 Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)

The amendments to IFRS 10, IFRS 12 and IAS 27 do not have an impact on the group, as none of the entities in the group qualify to be classified as an investment entity.

18.2.2.2 Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32)

The amendments to IAS 32 do not have an impact on the group, as the group does not offset financial assets and financial liabilities.

18.2.2.3 Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)

The amendments to IAS 39 do not have an impact on the group, as the group has not novated its derivatives during the current or prior periods.

18.2.2.4 Recoverable amount disclosures for non-financial assets (amendments to IAS 36)

The group has adopted the disclosure requirements in terms of the amendments to IAS 36 for the period beginning on 1 January 2014. Refer to note 9.2.

18.2.3 At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

	Effective date
• Annual improvements to IFRS 2010 to 2012 cycle. These annual improvements amend standards from the 2010 – 2012 reporting cycle. They include changes to: – IFRS 2 *Share-based Payments* – clarifies the definition of a vesting condition and separately defines performance condition and service condition. – IFRS 3 *Business Combinations* – clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32 *Financial Instruments: Presentation*. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit or loss. – IFRS 8 *Operating Segments* – is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. – IFRS 13 *Fair Value Measurement* – amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts where the effect of discounting is immaterial. – IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* – are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. – IAS 24 *Related Party Disclosures* – is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the management entity). Disclosure of the amounts charged to the reporting entity is required.	1 July 2014
• Annual improvements to IFRS 2011 to 2013 cycle. These annual improvements amend standards from the 2011 – 2013 reporting cycle. It includes changes to: – IFRS *1 First Time Adoptions of IFRS* – basis of conclusions is amended to clarify that where a new standard is not mandatory but is available for early adoption a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. – *IFRS 3 Business Combinations* – is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11 *Joint Arrangements.* – *IFRS 13 Fair Value Measurement* – amended the basis of conclusion to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments.*	1 July 2014

	Effective date
• Annual improvements to IFRS 2011 to 2013 cycle. (continued) These annual improvements amend standards from the 2011 – 2013 reporting cycle. It includes changes to: – IAS 40 *Investment Property* – is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.	1 July 2014
• Amendment to IAS 19 *Employee Benefits* regarding employee or third party contributions to defined benefit plans. The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employees' working lives.	1 July 2014
• Amendment to IFRS 11 *Joint Arrangements* regarding acquisition of an interest in a joint operation. This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation results in retaining joint control.	1 January 2016
• Amendment to IAS *16 Property, Plant and Equipment* and IAS 38 *Intangible Assets* regarding depreciation and amortisation. This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.	1 January 2016
• Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* regarding bearer plants. These amendments change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include them in the scope of IAS 16 rather than IAS 41. The produce on bearer plants will remain in the scope of IAS 41.	1 January 2016

18.2 Adoption of new and revised standards and interpretations (continued)

18.2.3 At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective (continued):

	Effective date
• Amendment to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* regarding the sale or contribution of assets between an investor and its associate or joint venture. These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.	1 January 2016
• Amendment to IAS 27 *Separate Financial Statements* regarding the equity method. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016
• IFRS 14 *Regulatory Deferral Accounts.* This standard permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous generally accepted accounting principles requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.	1 January 2016
• Amendment to IAS 1 *Presentation of Financial Statements*. This amendment aims to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved.	1 January 2016
• Amendment to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures*. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.	1 January 2016
• Annual improvements to IFRS 2012 to 2014 cycle. These annual improvements amend standards from the 2012 – 2014 reporting cycle. It includes changes to: – IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations* – the amendment clarifies that, when an asset (or disposal group) is reclassified from held-for-sale to held-for-distribution, or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as held-for-sale or held-for-distribution simply because the manner of disposal has changed. The amendment also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held-for-distribution but is not reclassified as held-for-sale. – IFRS 7 *Financial Instruments: Disclosures* – There are two amendments: > Servicing contracts – if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to IFRS 1 to give the same relief to first time adopters. > Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, *Disclosure* – Offsetting financial assets and financial liabilities is not specifically required for all interim periods unless required by IAS 34 *Interim Financial Reporting*. This amendment is retrospective.	1 July 2016

