2015
GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

exxaro

POWERING POSSIBILITY

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The group and company annual financial statements as at and for the year ended 31 December 2015 have been prepared under the supervision of WA de Klerk CA(SA), SAICA registration number: 00133273.

Refer page 3 to 4 for an explanation of the acronyms used throughout this report.

ACRONYMS

AGM	Annual General Meeting
AKI	African Iron Limited
AMSA	ArcelorMittal SA Limited
API4	All publications index 4 (fob Richards Bay 6000kcal/kg)
ArcelorMittal	ArcelorMittal South Africa Limited
AU$	Australian dollar
BBBEE	Broad-based black economic empowerment
BEE	Black Economic Empowerment
Black Mountain	Black Mountain Proprietary Limited
Cennergi	Cennergi Proprietary Limited
CFR	Cost and Freight
CGT	Capital gains tax
CGU	Cash-generating unit
Chifeng	Chifeng Kumba Hongye Corporation Limited
Companies Act	Companies Act No 71 of 2008, as amended
CPI	Consumer Price Index
Cps	cents per share
DBP	Deferred bonus plan
DCF	Discounted cash flow
DCM	Dorstfontein Coal Mine
DMR	Department of Mineral Resources
DMTN	Domestic Medium-Term Note
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECC	Exxaro Coal Central Proprietary Limited
EMJV	Ermelo joint venture
Exxaro	Exxaro Resources Limited or the company
FCTR	Foreign currency translation reserve
FeCr	FerroChrome
FECs	Forward foreign exchange contracts
FOB	Free on board
GMEP	Grootgeluk Medupi expansion project
HEPS	Headline earnings per share
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IRBA	Independent Regulatory Board of Auditors
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IPP	Independent power producer
JIBAR	Johannesburg Interbank Average Rate
JSE	JSE Limited
kcal	kilocalorie
King III	King Report on Governance for South Africa 2009
KIO	Kumba Iron Ore Limited
kt	kilo tonnes
Listings Requirements	JSE Listings Requirements
LME	London Metal Exchange
LOM	Life of Mine
LTIFR	Lost-time injury frequency rate
LTIP	Long-term incentive plan
Mafube	Mafube Coal Proprietary Limited

Main Street 333	Main Street 333 Proprietary Limited (RF), controlling shareholder
Mmakau Coal	Mmakau Coal Proprietary Limited
MoI	Memorandum of incorporation
MPower 2012	Exxaro Employee Empowerment Trust
MPRDA	Mineral and Petroleum Resources Development Act 28 2002
Mt	Million tonnes
Mtpa	Million tonnes per annum
NBC	North Block Complex
NCC	New Clydesdale Colliery
NCOE	Notional cost of employment
NPC	Not for profit company
NYSE	New York Securities Exchange
OCI	Other comprehensive income
PAYE	Pay as you earn
PPA	Purchase Price Allocation
PPI	Producer Price Index
PRC	People's Republic of China
PwC	PricewaterhouseCoopers Incorporated
Rb	Rand billion
RB1	Richards Bay export product 1
RBCT	Richards Bay Coal Terminal Proprietary Limited
Rm	Rand million
RMB	Chinese Renminbi
RoC	Republic of the Congo
RSA	Republic of South Africa
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service
SARs	Share appreciation right scheme
Scinta	Scinta Energy Proprietary Limited
SDCT	South Dunes Coal Terminal SOC Limited
SIOC	Sishen Iron Ore Company Proprietary Limited
SOC	State-owned Company
SSCC	Semi-soft coking coal
TCSA	Total Coal South Africa Proprietary Limited
TFR	Transnet Freight Rail
TiO_2	Titanium dioxide
Tronox	Tronox Limited
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
Tronox UK	Tronox Sands Limited Liability Partnership in the United Kingdom
US$	United States dollar
VAT	Value Added Tax
WANOS	Weighted average number of shares
XAF	Central African franc

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BROAD-BASED ECONOMIC VALUE CREATION

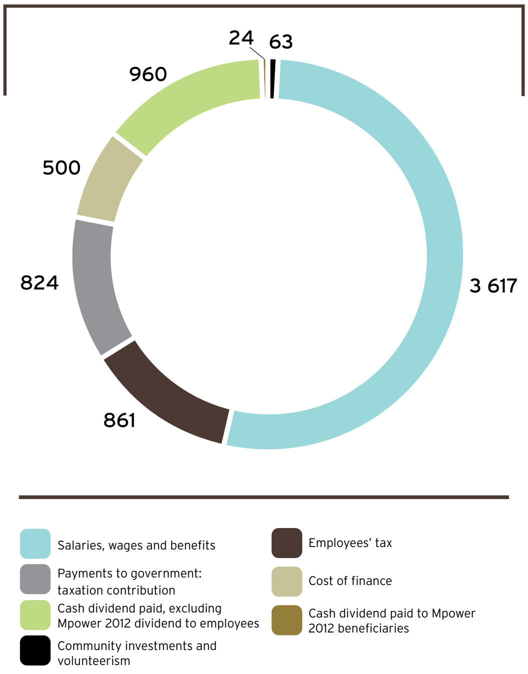
1.1 GROUP CASH VALUE ADDED STATEMENTS (UNAUDITED)

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

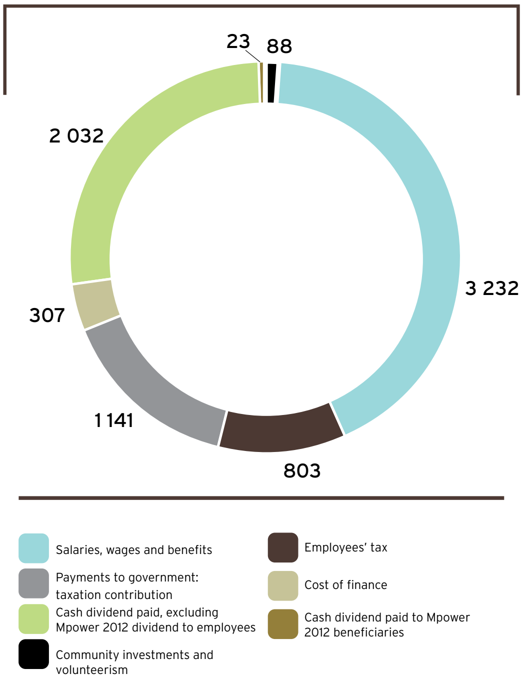
Exxaro generates and creates value as follows:

- Employees receive salaries/wages, share-based payments as well as bonuses (where certain performance conditions are met) and distributions from 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 on page 7 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).



Value distribution in 2015 (Rm)



Value distribution in 2014 (Rm)

For the year ended 31 December	Group 2015 Rm	Group 2014 Rm
Direct economic value generated	11 202	13 014
Gross revenue from the sale of products and services (including VAT)	20 579	18 843
Shortfall income (including VAT)		1 671
Income from investments and interest received	1 396	3 787
Operating costs	(10 773)	(11 287)
Economic value distributed	6 849	7 626
Employee salaries, wages and benefits (excluding employees' tax: PAYE)	3 617	3 232
Employees' tax: PAYE deducted from remuneration paid	861	803
Payments to government	824	1 141
Interest paid and loan cost	500	307
Cash dividend paid, excluding Mpower 2012 dividend to employees	960	2 032
Cash dividend paid to Mpower 2012 employee beneficiaries	24	23
Volunteerism		2
Community investments (including donations)	63	86
Net economic value retained in the group to maintain and develop operations	4 353	5 388
Included in the above are:		
Payments to government: taxation contribution	824	1 141
Direct taxes per country (excluding deferred tax)	81	120
– RSA	78	45
– Netherlands		73
– Australia		2
– Other	3	
VAT	558	804
– Levied on purchases of goods and services	(1 595)	(2 023)
– Charged on turnover	2 153	2 827
Additional amounts collected by the group on behalf of government		
– Unemployment Insurance Fund	14	13
Levies paid to government	171	204
– Rates and taxes	8	6
– Royalties	109	131
– Workers' Compensation Fund	5	7
– Unemployment Insurance Fund	14	26
– Skills Development Levy	35	34
Community investments per region	63	86
– Gauteng and corporate projects	14	35
– Limpopo	26	31
– Mpumalanga	23	20

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THE YEAR IN BRIEF

This chapter is a summary and should be read in conjunction with the Integrated Report 2015 for further details.

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 accept any responsibility for any loss arising from the use of any opinion expressed or forecast or data herein. Forward-looking statements apply only as of the date on which they are made and the company does not undertake any obligation to publicly update or revise any of its opinions or forward-looking statements whether to reflect new data or future events or circumstances.

RESILIENT PERFORMANCE

The 2015 financial year saw the continued downward trend in commodity prices, reaching new lows for iron ore and thermal coal. The API4 for 2015 averaged US$57 per tonne, compared with US$72 in 2014. Iron ore fines prices also plummeted by over 42%, averaging US$56 (CFR China) in 2015 compared to US$97 in 2014. The ongoing oversupply in the TiO_2 market and lacklustre demand continued to depress pigment prices. Despite all of these, Exxaro has delivered a robust set of results.

In this challenging time, we continued to focus on our coal business to improve our operational efficiency and we reviewed our capital allocation in the short to medium term. We reprioritised and staggered our project pipeline to preserve cash in the year, and continued the drive to reduce input and overhead costs, while protecting our profit margins. Key results from our initiatives include:

- R1 billion (58%) reduction in expansionary capital expenditure compared to 2014
- R18 billion coal capital expenditure (R13 billion for the Waterberg region) for the period to 2020, down from previous guidance of R21 billion (R15 billion for the Waterberg region)
- Net debt at R3 billion, reflecting a net debt:equity ratio of 8,8%
- R288 million reduction in input costs
- A total of 464 employees, with minimal impact on the critical and scarce skills categories, accepted voluntary severance packages and left between 2015 and first quarter of 2016. While this came at a cost of R408 million in 2015, it is expected to save future labour costs of R250 million per annum (based on 2015 NCOE).
- Optimisation of ECC, after announcing that all conditions precedent to the acquisition of TCSA were met, by achieving cost savings of R80 million in 2015.

We completed the PPA accounting for the acquisition of TCSA as required by IFRS. Exxaro acquired TCSA on 20 August 2015 for R3,4 billion, and renamed it ECC. ECC is included in the results of coal commercial operations from 1 September 2015.