	Effective date
• IAS 19 *Employee Benefits* – The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.	
• IAS 34 *Interim Financial Reporting* – The amendment clarifies what is meant by the reference in the standard to information disclosed elsewhere in the interim financial report. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.	1 July 2016
• IFRS 15 *Revenue from Contracts with Customers*. This is the converged standard on revenue recognition. It replaces IAS 11 *Construction contracts*, IAS 18 *Revenue and Related Interpretations*. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: – Step 1: Identify the contract(s) with a customer – Step 2: Identify the performance obligations in the contract – Step 3: Determine the transaction price – Step 4: Allocate the transaction price to the performance obligations in the contract – Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.	1 January 2017
• Amendment to IFRS 9 *Financial Instruments*. The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.	1 January 2018

18.2 Adoption of new and revised standards and interpretations (continued)

18.2.3 At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective (continued):

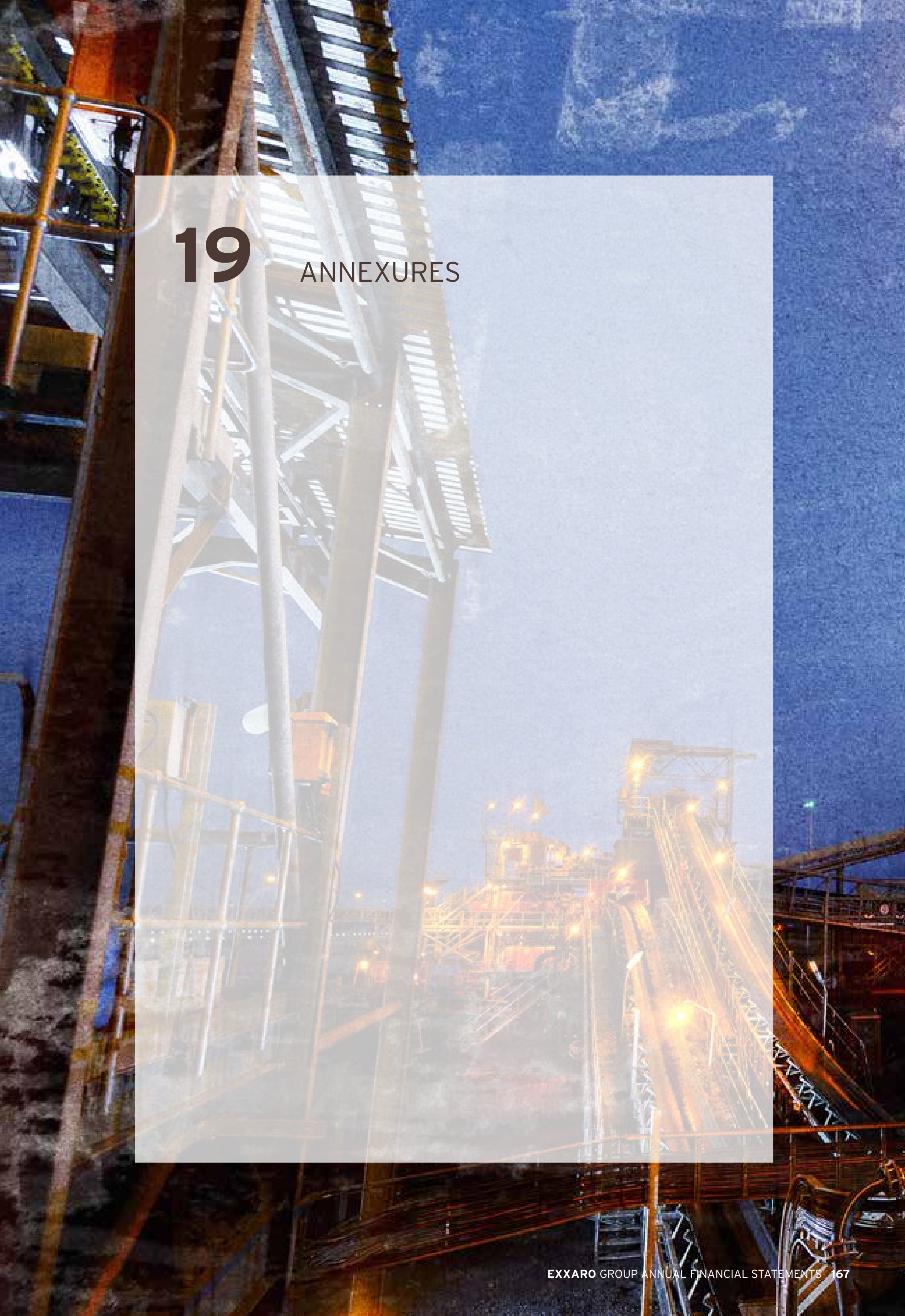
The accounting standards and amendments issued to accounting standards and interpretations which are relevant to the group, but not yet effective at 31 December 2014, have not been adopted. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date. The group continuously evaluates the impact of these standards and amendments. The effect of the implementation of these standards and interpretations on the Exxaro group of companies still has to be determined.

18.3 Events after the reporting period

The following are non-adjusting events that occurred after the reporting date and are disclosed for information purposes:

- On 30 January 2015 the financial guarantees provided by Universal for the sale of NCC were extended to 31 July 2015
- On 28 January 2015 the Pegasus South (part of Inyanda operation) Environmental Management Programme amended licence was approved
- During February 2015, an additional R2,3 billion was drawn down on the revolving facility
- Exxaro entered into a binding sale and purchase agreement on 25 July 2014 with Total SA (Total), subject to certain conditions precedent, whereby Exxaro will acquire 100% of the issued share capital of TCSA and its related export marketing rights under primary RBCT allocation. Exxaro will pay a total purchase consideration of US$472 million (US$386,5 million to acquire 100% of the issued share capital of TCSA and US$85,5 million to settle outstanding loan claims of Total Finance against TCSA). Three of the conditions precedent have been fulfilled. The condition precedent regarding the consent by the DMR of South Africa for the acquisition being granted in terms of section 11 of the MPRDA, is still outstanding.

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.



19 ANNEXURES

Annexure 1: Other accounting policies

Foreign currencies

The group 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.

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Gains or losses arising on translation are credited to or charged in profit or loss.

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 2014 and 2013) 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 earnings 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 as part of the gain or loss on disposal.

The average US dollar to South African rand conversion rate, where applicable, of US$1:R10,86 (2013: US$1:R9,48) has been used to translate the statement of comprehensive income and statement of cash flows while the statement of financial position has been translated at the closing rate at the last day of the reporting period US$1:R11,56 (2013: US$1:R10,44).

Business combinations

The group uses the acquisition method of accounting to account for business combinations when control is transferred to the group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired subsidiary on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The group measures goodwill (refer note 11.3.1.1) at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interest in the acquired entity; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquired entity; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess of the fair value over the consideration paid is negative, a bargain purchase gain is recognised immediately in profit or loss.

Business combinations involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The group applies the predecessor accounting method when accounting for common control transactions, whereby the assets and liabilities of the combining entities are not adjusted to fair value but are rather transferred at their carrying amounts at the date of the transaction. Any difference between the consideration paid/transferred and the net asset value 'acquired' is recognised in a separate reserve. No new goodwill is recognised as a result of the common control transaction. The statement of financial position and statement of comprehensive income is adjusted from the date of the transaction.

Stripping costs

Exxaro incurs stripping costs in the development and production phase of its mining operations.

Stripping costs incurred in the development phase of a mine are capitalised to the larger mining development asset and presented as a non-current asset. The mining development asset, including stripping costs, is subsequently depreciated by applying Exxaro's existing accounting policy for depreciation of assets in production.