COMPARABILITY OF RESULTS

The results of the two years are not comparable mainly due to key transactions (non-core) shown in the following table:

Reporting segment	Description	2015 Rm	Description	2014 Rm
Coal	• Termination and voluntary severance packages	(110)	• Termination and voluntary severance packages	(6)
	• Impairment charges[1]	(1 749)	• Loss on disposal of non-core assets[1]	(16)
	• Compensation from third parties, gain on disposal of non-core assets and property, plant and equipment[1]	137		
Ferrous	• Termination and voluntary severance packages	(39)	• Termination and voluntary severance packages	(2)
	• Gain on disposal of property, plant and equipment[1]	122	• Loss on disposal of non-core assets[1]	(12)
	• Partial reversal of financial assets previously written off	11	• Mayoko iron ore project impairment in 1H14 and pre-tax partial reversal of the write-off of financial assets in 2H14[1]	(5 803)
Other	• Loss on dilution of shareholding in Tronox[1]	(10)	• Loss on dilution of shareholding in Tronox[1]	(58)
	• Gain on disposal of property, plant and equipment and non-core assets[1]	17	• Loss on disposal of other non-core assets[1]	(32)
	• Foreign exchange gain on US$ held for the TCSA acquisition	747	• Impairment of intellectual property	(202)
	• Termination and voluntary severance packages	(259)	• Termination and voluntary severance packages	(82)
	• Gains on translation differences recycled to profit or loss on liquidating foreign subsidiaries[1]	1 012	• Gains on translation differences recycled to profit or loss on liquidating foreign subsidiaries	47
	• Other	(96)		
Group	**Total net operating loss impact**	(217)	**Total net operating loss impact**	(6 166)
Coal	• Tax impact	28	• Tax impact	5

[1] *Excluded from headline earnings.*

Reporting segment	Description	2015 Rm	Description	2014 Rm
Ferrous	• Exxaro's post-tax share of SIOC gains on sale of non-core assets and compensation from third parties[1]	3	• Exxaro's post-tax share of SIOC loss on sale of non-core assets[1]	(36)
	• Exxaro's post-tax share of SIOC loss on impairment of operation[1]	(866)	• Exxaro's post-tax share of SIOC loss on impairment of operation[1]	(77)
			• Tax on Mayoko iron ore project impairment[1]	554
TiO_2 and chemicals	• Exxaro's post-tax share of Tronox restructuring costs	(141)	• Exxaro's post-tax share of Tronox restructuring costs and other	(73)
	• Loss on disposal of property, plant and equipment[1]	(21)	• Exxaro's post-tax share of Tronox profit on sale of property, plant and equipment[1]	2
			• Prior year tax adjustment and translation of net investment in foreign operation	30
Group	**Total attributable loss**	(1 214)	**Total attributable loss**	(5 761)

[1] *Excluded from headline earnings.*

NET OPERATING PROFIT OR LOSS

The group recorded a net operating profit for the period of R3 173 million compared to a net operating loss of R3 292 million in 2014. The improvement was mainly due to:

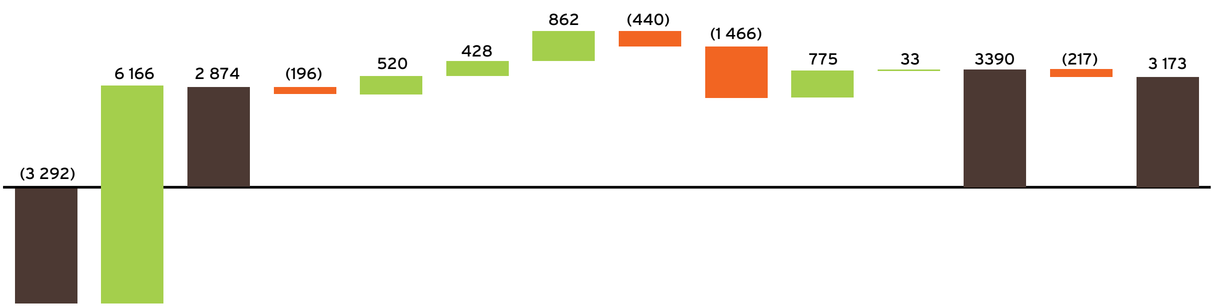
- Medupi power station ramp-up
- Non-recurrence of pre-tax impairments of the carrying value of the Mayoko iron ore project non-current assets and intellectual property of R5 962 million in 2014.

Offset by 2015 pre-tax impairments of the carrying value of:

- Goodwill recognised on the acquisition of TCSA of R1 524 million
- Reductants operation property, plant and equipment of R225 million.

Net operating (loss)/profit analysis

R million



	IFRS 2014	Non-core items	Core 2014	Inflation	Forex	Price	Volume	Cost	GMEP shortfall	Rehab	ECC and NCC	Core 2015	Non-core items	IFRS 2015
Coal	3 297	22	3 319	(157)	540	451	886	(88)	(1 466)	778	33	4 296	(1 722)	2 574
Ferrous	(6 238)	5 817	(421)	(10)	28	(23)	7	21		(2)		(400)	94	(306)
Other	(351)	327	(24)	(29)	(48)		(31)	(373)		(1)		(506)	1 411	905
Total	(3 292)	6 166	2 874	(196)	520	428	862	(440)	(1 466)	775	33	3 390	(217)	3 173

EARNINGS

Earnings attributable to owners of the parent, which include Exxaro's equity-accounted investments in associates and joint ventures, were R296 million (2014: attributable losses of R883 million) or 83 cents earnings per share (2014: 249 cents losses per share), an increase of 134% mainly due to non-recurring post-tax impairment losses in 2014.

Headline earnings, excluding the impact of any impairment, impairment reversals and profits or losses realised on the sale of subsidiaries and other non-core assets, were 67% lower at R1 623 million (2014: R4 869 million) or 457 cents per share (2014: 1 372 cents per share), mainly due to a R3 652 million (145%) reduction in post-tax equity-accounted income from associates (mainly SIOC and Tronox).

CASH FLOW AND FUNDING

Cash preservation remains key to managing the business through this challenging period. It is imperative that we continue to maintain a balance between project capital investment and returning cash to shareholders. Cash flow generated from operations was R443 million higher at R4 526 million (2014: R4 083 million), cash used to pay for capital expenditure of R2 390 million, dividends of R984 million, net financing charges of R446 million and taxation of R85 million.

At R2 390 million, overall capital expenditure decreased 25% in 2015 compared to 2014. A total of R727 million (2014: R1 737 million) was invested in new capacity (expansion capital), and R1 663 million (2014: R1 460 million) was applied to sustaining and environmental capital (stay-in-business capital). Of the funds spent on stay-in-business capital, R833 million was for Grootegeluk's replacement of trucks, shovels and stacker reclaimers.

We continue to critically assess our overall project pipeline and the timing of cash flows to prioritise and preserve capital. Dividends received of R1 341 million (2014: R3 719 million) were down 64% primarily due to the non-declaration of dividends by SIOC for 2015. Tronox continued its dividend payout at US$0,25 cents per quarter, resulting in the receipt of dividends of R668 million. We expect to receive no dividends from SIOC and significantly lower dividends from Tronox in 2016.

R3 436 million was spent to fund the acquisition of TCSA in August 2015.

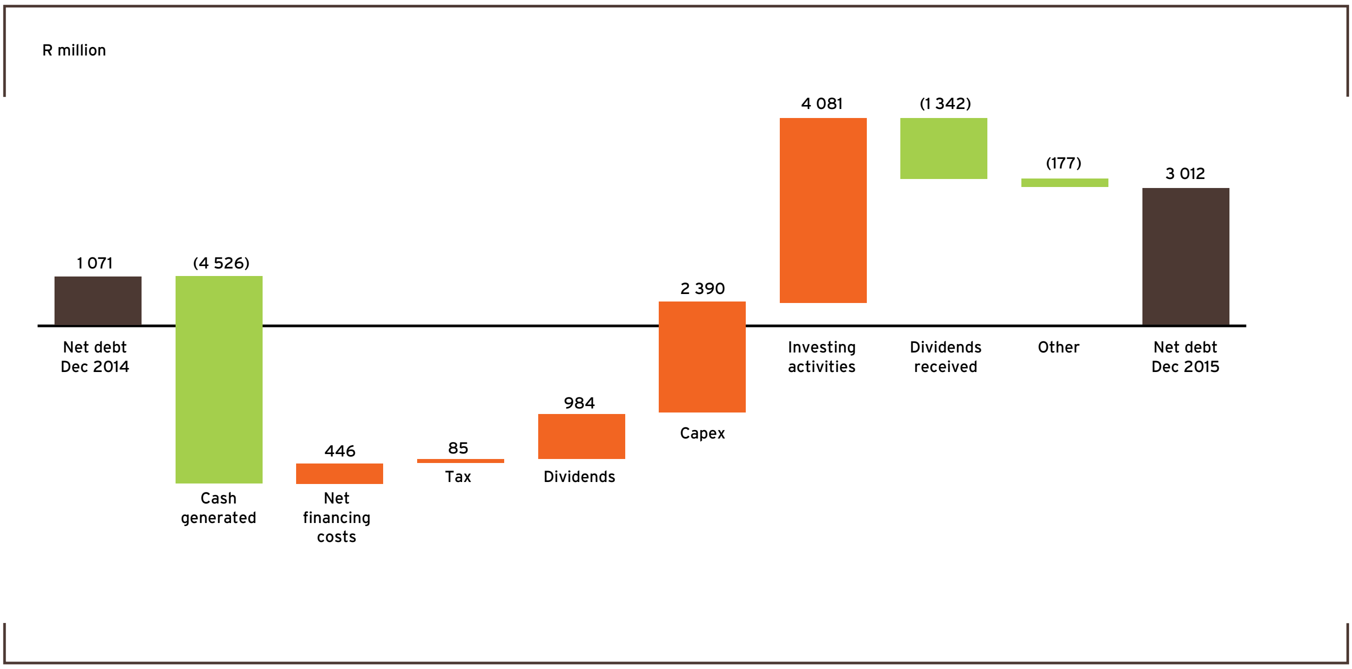
Due to lower dividends received, funding the acquisition of TCSA and the outflow associated with capital expenditure, the group had net cash outflow before financing activities of R2 119 million (2014: net cash inflow of R2 280 million).

DEBT EXPOSURE

Net debt at 31 December 2015 was R3 012 million, up 181% on the R1 071 million at 31 December 2014, reflecting a net debt:equity ratio of 8,8% (at 31 December 2014: 3,1%). The increase was mainly due to funding the TCSA acquisition in August 2015.

Our South African credit rating was downgraded in first half of 2015 by Standard & Poor's Ratings Services from A- to BBB+. We began a process to refinance our R8 billion debt facilities and an information memorandum was sent to potential lenders. We have received sufficient expressions of interest, confirming there is appetite to refinance the facility, which we intend to close in second quarter of 2016.

Net debt analysis (Rm)



COAL BUSINESS PERFORMANCE

Domestic trading conditions remained challenging in 2015. The metals and reductants markets remained under pressure as they struggled to compete with Chinese imports, weak demand and lower international metals prices. Despite an oversupplied export thermal coal market, we recorded good demand for our export coal. Export volumes rose from 5,3Mt to 6,2Mt mainly on additional volumes from ECC. The group realised an average export price of US$50 per tonne in 2015 compared to US$65 in 2014.

Overall sales volumes were 1,95Mt higher (5%) also due to increased Medupi off-take and the inclusion of ECC.

Coal production volumes (excluding buy-ins) were 2,66Mt (7%) higher than 2014, mainly due to the ramp-up on Medupi supply and inclusion of ECC from September 2015 (1,37Mt).

We continue to supply coal under existing contracts and no contracts are currently open for review. Exxaro and Eskom are discussing a possible addendum 10 to the Medupi coal-supply and off-take agreement.

Revenue

Coal revenue rose 12% from 2014, mainly from commercial mines, reflecting a combination of higher export sales volumes (including ECC since September) at weaker rand international prices, higher Medupi power station coal sales and lower domestic steam volumes at lower prices.

Net operating profit or loss

For 2015, coal net operating profit decreased 22% mainly due to:
- Impairment of ECC goodwill (R1 524 million) and the reductants property, plant and equipment (R225 million)
- No GMEP coal-supply agreement shortfall income (2014: R1 466 million)
- Higher depreciation (R188 million) due to a higher asset base
- Inflationary pressures (R157 million).

Offset by:
- Higher local prices (R451 million)
- Higher volumes (R899 million)
- Higher exchange rate gains (R549 million)
- Lower scope changes on environmental rehabilitation provision, including water treatment liabilities (R778 million)
- Lower distribution cost (R451 million).

On finalising the PPA accounting, goodwill of R1 524 million was recognised in terms of IFRS. ECC operations were assessed to be sensitive to the coal index price and R/US$ exchange rate with a 10 cent move affecting net operating profit by R12 million. At 31 December 2015, the ECC operations were assessed for impairment against these indicators. The 12% decrease in export coal prices from transaction signature date to the reporting date, partially offset by the weakening in the R/US$ exchange rate in the same period. Impairment assessments resulted in an impairment of goodwill at 31 December 2015.

Portfolio improvement

The coal business will continue to deliver growth as Medupi power station ramps up its coal off-take. Additional growth is anticipated and planned from the Belfast project which will boost export volumes when production begins in 2018, and the Thabametsi IPP coal supply in 2020. All remaining capital expenditure is focused on coal to ensure this business's continued growth.

- **Medupi power station coal-supply**

As part of our continued engagement with Eskom on later dates to commission Medupi power station's next five units, we had initial discussions on a possible addendum 10 to the Medupi coal-supply and off-take agreement. The basis of the discussions is Eskom's request to review options available to both parties to reduce future take-or-pay obligations. 2015 deliveries to Eskom were in line with addendum 9, including 2,6Mt delivered to Matimba on addendum 9 terms. For now, all supply and off-take remains in line with addendum 9 to the coal-supply and off-take agreement.

- **ECC**

To optimise this asset further, we are implementing Exxaro's operating philosophy across this recently acquired business.

The capital expenditure plan is continuously being reviewed and only critical capital expenditure is approved until the optimisation of the asset has been finalised. ECC volumes are currently focused on exports, with minimal volumes to the domestic market.

- **Arnot**

Eskom issued Exxaro with a notice that the off-take of coal from Arnot mine would discontinue after 31 December 2015. All production has ceased, a section 189 process was declared and discussions continue with Eskom on the closure and rehabilitation of this mine. Exxaro owns the mining right for this resource while Eskom owns the assets and is responsible for the ultimate mine rehabilitation and post closure obligations.

All equipment and infrastructure is being reclaimed for a disposal strategy that will be implemented by Eskom. In the meantime, the section 189 process is continuing.

- **Grootegeluk 10**

We expect construction to be completed in the second quarter of 2016 with the plant scheduled for handover in May 2016.

- **Grootegeluk 6 phase 2**

The approved water use licence was received in December 2015. However, project execution was delayed by one year due to current market and capital constraints and further delays in the Medupi ramp-up. Detailed design is progressing as planned.

- **Inyanda**

Mining at Inyanda ended in November 2015. A sale transaction for the assets and liabilities of this mine is in progress, subject to conditions precedent (including the section 11 mineral rights transfer).

We continue to review our portfolio in the Mpumalanga area for optimal reconfiguration.

FERROUS

Net operating losses reduced 95% from R6 238 million in 2014 to R306 million in 2015, mainly due to:

- Non-recurring pre-tax impairment loss recorded in 2014 for the Mayoko iron ore project of R5 760 million
- The reduction in operational activities at Mayoko (R69 million)
- Closure of the loss-making Alloystream™ operation in first quarter of 2015 (R108 million).

Included in 2015 net operating loss is a once-off tax expense provision relating to non-income-based taxes of R156 million recorded after receipt of the assessment from the RoC taxation authorities. Exxaro will rigorously contest this assessment by following the appropriate processes.

Mayoko iron ore project

Most of the rolling stock, except for two locomotives, was sold in 2015. No further capital was spent on the project, and we kept operating costs to the minimum. The labour force was reduced from 140 to 15 employees. Despite submitting all documents to the RoC parliamentary authorities in 2015, the mining convention has not yet been ratified.

EQUITY-ACCOUNTED INVESTMENTS

In 2015, Exxaro received 96% lower equity-accounted income and 78% lower dividends from SIOC compared to 2014, largely attributable to the deteriorating iron ore price which necessitated a reconfiguration of the Sishen pit to a lower cost shell. This, together with the significant impact of a weaker iron ore price outlook, resulted in an impairment charge for the Sishen mine of R6 billion (pre-tax), of which Exxaro's share is R1,2 billion (pre-tax).

We will continue to review our major investment as markets evolve. We are considering our options following the announcement by Anglo American plc to dispose of its interest in KIO (SIOC's parent company) at an appropriate time.

Equity-accounted losses from the Tronox investment were R1 503 million, compared to R568 million in 2014. This was mainly due to our share of:

- Stock write-downs to the lower of cost or net realisable value
- Higher consulting fees and financing costs on the Alkali acquisition in 2015.

The performance of this business reflects the resilience and cash-generating abilities from the vertical integration model. Therefore, Tronox continued its dividend payout at 25 US$ cents per quarter, resulting in our share of the dividends received of R668 million. We will maintain our investment in Tronox at current levels, given prevailing market conditions.

Equity-accounted losses of R53 million from Cennergi (a 50% joint venture with Tata Power) for 2015 improved by 42% compared to the R92 million loss in 2014, mainly due to a successful cost-reduction initiative focused on both labour and non-labour cost.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Following our announcements in 2015, we secured additional funding to support Exxaro's controlling BEE shareholder, Main Street 333. This provides a longer-term solution to Exxaro's BEE status until the structure unwinds in 2016. The current Main Street 333 preference share balance is R2,8 billion (IDC supported R621 million, Exxaro loan R426 million and other R175 million) at 31 December 2015.

The lock-in restrictions originally imposed on Main Street 333 as part of Exxaro's current empowerment scheme expire on 30 November 2016, at which point Main Street 333 is free to trade its shares in Exxaro. Currently Main Street 333 has debt obligations that need to be settled by March 2017. We are assessing alternative solutions to address Main Street 333 and its empowerment strategy to find a sustainable and satisfactory solution for all stakeholders and working to implement this solution prior to the November 2016 deadline.

ECC TRANSACTION

As part of the DMR's conditions for approving the transfer of ECC's mineral rights to Exxaro (and granting a section 11 transfer of the mining rights in terms of the MPRDA), Exxaro was required to include additional BBBEE partners in ECC's assets.

We are reconfiguring the ECC asset base to ensure BEE partners are introduced to a sustainable business, aiming for the most appropriate mechanism to introduce BBBEE participation.

SHAREHOLDER RETURN

Our dividend policy is based on a cover ratio of between 2,5 and 3,5 times core attributable earnings. While our target has been to move towards a 2,0 times core earnings cover, we are cognisant of the environment in which we operate and our stakeholders' needs. We continuously review this policy to ensure our dividend payouts are sustainable.

As such we are proud that we were able to declare a final dividend of 85 cents for 2015, bringing our total 2015 dividend to 150 cents per share.

Table 1: Key performance indicators

Selected ratios		2015[1]	2014[2]	2013[3]	2012[4]	2011[4]	2010	2009[5]	2008[6]	2007[6]
Net financing cost cover: EBITDA	Times	9	36	10	11	22	9	7	9	6
Return on equity (ROE):										
attributable income	%	57	14	16	19	36	34	19	32	14
Return on capital employed (ROCE)	%	12	14	19	27	44	38	25	34	20
Return on net assets (RONA)	%	11	14	19	27	43	42	28	39	24
Operating margin	%	27	15	19	43	20	15	2	19	14
Net debt/(cash):equity	%	9	3	20	18	(1)	13	29	18	31
Share statistics										
Total shares in issue on 31 December	Million	358	358	358	358	354	358	357	355	353
– Mpower 2012/Mpower	Million	3	3	3	3		11	11	11	11
– Ordinary	Million	355	355	355	355	354	347	346	344	342
Diluted WANOS	Million	356	355	355	354	348	347	345	343	341
WANOS	Million	355	355	356	355	353	361	358	361	355
Share price as at 31 December	R	44,04	103,50	146,46	169,00	168,00	136,24	104,50	71,90	103,45
Market capitalisation at										
31 December	Rb	16	37	52	60	60	49	37	26	37
Net asset value per share	R	99	96	102	81	68	50	37	38	29
Dividend cover[7]	Times	0,55		3,18	5,47	2,75	3,00	1,48	2,65	2,62
Dividend cover (core)	Times	2,80	2,92	2,63	2,61	2,62	3,00	3,56	2,65	2,62
Dividend per share	Cents	150	470	550	500	800	500	200	375	160
– Interim	Cents	65	260	235	350	300	200	100	175	60
– Final	Cents	85	210	315	150	500	300	100	200	100
Other financial information										
Capital commitments										
– Authorised and contracted	Rm	2 162	2 887	4 204	6 283	8 029	6 475	3 550	889	450
– Authorised but not yet contracted	Rm	1 376	2 160	2 826	4 208	2 413	2 490	1 420	2 711	1 278
– Operating lease commitments	Rm	152	135	212	18	59	132	92	77	126
Guarantees and contingent liabilities	Rm	7 378	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	186	6	313	131	165	145	91	84	105
– SARs, LTIP, DBP etc.	Rm	79	(101)	222	87	138	115	61	72	59
– Mpower/Mpower 2012	Rm	107	107	91	44	27	30	30	12	46
Executive directors' remuneration	Rm	39	15	37	23	27	23	16	32	30

[1] *2015 excludes the impairment of goodwill realised on the purchase of ECC of R1 524 million as well as an impairment of Reductants operation net of tax of R162 million from earnings.*

[2] *2014 excludes the impairment on the Mayoko iron ore project of R5 803 million from earnings.*

[3] *2013 excludes the profit on sale of Zincor of R964 million and the net impairment charge of R43 million where applicable.*

[4] *2012 and 2011 exclude the impact of impairments and other non-recurring transactions.*

[5] *2009 excludes the impact of R1 435 million impairment of the KZN Sands assets.*

[6] *2008 and 2007 include Namakwa Sands and Black Mountain's 26% interest as if effective from January 2007.*

[7] *The declaration of the 2014 dividend was based on cash attributable earnings.*

OUTLOOK

We anticipate that 2016 will be challenging. The key risk to the South African economy for 2016 is the anticipated slowing economic growth (forecast rate of 0,9% for 2016), and thus weakening fiscal fundamentals which could pave the way for a credit rating downgrade. We expect the weak exchange rate to remain vulnerable in 2016 on account of domestic and global events.

We anticipate that international thermal coal prices will remain at current levels for the short to medium term. There is, however, still good international demand for Exxaro's coal. We expect demand from the local metals market to remain subdued in the short to medium term, given the over supply in the market. We expect iron ore markets to remain oversupplied, with suppliers' focus further entrenched on cost reductions to shift the cost curve lower.

We also expect pricing weakness in the mineral sands and TiO_2 pigment sectors to continue throughout 2016, with the slowdown in the Chinese construction industry weighing heavily on the titanium value chain.

Our cost base was streamlined but, given the prevailing operating environment, we will continue to identify areas where we can achieve both reductions and efficiency improvements. We expect to receive no dividends from SIOC and significantly lower dividends from Tronox in 2016. In the meantime, we will continue to review our major investments as markets evolve. Part of this includes considering our options following the announcement by Anglo American plc to dispose of its interest in KIO at an appropriate time.

Our focus in the short to medium term will be to:

- Prioritise and stagger projects (mainly expansion capital) to preserve cash and ensure debt remains within acceptable levels. An internal target of net debt at less than two times EBITDA has been set
- Continue to reduce input and overhead costs by R300 million in 2016
- Ensure we maintain high levels of cash generated from controlled operations
- Maintain our dividend payout philosophy of between 2,5 to 3,5 times core earnings cover
- Develop Exxaro's future BEE shareholding strategy amid regulatory uncertainty and ensure the current BEE structure unwinds efficiently with minimal impact on stakeholders
- Evaluate our continued shareholding in key investments (mainly SIOC and Tronox) and assess the ability of these investments to contribute to our future earnings and cash flow
- Further optimising ECC assets
- Increasing investor confidence in Exxaro's prospects for the coal business through increased communication of the coal business strategy.

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 and developing and maintaining 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, IFRS has 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 2016. 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 20.

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 15 April 2016 and are signed on its behalf by:

MDM Mgojo
Chief executive officer

WA de Klerk
Finance director

Pretoria

15 April 2016

3.2 CERTIFICATE BY GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act of South Africa, 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 2015, 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 of South Africa and that all such returns and notices appear to be true, correct and up to date.

CH Wessels
Group company secretary

Pretoria

15 April 2016

3.3 AUDIT COMMITTEE REPORT

The audit committee is pleased to present its report for the financial year ended 31 December 2015.