Stripping costs incurred in the production phase are considered to result in two benefits, being ore that can be used to produce inventory and improved access to further quantities of ore that will be mined in future periods. Where the benefits are for ore that can be used to produce inventory, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits improve access to further quantities of ore to be mined in future periods, these costs are recognised as a non-current asset, if the following criteria are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity
- The entity can identify the component of the ore body for which access has been improved
- The costs relating to the stripping activity associated with that component can be measured reliably.

If the above criteria are not met, the stripping costs incurred in the production phase are expensed and taken into account in determining the cost of inventories as applicable.

The stripping activity asset is accounted for as an addition to an existing asset (site preparation, mining development and rehabilitation asset), being the mineral properties, and is presented as part of property, plant and equipment in the statement of financial position. The stripping activity asset is initially measured at cost, being the accumulation of costs directly incurred to perform the stripping activity that improved access to the identified component of ore, plus an allocation of directly attributable overhead costs. Where incidental operations take place, at the same time as the production stripping activity, which are not necessary for the stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

When the costs of the stripping activity asset and the cost of inventory produced are not separately identifiable, the stripping costs are allocated between the inventory produced and the stripping activity asset by using a relevant production measure.

Subsequently, the stripping activity asset is carried at cost less accumulated depreciation and impairment losses, in the same way as the existing asset of which it is part. The stripping asset is depreciated by using the units of production method over the life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Annexure 2: Other notes to the statements of cash flows

	Group		Company	
	31 December 2014 Rm	2013 Rm	31 December 2014 Rm	2013 Rm
Investment in other non-current assets				
Decrease in loans to joint venture loans	185	308		
Decrease in non-current receivables	219	59		
Decrease in non-current financial assets	4	21		
Increase in non-current receivables	(1)			
Increase in environmental rehabilitation fund	(180)	(139)		
Increase in loans to joint venture loans	(13)	(10)		
Increase in non-current financial assets		(17)		
	214	222		

Annexure 3: Shareholder analysis

3.1 Exxaro public and non-public shareholding 2014

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued share capital
Non-public shareholders	63	0,34	231 449 862	64,63
• Main Street 333 Proprietary Limited[1]	1	0,01	186 550 873	52,09
• Anglo South Africa Capital Proprietary Limited	1	0,01	34 730 282	9,70
• Kumba Management Share Trust	1	0,01	158 218	0,04
• Exxaro Employee Empowerment Share Trust	1	0,01	2 917 817	0,81
• Directors	6	0,07		
– D Konar			6 168	0,00
– CJ Fauconnier			48 500	0,01
– RP Mohring			1 000	0,00
– J van Rooyen			1 500	0,00
– WA de Klerk[2]			86 836	0,02
– SA Nkosi			72 440	0,02
• Subsidiary directors	44	0,24	6 876 228	1,92
Public shareholders	18 708	99,33	126 665 643	35,37
Total			358 115 505	100,00

1 Includes indirect shareholding through Main Street 333 Proprietary Limited of the following directors:

– SA Nkosi	9 633 100	2,69
– S Dakile-Hlongwane	488 763	0,14
– VZ Mntambo	5 529 881	1,54
– NL Sowazi	1 124 906	0,31
– D Zihlangu	2 818 552	0,79

2 Includes direct, indirect, beneficial and non-beneficial holdings.

3.2 Registered shareholder spread

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2014:

Shareholder spread	Number of holders	Total shareholders %	Number of shares	Issued capital %
1 – 1 000 shares	15 866	84,52	3 997 820	1,12
1 001 – 10 000 shares	2 256	12,02	6 728 906	1,88
10 001 – 100 000 shares	489	2,61	16 074 093	4,49
100 001 – 1 000 000 shares	134	0,71	40 079 989	11,19
1 000 001 shares and above	26	0,14	291 234 697	81,32
Total	18 771	100,00	358 115 505	100,00