Background

The company's audit committee is established as a statutory committee in terms of section 94(2) of the Companies Act of South Africa and oversees audit committee matters for all 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 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 Listings Requirements, as well as in accordance with detailed terms of reference, which has incorporated the principles contained in 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, combined assurance 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 audit committee performed its functions as stipulated in the terms of reference and detailed annual plan for the year ended 31 December 2015.

Membership

Shareholders elect members of the audit committee annually. The audit committee consisted of four independent non-executive directors for the review period:

Member	Attendance of meetings
Mr J van Rooyen (chairman)	4/4
Dr CJ Fauconnier	4/4
Mr RP Mohring (passed away on 14 March 2016)	3/4
Mr V Nkonyeni	3/4

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 audit committee meetings. The audit committee, however, debates matters without the permanent invitees present, as and when so required.

The audit committee meets at least four times a year. Two meetings (aligned with the approvals of the interim and annual financial results) are held with both the independent external auditors and internal auditors, respectively, where management is not present.

Committee key performance indicators and evaluation

In 2015, for the first time, the board and its committees developed specific key performance indicators (KPIs), in addition to aspects dealt with in the annual plan. This was a first attempt at setting objective measures for directors for a particular year in assisting management to achieve Exxaro's strategic objectives. We recognise these are more quantitative in nature, but view this as a maturing process that will lead the board and its committees to more meaningful qualitative measures in time to ultimately provide stakeholders with a more in-depth understanding of the performance of the board and its committees.

The committee set the following KPIs for 2015:

- Greater oversight of information technology governance (IT) and its maturity
- Greater oversight of implementation of the combined assurance model
- Improved use of the strategic dashboard to manage and monitor the strategy
- Sharing best practice.

The committee and invitees concurred that these KPIs were achieved in 2015.

The board and committee evaluations for 2015 differed substantially from prior years by focusing more on performance than conformance. Hence a comparison of year-on-year results would be misleading. Overall, the committee achieved an average score of 3,88 out of 5,00 (close to exceeding expectations) with no aspect identified as requiring attention.

To fully entrench the KPIs and related objectives in 2016, no changes were made to KPIs for the year ahead.

External auditors

The group's independent external auditors are 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 2015. 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 R33 million (2014: R36 million), which included R24 million (2014: R25 million) for statutory audit and related activities as well as R9 million (2014: 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 and that such did not impact on their independence.

The audit committee annually assesses the independence of PwC and again completed such assessment at its meeting on 29 February 2016. 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 2015, more than one half of the members remain in 2016
- They remain independent, as required by section 94(7)(a) of the Companies Act of South Africa and the Listings Requirements.

Based on this assessment, the audit committee again nominated PwC as independent external auditors for the 2016 financial year. Shareholders will therefore be requested to re-elect PwC as independent external auditors for the 2016 financial year at the AGM on 26 May 2016.

As part of the external audit assignment, PwC is required to expose an empowered auditing firm, Ngubani & Co, to the Exxaro assignment, thus developing its skills and experience and contributing to the prominence of upcoming black empowered audit firms in South Africa.

Internal auditors

The internal audit function is outsourced to EY 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.

As part of the internal audit assignment, EY is required to contribute 5 per cent of the contract value towards a mutually beneficial investment project: agreement has been reached that this will be a community healthcare project seeking to address objectives set in the original Mining Charter. Details of the project will be channelled through and approved by the Exxaro chairman's fund and foundation.

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.

3.3 AUDIT COMMITTEE REPORT (CONTINUED)

Annual financial statements

The 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 again specifically noted the marked improvement in the overall control environment and confirmed that the system of internal controls was satisfactory. On this basis, the audit committee confirmed that there were no material areas of concern that would render the internal financial controls ineffective.

Key issues

Key issues receiving attention during the year included:

- Given the continued decline in global commodity prices and the mining industry as a whole, the audit committee was required to consider and debate the impairment indicator analysis, as well as the impairment assessments performed of the company's investments, especially ECC, Tronox and SIOC.

  After extensive advice and guidance were obtained from management and the company's independent external auditors, we are pleased to advise that, except for two impairments of the goodwill recognised during the acquisition of TCSA of R1 524 million and the carrying value of property, plant and equipment at the Reductants operation of R225 million, as well as the impact of R866 million (net after tax) on the group following the decision by KIO to impair SIOC by R6 billion, no other assets were impaired as the carrying values are adequately supported. We view this as a strong indicator of the company's decisive response to the current commodity industry fundamentals
- Also resulting from the subdued market conditions, and as communicated during the year, the rapid decline of the company's share price experienced in 2015 required the granting of financial assistance to our BEE shareholder consortium, Main Street 333, to remedy a default of their debt covenants and resultantly risking Exxaro's BEE status. This matter was debated extensively by both the audit committee (excluding Mr V Nkonyeni) and an independent sub-committee of the board. While we acknowledge that some shareholders viewed this intervention negatively, we believe that providing this loan (on commercial and arms' length terms) is the most appropriate risk mitigating course of action in order to protect the Exxaro's BEE status and confirm that the company passed the solvency and liquidity test, when this decision was made.

J van Rooyen
Chairman of the audit committee

Pretoria

15 April 2016

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 26 to 159 (annexure 2), which comprise the statements of financial position as at 31 December 2015, 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 IFRS 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 2015, 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 of South Africa

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2015, we have read the directors' report, the audit committee's report and the certificate by the group company secretary 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.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in *Government Gazette number 39475* dated 4 December 2015, we report that PricewaterhouseCoopers Inc has been the auditor of Exxaro Resources Limited for five years. Dion Shango has been the individual registered auditor responsible and accountable for the audit for five years. We are independent of the group in accordance with the IRBA Code of Professional Conduct for Registered Auditors and other independence requirements applicable to performing audits of financial statements in South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: TD Shango
Registered Auditor

Johannesburg

15 April 2016

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 2015.

Nature of business

Exxaro, a public company incorporated in South Africa and listed on the JSE, is one of the largest South African-based diversified resources groups, with interests in the coal, titanium dioxide, ferrous and energy markets.

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 43,87% interest in Tronox, a global leader in the mining, production and marketing of inorganic minerals and chemicals. 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 IPP in South Africa.

Integrated report and supplemental information

Material information on the activities and performance of the group and the various divisions of the group is contained in the integrated report 2015 as well as in the supplementary information. 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 fairly present the integrated performance, impact and sustainability of the organisation.

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 supplementary information on the web, as well as limited information in the integrated report 2015.

Comparability of results

The results for the year ending 31 December 2015 and 2014 are not comparable due to the key events and transactions reported in the table on page 9.

Accounting policies

The accounting policies applied during the year ended 31 December 2015 are consistent, in all material respects, with those applied in the group annual financial statements for the year ended 31 December 2014.

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 the summarised group annual financial statements for the year ended 31 December 2015 and notice of the annual general meeting.

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 14. 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 (ie net profit after tax to distribution covenant). The latter was as a result of the non-cash impairments as follows:

	2015 Rm	2014 Rm
ECC: goodwill	1 524	
Reductants operation: property, plant and equipment	225	
Mayoko iron ore project: goodwill		1 020
Mayoko iron ore project: property, plant and equipment		4 740
Intellectual property		202

The group obtained approval from the providers of finance for the waiver of this covenant on the basis that the impairments are non-cash flow items, which approval was received.

Neither the company nor any of its subsidiaries are subject to externally imposed regulatory capital requirements. The group reviewed the capital allocation in the short to medium term. This resulted in the reprioritisation and staggering of the project pipeline to preserve cash in the year, and there was continued focus on reducing input and overhead costs, while protecting the group's profit margins. Key results from the group's initiatives included:

- Cash conservation
- Maintaining low debt levels
- Operational efficiency.

Capital expenditure for the year amounted to R2 390 million (2014: R3 197 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 2015. 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 (2014: 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 159.

Dividend payments

Dividend number 25

Interim dividend number 25 of 65 cents per share was declared in South African currency in respect of the period ended 30 June 2015. The dividend was paid in South African currency on Monday, 14 September 2015 to shareholders recorded in the register of the company at close of business on Friday, 11 September 2015.

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 26

Final dividend number 26 of 85 cents per share was approved by the board of directors on 2 March 2016 and declared in South African currency in respect of the year ended 31 December 2015. The dividend payment date is Monday, 18 April 2016 to shareholders recorded in the register of the company at close of business on Friday, 15 April 2016 (record date). To comply with the requirements of Strate, the last day to trade cum dividend is Friday, 8 April 2016. The shares will commence trading ex-dividend on Monday, 11 April 2016.

The gross local dividend amount is 85 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 72,2500 cents per share. The dividend withholding tax amounts to 12,7500 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 2015.

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 156 of the group annual financial statements 2015.

Directorate and shareholdings

Details of the directors in office at the date of this report are set out in the integrated report 2015.

Details of directors' shareholding are contained on page 103.

Ms MW Hlahla was appointed as an independent non-executive director effective 4 June 2015 and Mr MDM Mgojo was appointed as an executive director with effect from the same day.

Mr NB Mbazima resigned as a non-executive director effective 18 August 2015 and Mr S Mayet was appointed as a non-executive director with effect from the same day.

In accordance with the company's MoI, the appointments of Ms Hlahla and Messrs Mayet and Mgojo, having been appointed by the board of directors during the year, are required to be confirmed by the shareholders at the forthcoming AGM to be held on 26 May 2016.

Mr VZ Mntambo and Dr MF Randera are required to retire by rotation in terms of the MoI, and being eligible have offered themselves for re-election at the forthcoming AGM.

Mr WA de Klerk will be separating from the company in August 2016 to take over as chief executive officer of AMSA.

3.5 REPORT OF THE DIRECTORS (CONTINUED)

Directorate and shareholdings (continued)

On 14 March 2016 Mr RP Mohring passed away. Rick was a dedicated member of the board since 28 November 2006 and served as remuneration committee chairman as well as a member of the audit, social and ethics and sustainability, risk and compliance committees. Rick had an illustratious career of 37 years in the mining industry. In 2012, he received the South African Institute of Mining and Metallurgy's prestigious Brigadier Stokes award, which award is made to an individual for the very highest achievement in the South African mining and metallurgical industry. He will be missed, not only by the company but the entire mining industry. The board wishes to express its sincerest appreciation to Rick for his tireless and dedicated efforts towards Exxaro until the end, as well as our heartfelt condolences to his family, friends and other colleagues.

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 100 to page 112.

Group company secretary and registered office

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

Independent external auditors

PwC was re-elected as independent external auditors on 26 May 2015 in accordance with section 90 of the Companies Act and has again been proposed for re-election in respect of the 2016 financial year, to occur at the forthcoming AGM on 26 May 2016.

Audit committee

The audit committee report appears on page 18 of these group annual financial statements 2015, as well as in the integrated report 2015.

Borrowing powers and financial assistance

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

	Group	
	2015 Rm	2014 Rm
Amount approved	42 783	43 031
Total borrowings	(5 067)	(3 010)
Unutilised borrowing capacity	37 716	40 021

The borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2015 and 2014 financial years.

Pursuant to the authorisation granted at the AGM of the company held on 26 May 2015, the board of directors of the company, at its meeting held on 26 November 2015, 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 R15 billion, at any time and from time-to-time during the period 1 January to 31 December 2016.

The directors resolved that the company will satisfy the solvency and liquidity test, as contemplated in section 45 of the Companies Act and detailed in section 4 of the Companies Act, post such assistance 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 2015 and in the supplementary information.

Related party transactions

Details of the group's related party transactions are set out in note 15 to the group annual financial statements 2015.

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.

Annual general meeting

The 15th 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 Thursday, 26 May 2016. 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. These offer different products and services, and are managed separately based on commodity, location and support function grouping. 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 regions and are split between coal commercial operations and coal tied operations, a 50% joint venture interest in Mafube as well as a 9,37% effective equity interest in RBCT. The newly acquired controlling interest in TCSA, renamed ECC, forms part of the coal commercial operations (refer note 9.5). The coal operations produce SSCC, thermal and metallurgical coal.

Ferrous

The ferrous segment comprises the Mayoko iron ore project in the RoC (iron ore operating segment), a 19,98% equity interest in SIOC (located in South Africa) reported within the other ferrous operating segment as well as the FerroAlloys and Alloystream™ operations (collectively referred to as Alloys). Although the SIOC investment is an investment in an iron ore commodity company and the executive committee classifies the investment as a non-controlled business, it is classified within the other ferrous segment where investments and other are reviewed by the executive committee.

TiO_2 and Alkali chemicals

The TiO_2 and Alkali chemicals segment was previously referred to as TiO_2. It was renamed after the acquisition of the Alkali chemicals business by Tronox on 1 April 2015. Tronox now operates two vertically integrated divisions: TiO_2 and Alkali chemicals. Exxaro holds a 43,87% (2014: 43,98%) equity interest in Tronox and a 26% equity interest in Tronox SA (each of the South African-based operations), as well as a 26% member's interest in Tronox UK.

Other

This operating segment comprises the 50% investment in Cennergi (a South African joint venture with Tata Power), 26% equity interest in Black Mountain (located in the Western Cape province), an effective investment of 11,7% in Chifeng (located in the PRC) as well as the corporate office which renders services to customers.

4.2 OPERATING SEGMENTS (CONTINUED)

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

		Coal				Ferrous	
		Tied operations		Commercial operations		Iron ore	
	Notes	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm
For the year ended 31 December							
Total revenue		3 835	4 577	14 258	11 601		
Inter-segmental revenue					(2)		
External revenue	7.1.2	3 835	4 577	14 258	11 599		
Segment net operating profit/(loss)		195	319	2 379	2 978	(292)	(6 100)
Interest income (external)	12.1.2	3	4	27	29		
Interest income from loans to joint ventures	12.1.2				5		
Finance lease interest income	12.1.2			11	9		
Interest expense (external)	12.1.2				(12)		
Amortisation of transaction costs	12.1.2						
Borrowing costs capitalised	12.1.2						
Unwinding of discount rate on rehabilitation cost	12.1.2	(63)	(69)	(154)	(112)		
Depreciation and amortisation	7.1.3	(24)	(43)	(927)	(734)		(8)
Impairment charges – goodwill	9.2			(1 524)			(1 020)
Impairment charges – non-current assets (excluding financial assets and goodwill)	9.2			(225)			(4 731)
Impairment charges – non-current financial assets	7.1.3						(21)
Write-off and impairment charges – trade and other receivables	7.1.3	(4)		(3)	(1)	11	(22)
Income tax (expense)/benefit	8.2	(17)	(53)	(1 115)	(751)		624
Share of income/(loss) from equity-accounted investments	10.2			251	268		
Cash generated by/(utilised in) operations	7.1.5	332	95	4 300	4 365	(285)	(75)
Capital expenditure (property, plant and equipment)	11.1.4			(2 313)	(2 576)		(352)
Increase in investment in intangible assets							
At 31 December							
Segment assets and liabilities							
Deferred tax	8.4	39	4	47	41		57
Investments in associates	10.3.1			1 919			
Investments in joint ventures	10.3.2			1 067	818		
External assets[1]		1 934	1 883	25 948	22 075	114	81
Assets		1 973	1 887	28 981	22 934	114	138
Non-current assets held-for-sale	9.4				303		
Total assets as per statement of financial position		1 973	1 887	28 981	23 237	114	138
External liabilities[2]		1 775	1 523	5 179	3 723	286	139
Deferred tax[3]	8.4	(30)	(71)	5 094	3 718	1	57
Current tax payable[3]		(100)	10	145	5	3	5
Liabilities		1 645	1 462	10 418	7 446	290	201
Non-current liabilities held-for-sale	9.4			1 044	232		
Total liabilities as per statement of financial position		1 645	1 462	11 462	7 678	290	201

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

[2] *Excluding deferred tax, current tax payable and non-current liabilities held-for-sale.*

[3] *Deferred tax and current tax payable are offset per legal entity and tax authority.*

	Ferrous				TiO_2 and Alkali chemicals		Other				Total	
	Alloys		Other				Base metals		Other			
	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm
	173	159		14					64	67	18 330	16 418
				(14)						(1)		(17)
	173	159							64	66	18 330	16 401
	10	(97)	(24)	(41)				(1)	905	(350)	3 173	(3 292)
									61	33	91	66
												5
											11	9
									(546)	(311)	(546)	(323)
									(10)	(10)	(10)	(10)
									6	333	6	333
									(3)	(2)	(220)	(183)
	(7)	(4)	(4)	(4)					(67)	(96)	(1 029)	(889)
											(1 524)	(1 020)
				(9)						(202)	(225)	(4 942)
												(21)
									(81)	(17)	(77)	(40)
	(3)	23	6	90					27	54	(1 102)	(13)
			104	2 830	(1 503)	(568)	64	77	(53)	(92)	(1 137)	2 515
	(38)	(64)	(74)	(109)					291	(129)	4 526	4 083
	(28)	(42)		(104)					(49)	(123)	(2 390)	(3 197)
									(34)	(25)	(34)	(25)
	124	123	109	103					225	211	544	539
			5 081	5 422	12 270	12 809	420	357			19 690	18 588
									595	148	1 662	966
	189	124	29	16			210	267	2 178	2 562	30 602	27 008
	313	247	5 219	5 541	12 270	12 809	630	624	2 998	2 921	52 498	47 101
				25					128		128	328
	313	247	5 219	5 566	12 270	12 809	630	624	3 126	2 921	52 626	47 429
	37	49	52	73					4 908	3 506	12 237	9 013
	5	5							1	23	5 071	3 732
										7	48	27
	42	54	52	73					4 909	3 536	17 356	12 772
											1 044	232
	42	54	52	73					4 909	3 536	18 400	13 004

4.2 OPERATING SEGMENTS (CONTINUED)

In 2015 the group relied on one major customer for its revenue from the coal tied and coal commercial operations. The group received revenue from the external customer which accounted for at least 10% or more of the group's revenues (64% (2014: two customers with 13% and 53%)). The group total revenue amount from this major customer was R11 789 million (2014: R2 115 million and R8 627 million from the two customers respectively).

	For the year ended 31 December		At 31 December	
	External revenue		Carrying amount of non-current assets[1]	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Sourced from country of domicile				
– South Africa	14 384	12 423	31 385	26 955
Sourced from foreign countries				
– Rest of Africa			4	
– Europe	3 369	2 715	1 441	1 337
– Asia	577	1 263		
– Australia			44	38
– United States of America			8 997	9 686
Total segment	18 330	16 401	41 871	38 016

[1] *Excluding financial assets and deferred tax.*

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 invoiced, services rendered and includes operating revenues directly and reasonably allocable to the segments.

Revenue is recorded according to the relevant sales terms, when risks and rewards of ownership are transferred. (Refer note 7.1.1).

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

Segment net operating profit/(loss) equals segment revenue less segment expenses, impairment charges, plus impairment reversals and other income.

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

		Group		Company	
For the year ended 31 December	**Notes**	**2015 Rm**	**2014 Rm**	**2015 Rm**	**2014 Rm**
Revenue	7.1.2	18 330	16 401	1 322	1 527
Operating expenses	7.1.3	(13 408)	(15 197)	(2 791)	(2 014)
Operating profit/(loss)		4 922	1 204	(1 469)	(487)
Other income	7.1.4		1 466		
Impairment charges of non-current assets	9.2	(1 749)	(5 962)	(797)	(5 124)
Net operating profit/(loss)		3 173	(3 292)	(2 266)	(5 611)
Finance income	12.1.2	102	80	43	18
Finance costs	12.1.2	(770)	(183)	(558)	(322)
Income from financial assets	11.4.2	1	9		
Share of (loss)/income from equity-accounted investments	10.2	(1 137)	2 515		
Dividend and other income from associates and joint ventures	10.2			1 429	3 733
Income from investments in subsidiaries	17.2			353	732
Profit/(loss) before tax		1 369	(871)	(999)	(1 450)
Income tax (expense)/benefit	8.2	(1 102)	(13)	26	86
Profit/(loss) for the year		267	(884)	(973)	(1 364)
Other comprehensive income/(loss), net of tax		2 167	1 190		
Items that will not be reclassified to profit or loss:		124	(316)		
– Remeasurement of post-employment benefit obligation		(17)			
– Share of comprehensive income/(loss) from equity-accounted investments		141	(316)		
Items that may be subsequently reclassified to profit or loss:		2 043	1 506		
– Unrealised gains on translation of foreign operations		329	224		
– Revaluation of financial assets available-for-sale		(141)	345		
– Share of comprehensive income from equity-accounted investments		1 855	937		
Total comprehensive income/(loss) for the year		2 434	306	(973)	(1 364)
Profit/(loss) attributable to:					
Owners of the parent		296	(883)	(973)	(1 364)
Non-controlling interests		(29)	(1)		
Profit/(loss) for the year		267	(884)	(973)	(1 364)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		2 463	307	(973)	(1 364)
Non-controlling interests		(29)	(1)		
Total comprehensive income/(loss) for the year		2 434	306	(973)	(1 364)
Attributable earnings/(loss) per share (cents)	6.2				
Aggregate					
– Basic		83	(249)		
– Diluted		83	(249)		

5.2 STATEMENTS OF FINANCIAL POSITION

		Group		Company	
At 31 December	**Notes**	**2015 Rm**	**2014 Rm**	**2015 Rm**	**2014 Rm**
ASSETS					
Non-current assets		46 482	41 408	24 786	21 080
Property, plant and equipment	11.1.2	20 412	18 344	533	629
Biological assets	11.2.2	51	84		
Intangible assets	11.3.2	56	34	48	28
Investments in associates	10.3.1	19 690	18 588	13 152	13 152
Investments in joint ventures	10.3.2	1 662	966	641	267
Investments in subsidiaries	17.3			9 300	6 434
Financial assets	11.4.3	4 067	2 853	722	205
Deferred tax	8.4	544	539	390	365
Current assets		6 016	5 693	2 956	6 306
Inventories	7.2.2	1 240	998		
Trade and other receivables	7.2.3	2 666	2 611	2 160	5 009
Current tax receivable		55	78		
Cash and cash equivalents	16.3	2 055	2 006	796	1 297
Non-current assets held-for-sale	9.4	128	328	81	
Total assets		52 626	47 429	27 823	27 386
EQUITY AND LIABILITIES					
Capital and other components of equity					
Share capital	12.2.2	2 445	2 409	2 975	2 975
Other components of equity		6 911	6 031	1 091	955
Retained earnings		25 670	25 985	9 777	11 735
Equity attributable to owners of the parent		35 026	34 425	13 843	15 665
Non-controlling interests		(800)			
Total equity		34 226	34 425	13 843	15 665
Non-current liabilities		12 701	9 182	4 250	3 006
Interest-bearing borrowings	12.1.3	4 185	2 976	4 185	2 976
Non-current provisions	13.2	3 112	2 219	26	30
Post-retirement employee obligations	14.3	217	167		
Financial liabilities	12.1.7	116	88	39	
Deferred tax	8.4	5 071	3 732		
Current liabilities		4 655	3 590	9 730	8 715
Trade and other payables	7.2.4	3 546	3 208	8 837	8 604
Current shareholder loans	16.2.1	21			
Interest-bearing borrowings	12.1.3	882	34	882	34
Current tax payable		48	27		
Current provisions	13.2	158	254	11	11
Overdraft	16.3		67		66
Non-current liabilities held-for-sale	9.4	1 044	232		
Total equity and liabilities		52 626	47 429	27 823	27 386