3.3 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 directly and indirectly equal to or in excess of 3% of the issued share capital as at 31 December 2014:

Investment management shareholdings	Total shareholding	%
Coronation Asset Management Proprietary Limited	60 453 971	16,88
Government Employees Pension Fund (Public Investment Corporation (PIC))	16 647 395	4,65
Total	77 101 366	21,53
Beneficial shareholdings		
Main Street 333 Proprietary Limited	186 550 873	52,09
Anglo South Africa Capital Proprietary Limited	34 730 282	9,70
PIC	21 056 361	5,88
Coronation Top20 Fund	11 619 733	3,24
Total	253 957 249	70,91

Annexure 4: 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 asset.

Cash and cash equivalents
Comprise cash on hand and current accounts in bank, net of bank overdrafts, 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
Dividends per ordinary share divided by the closing share price on the JSE Limited.

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 during the year.
- *Headline earnings basis*
  Headline earnings divided by the weighted average number of ordinary shares in issue 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 and net loss/gain on sale of investments and assets divided by net financing cost.

Good leavers
A participant whose employment with employer companies is terminated due to his:
- Retrenchment
- Retirement
- Employer company ceasing to form part of the employer companies, provided that any transfer of employment by a participant to another employer company shall not be deemed to constitute any termination of employment by a participant with the employer companies
  - death
  - serious disability
  - serious incapacity
  - promotion out of the relevant qualifying category.

Headline earnings
Earnings attributable to owners of the parent (Exxaro) adjusted for profits and 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.

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 to equity ratio
Interest-bearing debt less cash and cash equivalents as percentage of total equity.

Net equity per ordinary share
Equity attributable to owners of the parent (Exxaro) divided by the number of ordinary shares in issue at the year end.

Non-recurring events
Events that appear on the financial results, which management deem to be once-off and are unlikely to happen regularly.

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 per employee
Net operating profit divided by the average number of employees during the year.

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.

Reportable segments
Reportable segments are operating segments or aggregations of operating segments that meet specified criteria:

- Its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; or
- The absolute measure of its reportable profit or loss is 10% or more of the greater of
  - (i) the combined reported profit of all operating segments that did not report a loss; and
  - (ii) the combined reported loss of all operating segments that reported a loss, or its assets are 10% or more of the combined assets of all operating segments.

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).

Annexure 4: Definitions (continued)

Revenue per employee

Revenue divided by the average number of employees during the year.

Total asset turnover

Revenue divided by average total assets.

Weighted average number of shares (WANOS) in issue

The number of shares in issue at the beginning of the year, increased by shares issued during the year and treasury shares distributed to beneficiaries of employee share schemes, weighted on a time basis for the period in which they have participated in the income 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.

NOTES

NOTES (continued)

ADMINISTRATION

Group company secretary and registered office
CH Wessels
Exxaro Resources Limited
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(PO Box 9229, Pretoria, 0001)
South Africa
Telephone +27 12 307 5000

Company registration number: 2000/011076/06
JSE share code: EXX
ISIN code: ZAE000084992

Independent external auditors
PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill, 2157

Commercial Bankers
Absa Bank Limited

Corporate Law advisers
EOH Legal Services Proprietary Limited
Roger Dyason Road
Pretoria West
0183

United States ADR Depository
The Bank of New York
101 Barclay Street
New York NY 10286
United States of America

Sponsor
Deutsche Securities (SA) Proprietary Limited
3 Exchange Square
87 Maude Street
Sandton, 2196

Registrars
Computershare Investor Services Proprietary Limited
Ground floor, 70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)

SHAREHOLDERS' DIARY

Financial year end	31 December
Annual general meeting	May
Reports and accounts published	
Announcement of annual results	March
Annual report	April
Interim report for the half-year ending 30 June	August
Distributions	
Final dividend declaration	March
Payment	April
Interim dividend declaration	August
Payment	September/October

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