5.3 GROUP STATEMENT OF CHANGES IN EQUITY

		Other components of equity										
	Share capital Rm	Foreign currency translation Rm	Financial instruments revaluation Rm	Equity-settled Rm	Retirement benefit obligation Rm	Available-for-sale revaluation Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
At 1 January 2014	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) from equity-accounted investments		827	(194)	310	(316)	(63)	(6)	63	621		621
Issue of share capital	13								13		13
Share-based payments movement				(108)					(108)		(108)
Dividends paid								(2 055)	(2 055)		(2 055)
Reclassification of equity							808	(808)			
Disposal and liquidation of subsidiaries		(30)							(30)	27	(3)
At 31 December 2014	2 409	4 167	116	1 695	(329)	382		25 985	34 425		34 425
Profit/(loss) for the year								296	296	(29)	267
Other comprehensive income/(loss)[1]		329			(17)	(141)			171		171
Reclassification of equity[2]						(360)		360			
Share of comprehensive income from equity-accounted investments		1 438	125	215	141	64		13	1 996		1 996
Issue of share capital[3]	36								36		36
Share-based payments movement				98					98		98
Dividends paid								(984)	(984)		(984)
Acquisition of subsidiaries										(771)	(771)
Liquidation of subsidiaries[4]		(1 012)							(1 012)		(1 012)
At 31 December 2015	2 445	4 922	241	2 008	(205)	(55)		25 670	35 026	(800)	34 226

[1] *Available-for-sale revaluations comprises the fair value adjustments, net of tax, on the investments in RBCT R38 million (2014: R344 million) and Chifeng R103 million (2014: R1 million) (note 16.2.2.1).*

[2] *Reclassification of equity relating to the RBCT investment which has been transferred out of financial assets available-for-sale and classified as an investment in associate (refer note 10.3.1 and 16.2.2.1).*

[3] *Vesting of Mpower 2012 treasury shares to good leavers amounted to R36 million (2014: R13 million).*

[4] *Gain on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary (Exxaro Esmore Cooperatief U.A.).*

Final dividend paid per share (cents) in respect of the 2014 financial year	210
Dividend paid per share (cents) in respect of the 2015 interim period	65
Final dividend payable per share (cents) in respect of the 2015 financial year	85

Foreign currency translation

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

Financial instruments revaluation

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

Equity-settled

Represents the fair value, net of tax, of services received from employees and settled by equity instruments granted.

Retirement benefit obligation

Comprises remeasurements, net of tax, on the post-retirement obligation.

Available-for-sale revaluation

Comprises the fair value adjustments, net of tax, on the available-for-sale financial assets.

5.4 COMPANY STATEMENT OF CHANGES IN EQUITY

		Other components of equity			
	Share capital Rm	Foreign currency translation Rm	Equity settled Rm	Retained earnings Rm	Total equity Rm
At 1 January 2014	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
Loss for the year				(973)	(973)
Share-based payments movement			136		136
Dividends paid				(985)	(985)
At 31 December 2015	2 975	(2)	1 093	9 777	13 843

Final dividend paid per share (cents) in respect of the 2014 financial year	210
Dividend paid per share (cents) in respect of the 2015 interim period	65
Final dividend payable per share (cents) in respect of the 2015 financial year	85

5.5 STATEMENTS OF CASH FLOWS

		Group		Company	
For the year ended 31 December	**Notes**	**2015 Rm**	**2014 Rm**	**2015 Rm**	**2014 Rm**
Cash flows from operating activities		3 011	1 660	790	(2 055)
Cash generated by operations	7.1.5	4 526	4 083	2 268	290
Interest paid	12.1.6	(500)	(307)	(501)	(295)
Interest received	12.1.6	54	59	8	9
Tax paid	8.5	(85)	(120)		
Dividends paid	6.6	(984)	(2 055)	(985)	(2 059)
Cash flows from investing activities		(5 130)	620	(3 730)	4 456
Property, plant and equipment to maintain operations	11.1.4	(1 663)	(1 460)	(49)	(122)
Property, plant and equipment to expand operations	11.1.4	(727)	(1 737)		
Increase in investment in intangible assets		(34)	(25)	(34)	(25)
Proceeds from disposal of property, plant and equipment		198	8	19	
(Increase)/decrease in investments in other non-current assets	Annexure 2	(106)	214		
Increase in loans to related parties		(400)		(400)	
Proceeds from disposal of operations	17.4.1	70			
Increase in investment in joint venture	10.3.2	(374)	(108)	(374)	(108)
Acquisition of subsidiaries	17.4.2	(3 436)		(3 381)	(2)
(Increase)/decrease in indebtedness by subsidiaries	17.4.3			(1 205)	615
Income from investments in associates	10.4.1	1 341	3 719	1 341	3 648
Dividend income from financial assets	11.4.2	1	9		
Income from subsidiaries	17.2			353	450
Cash flows from financing activities		2 000	(604)	2 000	(604)
Interest-bearing borrowings raised		4 320	1 000	4 320	1 000
Interest-bearing borrowings repaid		(2 320)	(1 604)	(2 320)	(1 604)
Net (decrease)/increase in cash and cash equivalents		(119)	1 676	(940)	1 797
Cash and cash equivalents at beginning of the year		1 939	223	1 231	(566)
Translation difference on movement in cash and cash equivalents		235	40	505	
Cash and cash equivalents at end of the year	16.3	2 055	1 939	796	1 231

06

EARNINGS

6.1 ACCOUNTING POLICY 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	**2015**	**2014**
Profit/(loss) for the year attributable to equity holders of the parent (Rm)	296	(883)
Weighted average number of ordinary shares in issue (million)	355	355
Basic earnings/(loss) per share (cents)	83	(249)
Diluted weighted average number of ordinary shares (million)	356	355
Weighted average number of ordinary shares in issue (million)	355	355
Adjusted for share-based payment instruments (million)	1	
Diluted earnings/(loss) per share (cents)	83	(249)

Exxaro did not issue any ordinary shares during 2015. 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 160.

As net losses were recorded in 2014, the Mpower 2012 shares were 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 HEADLINE EARNINGS

	Gross Rm	Tax Rm	Net Rm
For the year ended 31 December 2015			
Profit attributable to owners of the parent			296
Adjusted for:	1 683	(356)	1 327
– IFRS 10 Gain on disposal of an operation	(112)	31	(81)
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(5)	2	(3)
– IAS 16 Net gains on disposal of property, plant and equipment	(158)	2	(156)
– IAS 21 Gains on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary	(1 012)		(1 012)
– IAS 28 Loss on dilution of investment in associate	10		10
– IAS 28 Share of associates' separate identifiable remeasurements	1 211	(328)	883
– IAS 36 Impairment of property, plant and equipment	225	(63)	162
– IAS 36 Impairment of goodwill acquired in a business combination in terms of IFRS 3	1 524		1 524
Headline earnings			1 623
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	28		28
– IAS 16 Net losses on disposal of property, plant and equipment	27	(6)	21
– IAS 21 Gains on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary	(47)		(47)
– IAS 28 Loss on dilution of investment in associates	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			4 869

6.4 HEADLINE EARNINGS PER SHARE

For the year ended 31 December	Notes	Group 2015	Group 2014
Headline earnings (Rm)	6.3	1 623	4 869
Weighted average number of ordinary shares in issue (million)		355	355
Headline earnings per share (cents)		457	1 372
For the diluted attributable earnings per share the weighted average number of ordinary shares above is adjusted (as calculated in note 6.2)		356	355
Diluted headline earnings per share (cents)		456	1 372

6.5 DIVIDEND DISTRIBUTION

	Group		Company	
For the year ended 31 December	2015 cents	2014 cents	2015 cents	2014 cents
Dividend per share in respect of the interim period	65	260	65	260
Final dividend per share in respect of the financial year	85	210	85	210
Total dividend for the financial year	150	470	150	470

A gross final cash dividend, number 26 of 85 cents per share, for the 2015 financial year has been declared and is payable to shareholders of ordinary shares. The gross local dividend amount is 85 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 72,25000 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.

This final dividend, amounting to approximately R304 million (2014: R752 million), has not been recognised as a liability. It will be recognised in shareholders' equity in the year ending 31 December 2016.

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

Last day to trade cum dividend on the JSE	Friday, 8 April 2016
First trading day ex dividend on the JSE	Monday, 11 April 2016
Record date	Friday, 15 April 2016
Payment date	Monday, 18 April 2016

No share certificate may be dematerialised or rematerialised between Monday, 11 April 2016 and Friday, 15 April 2016, both days inclusive. Dividends for certificated shareholders will be transferred electronically to their bank accounts on payment date. Shareholders who hold dematerialised shares will have their accounts at their central securities depository participant or broker credited on Monday, 18 April 2016.

The final 2014 dividend of 210 cents per share was paid on 20 April 2015.

6.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO EARNINGS

	Group		Company	
For the year ended 31 December	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Dividends paid				
Dividends declared and paid	(984)	(2 055)	(985)	(2 059)
– Final dividend	(752)	(1 126)	(752)	(1 128)
– Interim dividend	(232)	(929)	(233)	(931)

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

07

OPERATIONAL PERFORMANCE AND WORKING CAPITAL

7.1 OPERATIONAL 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 are 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.

7.1.2 Revenue

		Group		Company	
For the year ended 31 December	Notes	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Sale of goods		18 282	16 349		
Services		48	52	1 322	1 527
Total revenue		18 330	16 401	1 322	1 527

7.1.3 Operating expenses

		Group		Company	
For the year ended 31 December	Notes	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Cost by nature					
Raw materials and consumables		2 569	2 936	11	49
Staff costs		4 628	3 988	1 172	884
– Salaries and wages		3 697	3 513	799	777
– Share-based payments		186	6	63	(59)
– Termination benefits		408	138	261	112
– Pension and medical costs		337	331	49	54
General charges[1]		218	2 556	(112)	439
Legal and professional fees		422	725	233	470
Insurance		311	351	12	28
Royalties		119	125		
Railage and transport		1 232	1 622	2	12
Repairs and maintenance		1 821	1 666	6	13
Write-off and impairment of trade and other receivables		77	40	1 394	2
Impairment charges of non-current financial assets			21		
Loss on dilution of investment in associate	10.3.1	10	58		
(Gain)/loss on the disposal of operation/subsidiary	9.3	(112)	28		1
Energy		502	446	9	31
Depreciation of property, plant and equipment	11.1.2	1 015	875	61	89
Amortisation of intangible assets	11.3.2	14	14	12	12
Movement in inventories		832	428		
Own work capitalised[2]		(220)	(648)	(7)	(6)
Sublease rental income		(30)	(34)	(2)	(10)
Total operating expenses		13 408	15 197	2 791	2 014

[1] *The company's 2015 general charges relate mainly to gains on currency exchange differences.*

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

7.1 OPERATIONAL PERFORMANCE (CONTINUED)

7.1.3 Operating expenses (continued)

		Group		Company	
For the year ended 31 December	Notes	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Cost by function					
Costs of goods sold/services rendered		12 336	13 516	1 399	2 021
Loss on dilution of investment in associate		10	58		
(Gain)/loss on the disposal of operation/subsidiary		(112)	28		1
Selling and distribution costs		1 127	1 568		
Sub-lease rental income		(30)	(34)	(2)	(10)
Impairment charges of non-current financial assets			21		
Write-off and impairment of trade and other receivables		77	40	1 394	2
Total operating expenses		13 408	15 197	2 791	2 014
The above operating expenses are stated after:					
Auditors' remuneration		33	36	15	16
– Audit fees		24	25	11	13
– Other services		9	11	4	3
Consultancy fees		345	583	202	409
Contingent rental income			(80)		
Currency exchange differences		(1 823)	(104)	(432)	(10)
– Net realised (gains)/losses		(1 325)	(97)	67	
– Net unrealised gains		(498)	(7)	(499)	(10)
Depreciation and amortisation		1 029	889	73	101
– Buildings	11.1.2		9		1
– Mineral properties	11.1.2	79	70		
– Residential buildings	11.1.2	10	24		
– Buildings and infrastructure	11.1.2	122	112		
– Machinery, plant and equipment	11.1.2	778	635	61	88
– Site preparation, mining development and rehabilitation	11.1.2	26	25		
– Amortisation of intangible assets	11.3.2	14	14	12	12
Directors' and prescribed officers' emoluments	14.4	46	21	46	21
– Remuneration: executive directors of the company		29	10	29	10
– Bonuses and cash incentives		10	5	10	5
– Remuneration: non-executive directors of the company		7	6	7	6
Termination benefits		408	138	261	112
Exploration expenditure		5	16		
Fair value losses/(gains) on financial assets at fair value through profit or loss:		112	(36)	(1)	(1)
– Designated on initial recognition		(18)	(16)	(1)	(1)
– Held-for-trading		130	(20)		
Impairment charges of non-current financial assets			21		
Write-off and impairment of trade and other receivables		77	40	96	2
Impairment of ECC loans				1 298	
– Non-current				1 104	
– Current				194	
Inventories write-down to net realisable value		9	32		
Provisions (income)/expense	13.2; 14.3	(69)	437	(6)	11
Net (gain)/loss on disposal or scrapping of property, plant and equipment		(158)	27	(17)	6
Net loss on disposal or write-off of intangible assets			4		
Loss on dilution of investment in associate		10	58		
(Gain)/loss on the disposal of operation/subsidiary		(112)	28		1
Operating lease rental expenses		146	142	19	23
– Property		18	15	8	9
– Equipment		128	127	11	14
Operating sub-lease rental income					
– Property		(30)	(34)	(2)	(10)

7.1.4 Other income

For the year ended 31 December	Notes	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Other income			1 466		

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

7.1.5 Notes to the statements of cash flows relating to operational performance

7.1.5.1 Cash generated by operations

For the year ended 31 December	Notes	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Net operating profit/(loss)		3 173	(3 292)	(2 266)	(5 611)
Adjusted for non-cash movements					
– Depreciation and amortisation	7.1.3	1 029	889	73	101
– Impairment charges of non-current assets	9.2	1 749	5 962	797	5 124
– Impairment charges of non-current financial assets	7.1.3		21		
– Write-off and impairment of trade and other receivables	7.1.3	77	40	1 394	2
– Provisions	7.1.3	(69)	437	(6)	11
– Foreign exchange revaluations and fair value adjustments		(1 479)	(90)	(500)	(11)
– Reconditionable spares usage		19	1		
– Net (gain)/loss on disposal or scrapping of property, plant and equipment	7.1.3	(177)	27	(17)	6
– Loss on disposal and write-off of intangible assets	7.1.3		4		
– Net (gain)/loss on disposal of operation/subsidiaries	7.1.3	(112)	28		1
– Loss on dilution of investment in associate	7.1.3	10	58		
– Share-based payment expense		137	(59)	29	(108)
– Translation of net investment in foreign operations		(390)	(287)		
– Translation of foreign currency items		801	211		
– Amortisation of transaction costs (revolving facility)		5	5	5	5
– Non-cash recoveries[1]		(355)			
– Other non-cash movements		2	4		
Cash before working capital movements		4 420	3 959	(491)	(480)
Working capital movements					
– Decrease/(increase) in inventories		2	(66)		3
– Decrease/(increase) in trade and other receivables		96	(126)	3 499	1 459
– Increase/(decrease) in trade and other payables		148	333	(740)	(692)
– Utilisation of provisions		(140)	(17)		
Cash generated by operations		4 526	4 083	2 268	290

[1] *Relate to non-cash rehabilitation recovery regarding the Arnot Mine closure.*

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 weighted average basis) and net realisable value.

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

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

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).

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 WORKING CAPITAL (CONTINUED)

7.2.2 Inventories

		Group		Company	
At 31 December	Notes	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Finished products		715	507		
Work-in-progress		55	73		
Raw materials		7	15		
Plant spares and stores		452	392		
Merchandise		11	11		
Per statement of financial position		1 240	998		
Included in non-current assets held-for-sale	9.4		8		
Total inventories including inventories held-for sale		1 240	1 006		

Included in merchandise are biological assets held-for-sale classified as inventories. No inventories were pledged as security for liabilities in 2015 and in 2014. Inventory (finished products) carried at net realisable value amounts to R82 million (2014: R36 million).

7.2.3 Trade and other receivables

	Notes	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Trade receivables		2 162	1 859		1
Other receivables[1]		339	275	148	143
Indebtedness by subsidiaries after impairment[2]	17.3			2 094	4 816
Indebtedness by subsidiaries				2 288	4 816
Specific allowances for impairment				(194)	
Derivative instruments	16.2	1	8		
Non-financial instruments[3]		310	513	14	49
Specific allowances for impairment		(146)	(29)	(96)	
Collective allowances for impairment			(15)		
Per statement of financial position		2 666	2 611	2 160	5 009
Included in non-current assets held-for-sale	9.4		8		
Total trade and other receivables including trade and other receivables held-for-sale		2 666	2 619	2 160	5 009

[1] *Includes sundry receivables and reclassifications of creditors with debit balances. The 2015 balance for the group is stated after an impairment reversal on sundry receivables of R11 million in respect of the Mayoko iron ore project. R15 million relates to a reclassification from held-for-sale to trade and other receivables. 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] *The 2015 balance for the company includes the ECC loan of R194 million which was fully impaired at 31 December 2015.*

[3] *Mainly includes VAT refundable and prepayments. 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 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Trade and other receivables are stated after the following allowances for impairment:					
Specific allowances for impairment					
At beginning of year		(29)	(29)		
Impairment loss recognised		(127)		(96)	
Indebtedness by subsidiaries impairments				(194)	
Impairment loss reversals		13			
Write-offs		(3)			
At end of year		(146)	(29)	(290)	
Of which relates to:					
Trade receivables		(50)	(29)		
Other receivables		(96)		(96)	
Subsidiaries				(194)	
Collective allowances for impairment					
At beginning of year		(15)			
Impairment loss recognised			(15)		
Impairment loss reversals		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 16.2.6.4.2 on financial instruments.

7.2.4 Trade and other payables

At 31 December	Notes	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Trade payables		936	972	101	109
Other payables[1]		1 749	1 530	345	180
Non-financial instruments[2]		660	532	184	115
Leave pay accrual		160	174	25	33
Indebtedness to subsidiaries	17.3			8 182	8 167
Derivative instruments	16.2	41			
Per statement of financial position		3 546	3 208	8 837	8 604
Included in non-current liabilities held-for-sale	9.4		21		
Total trade and other payable including trade and other payables held-for-sale		3 546	3 229	8 837	8 604

[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 7.1.5.1 Cash generated by operations

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TAXATION

8.1 ACCOUNTING POLICIES RELATING TO TAXATION

Income tax expense

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

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

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 offset 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.

Dividend withholding tax

In terms of the Dividend Withholding Tax regime, the liability for paying the tax has moved from the company declaring the dividend to the beneficial owners (shareholders) receiving the dividend. The tax cost on dividends are included in the tax line in profit or loss as disclosed in the previous reporting periods. The dividend declared will be subject to a dividend withholding tax of 15% (31 December 2014: 15%) for all the shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax.

8.2 INCOME TAX (EXPENSE)/BENEFIT

	Group		Company	
For the year ended 31 December	**2015 Rm**	**2014 Rm**	**2015 Rm**	**2014 Rm**
Charge to income				
South African normal tax				
Current	(128)	(97)		
– Current year	(128)	(84)		
– Prior year		(13)		
Deferred	(961)	(589)	26	86
– Current year	(921)	(662)	26	86
– Current year: assets sold previously classified as held-for-sale	(66)			
– Prior year	26	73		
Foreign normal tax				
Current	(10)	41		
– Current year	(10)	(23)		
– Prior year		64		
Deferred	(3)	635		
– Current year	(3)	636		
– Prior year		(1)		
Dividend withholding tax		(3)		
Total charge to statement of comprehensive income	(1 102)	(13)	26	86

8.3 RECONCILIATION OF TAX RATES

For the year ended 31 December	Group 2015 %	Group 2014 %	Company 2015 %	Company 2014 %
Tax as percentage of profit/(loss) before tax	80,6	(1,5)	2,6	5,9
Tax effect of:				
– Capital losses	0,5	1,1		
– Expenses not deductible for tax purposes[1]	(6,2)	10,9	4,2	2,9
– Exempt income (not subject to tax)	0,6	0,1		
– Special tax allowances	0,4	(0,4)		
– Post-tax equity-accounted income and investment income[2]	(23,3)	(79,3)	(37,6)	(75,8)
– Remeasurements of foreign tax rate differences	1,9	(4,0)		
– Prior year tax adjustments[3]	1,8	(14,4)		
– Deferred tax assets not recognised[4]	(28,4)	9,7		
– Impairment of assets/investments[5]	(34,6)	119,9	22,4	95,0
– Exchange differences on translations[6]	34,7	(11,0)		
– Dividend withholding tax		0,3		
– Write-down of indebtedness by subsidiaries[7]			36,4	
– Foreign tax credits and refunds[8]		(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	25,9	0,5		

[1] *Non-deductible expenses reduced by approximately 20% in the current year, largely as a result of a reduction in consulting fees. The current year non-deductible expenses relate mainly to consulting fees, legal fees, share-based payment expenses, share of partnership profits and interest on the ECC acquisition.*

[2] *Post-tax equity-accounted income (mainly Tronox and SIOC) reduced significantly from the prior year from R2 515 million income in the prior year to a loss of R1 137 million in the current year.*

[3] *Prior year adjustments to tax are as a result of differences between income tax returns submitted and tax accruals made in the prior year. No significant differences were assessed in the current year.*

[4] *Significant deferred tax assets were derecognised or no deferred tax assets were recognised mainly from the DMC Congo (R934 million) and Exxaro Reductants Proprietary Limited (R362 million).*

[5] *In the current year goodwill of R1 524 million which arose on the ECC transaction was fully impaired. In the prior year the R5 760 million impairment related to the Mayoko iron ore project.*

[6] *Relates to the FCTR realised on the liquidation of a foreign subsidiary.*

[7] *The loans with ECC have been impaired on 31 December 2015, based on impairment assessment of the investment recoverability.*

[8] *No significant foreign tax credits were received in the current year.*

8.4 DEFERRED TAX

At 31 December	Group 2015 Rm	Group 2014 Rm	Company[1] 2015 Rm	Company[1] 2014 Rm
The movements on the deferred tax account are as follows:				
At beginning of year	(3 193)	(3 115)	365	303
Statement of comprehensive income charge	(898)	71	26	86
– Current	(924)	(26)	26	86
– Prior	26	72		
– Transferred to non-current assets held-for-sale		25		
Exchange rate differences on translation		(36)		
Items charged directly to equity				
– Share-based payments movement	(1)	(35)	(1)	(24)
Items charged directly to other comprehensive income	30	(78)		
– Revaluation of available-for-sale investments[2]	23	(78)		
– Retirement benefit obligation	7			
Acquisition of subsidiary	(465)			
At end of year	(4 527)	(3 193)	390	365
– Deferred tax asset as per statement of financial position	544	539	390	365
– Deferred tax liability as per statement of financial position	(5 071)	(3 732)		

[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] *The deferred tax on the RBCT fair value adjustment was raised at an effective CGT tax rate of 18,67%. Subsequent to year end the effective CGT tax rate increased to 22,4%.*

Comprising of the following items:

Group	At 31 December 2014 Assets Rm	Liabilities Rm	Total Rm	Movements during the year Recognised in profit or loss Rm	Recognised in other comprehensive income Rm	Acquisition of subsidiary Rm	Recognised directly in equity Rm	At 31 December 2015 Assets Rm	Liabilities Rm	Total Rm
Property, plant and equipment[1]	5	(3 961)	(3 956)	(136)		(299)		648	(5 039)	(4 391)
Share-based payments	30	9	39	(24)			(1)	11	3	14
Other accruals and provisions	(168)	113	(55)	176				(6)	127	121
Bad debt reassessment	6		6	32				38		38
Restoration provisions	198	266	464	207		52		482	241	723
Decommissioning provision	54	66	120	(5)		4		64	55	119
Leave pay accrual	26	20	46	(2)				26	18	44
Retention payables	1	67	68	(24)				1	43	44
Prepayments	(8)	(18)	(26)	5				(8)	(13)	(21)
Environmental rehabilitation funds	(84)	(138)	(222)	(104)		(18)		(171)	(173)	(344)
Income received in advance	3		3					3		3
Inventories	1	(30)	(29)	23				11	(17)	(6)
Unrealised foreign currency gains/(losses)	107	(72)	35	12				1	46	47
Finance lease receivable		(24)	(24)	1					(23)	(23)
Local tax losses carried forward	276	5	281	266				456	91	547
Foreign tax losses carried forward	85		85	194				(19)	298	279
Revaluation of financial assets available-for-sale	(65)	(40)	(105)		23			(48)	(34)	(82)
Post-employment benefit obligation					7			7		7
Derecognition of deferred tax assets	72	(7)	65	(1 507)				(956)	(486)	(1 442)
Mineral resource (AKI interest)		12	12	(12)						
Contingent liabilities						4		4		4
Investment in RBCT						(208)			(208)	(208)
Total	539	(3 732)	(3 193)	(898)	30	(465)	(1)	544	(5 071)	(4 527)

[1] *Include borrowing costs capitalised.*

Company	At 31 December 2014 Rm	Movements during the year Recognised in profit or loss Rm	Recognised directly in equity Rm	At 31 December 2015 Rm
Property, plant and equipment	30	(16)		14
Share-based payments	26	(15)	(1)	10
Other accruals and provisions	44	90		134
Restoration provision	8	(1)		7
Leave pay accrual	9	(2)		7
Environmental rehabilitation funds	(6)			(6)
Unrealised foreign currency gains/(losses)	1	(1)		
Assessed losses	253	(29)		224
Total	365	26	(1)	390

8.4 DEFERRED TAX (CONTINUED)

Calculated tax losses

At 31 December	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Tax losses available for set-off against future taxable income on which deferred tax was raised				
– Local	(1 954)	(1 004)	(800)	(904)
– Foreign	(996)	(304)		
Current year tax losses on which no deferred tax assets were raised	587	363		

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

For the year ended 31 December	Group 2015 Rm	Group 2014 Rm
Normal tax paid		
Amounts receivable/(unpaid) at the beginning of year	51	(49)
Amounts (unpaid)/receivable at the beginning of year: non-current assets held-for-sale	(9)	24
Amounts charged to the statement of comprehensive income	(138)	(56)
Acquisition of subsidiaries	21	
Arising on translation of foreign operations	(4)	3
Interest income on tax receivable not yet received	1	
Reclassification to non-current assets held-for-sale		9
Amounts receivable at end of year	(7)	(51)
Normal tax paid	(85)	(120)

8.6 TAX EFFECT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December	2015 Before tax Rm	2015 Tax Rm	2015 Net of tax Rm	2014 Before tax Rm	2014 Tax Rm	2014 Net of tax Rm
Group						
Unrealised exchange differences on translation of foreign operations	329		329	224		224
Share of comprehensive income from equity-accounted investments	2 046	(50)	1 996	570	51	621
Revaluation of available-for-sale financial assets	(164)	23	(141)	423	(78)	345
Remeasurement of retirement benefit obligation	(24)	7	(17)			
Total	2 187	(20)	2 167	1 217	(27)	1 190

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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.

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

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

Business combinations

The group uses the acquisition method of accounting 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 fair value 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.

9.2 IMPAIRMENT CHARGES OF NON-CURRENT ASSETS

For the year ended 31 December	Notes	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
ECC					
Impairment charges, net of tax		1 524		797	
– Goodwill	11.3.2	1 524			
– Impairment of subsidiaries[1]				797	
Reductants operation					
Impairment charges, net of tax		162			
– Property, plant and equipment	11.1.2	225			
– Tax effect		(63)			
Mayoko iron ore project					
Impairment charges, net of tax			5 208		4 922
– Property, plant and equipment	11.1.2		4 740		
– Goodwill	11.3.2		1 020		
– Impairment of subsidiaries					4 922
– Tax effect			(552)		
Intellectual property					
Impairment charges, net of tax			202		202
– Intangible asset			202		202
Net impairment charges per statement of comprehensive income		1 749	5 962	797	5 124
Net tax effect		(63)	(552)		
Net effect on attributable earnings		1 686	5 410	797	5 124

[1] *On 31 December 2015, an impairment assessment was performed by comparing the carrying amount of the investment in ECC to the net asset value of the ECC operations in which the investment was held. As a result, an impairment of R797 million was recognised.*

9.2.1 ECC

Exxaro acquired TCSA on 20 August 2015 and renamed it ECC. The PPA was completed and goodwill of R1 524 million was recognised at acquisition. Refer note 9.5 and note 11.3 regarding detail of the business combination and goodwill recognised. The goodwill was as a result of the purchase price being in excess of the net identifiable assets and assumed liabilities.

ECC forms part of the coal commercial operating segment for chief operating decision-maker reporting purposes. The goodwill recognised was allocated to ECC, with all its business units and legal entities, for group reporting purposes. Upon finalisation of the PPA, the goodwill was assessed for impairment as required by IAS 36 *Impairment of Assets* on 31 December 2015.

The recoverable amount of ECC, being the fair value less costs of disposal (Level 3 as per IFRS 13 *Fair value Measurements*), marginally exceeds the carrying amount (excluding goodwill) of R1 087 million and therefore the full amount of goodwill was impaired. The carrying amount of the remaining assets is fully supported by the recoverable amount.

This recoverable amount derived using a discounted cash flow method where the net cash flows taking into account the capital, working capital, operating costs and tax against the revenue generated from sales are discounted over the LOM of the Dorstfontein East and West operations, Forzando North and South operations as well as Tumelo operation. The financial model was performed in nominal terms in South African rand.

Key assumptions made in the valuation included the following (all in real terms):

- Costs of disposal was assumed to be 2% of the fair value of each business unit
- Coal API4 selling price: range US$44,07/tonne and US$70,00/tonne
- Discount factor on API4 was applied for the specific coal quality: 20%
- Coal domestic selling price: range R789/tonne and R796/tonne
- Post-tax discount rate: 13%
- Corporate tax rate: 28%
- R/US$ exchange rate: range R15,50 and R16,58
- RSA production price index: range 6,00% and 5,50%
- LOM: range five years and 23 years.

9.2 IMPAIRMENT CHARGES OF NON-CURRENT ASSETS (CONTINUED)

The values assigned to the key assumptions represented management's best estimates of LOM, operating conditions projections and pricing forecasts. The coal price ranges were based on the current industry trends and analysis. The discount rate was based on a post-tax weighted average cost of capital.

9.2.2 Reductants operation

The char plant was commissioned in 2009 and had its first year of full production in 2011. The plant was selling semi-coke to five major customers until September 2015 when the FeCr market started to experience difficulties after the demise of steel and stainless steel markets globally. Three of the five customers were put into business rescue and the remaining two customers turned off their furnaces. There is no commercially viable demand for the semi-coke or char products in the current market.

The weakness in the FeCr industry and lack of demand resulted in the char plant's four retorts being placed on care and maintenance. This impairment indicator (according to IFRS) resulted in an impairment assessment being performed at 31 December 2015.

The decline in demand, lower FeCr prices and rising production costs have drastically impacted local producers, coupled with continued declining imported semi-coke and cheaper market coke prices which has resulted in producers increasing market coke usage and further reducing semi-coke demand. There are no foreseeable sales contracts that will be acquired in 2016. The char plant was fully impaired (R225 million) based on the cessation of production.

9.2.3 Mayoko iron ore project

The Mayoko iron ore project was acquired in 2012 when Exxaro acquired AKI. The project is reported within the iron ore operating segment which forms part of the ferrous reportable operating segment.

The concept study on the revised 12 million tonnes Mayoko iron ore project was concluded in June 2014. As a result of the delays in the rail and port 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 financial assets and trade and other receivables written down), was raised on 30 June 2014 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 as well as financial assets amounting to R43 million written down in terms of IAS 39 *Financial instruments: Recognition and Measurement*.

9.2.4 Other impairment considerations

Impairment indicators, including declining commodity prices, share prices and increased cost pressures, resulted in impairment assessments being performed for the operations and other investments within the Exxaro group on 31 December 2015. Other than the impairments discussed above, recoverable amount exceeded the carrying value of the respective assets.

Sensitivity analysis

Tronox

If all assumptions remain unchanged, a 2,3% decrease in the pigment prices will result in the recoverable amount being equivalent to the carrying value of the investment or, a 9,2% increase in the discount rate will result in the recoverable amount being equivalent to the carrying value of the investment.

SIOC

If all assumptions remain unchanged, a 12,1% decrease in the iron ore prices will result in the recoverable amount being equivalent to the carrying value of the investment or, a 14,4% decrease in the rand/US$ exchange rate will result in the recoverable amount being equivalent to the carrying value of the investment.

9.3 GAIN/(LOSS) ON THE DISPOSAL OF OPERATION/SUBSIDIARY

For the year ended 31 December 2015	NCC operation Rm	Total Rm
Group		
Profit on the disposal of operation		
Consideration received or receivable:		
Cash	70	70
Total disposal consideration	70	70
Carrying amount of net liabilities sold	42	42
– Property, plant and equipment	(149)	(149)
– Inventories	(7)	(7)
– Provisions	197	197
– Trade and other payables	1	1
Gain on disposal	112	112
Net tax effect	(31)	(31)

For the year ended 31 December 2014	Exxaro Coal Botswana Proprietary Limited Rm	Total Rm
Group		
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 disposal[2]	(28)	(28)

[1] *The company was sold for 1 pula.*
[2] *After tax of nil.*

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

EMJV

Exxaro concluded the purchase of ECC in 2015 (refer note 9.5), and as part of this acquisition Exxaro acquired non-current liabilities held-for-sale relating to the EMJV (classified as a joint operation). The sale of the EMJV is conditional on section 11 approval required in terms of the MPRDA for transfer of the new-order mining right to the new owners, Scinta, as well as section 43(2) approval for the transfer of environmental liabilities and responsibilities. The EMJV remains a non-current liability held-for-sale for the Exxaro group.

The EMJV 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.

Other

Exxaro concluded a sale of asset agreement relating to the land and buildings situated at the corporate centre in Pretoria, with Africorp International Properties Proprietary Limited (Africorp) in November 2015. The sale is conditional to Africorp providing a guarantee issued by a financial institution. The land and buildings situated at corporate centre were classified as a non-current asset held-for-sale on 31 December 2015.

NCC

Exxaro concluded a sale of asset agreement of the NCC operation with Universal Coal Development VIII Proprietary Limited (Universal) in January 2014. The sale was 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. On 31 July 2015 all conditions precedent to the NCC sale of asset agreement were met and the sale became effective. The NCC operation did not meet the criteria to be classified as a discontinued operation since it did not represent a separate major line of business, nor did it represent a major geographical area of operation and is reported as part of the coal commercial operating segment.

9.4 NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE (CONTINUED)

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

	Group		Company	
At 31 December	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Assets				
Property, plant and equipment	128	174	81	
Deferred tax		65		
Financial assets		73		
Inventories		8		
Trade and other receivables		8		
– Trade receivables		3		
– Non-financial instrument receivables		5		
Total assets	128	328	81	
Liabilities				
Non-current provisions	(1 027)	(158)		
Post-retirement employee obligations	(17)	(4)		
Trade and other payables		(21)		
– Trade payables		(11)		
– Other payables		(3)		
– Non-financial instrument payables		(7)		
Current provisions		(40)		
Tax payable		(9)		
Total liabilities	(1 044)	(232)		
Net (liabilities)/assets held-for-sale	(916)	96	81	

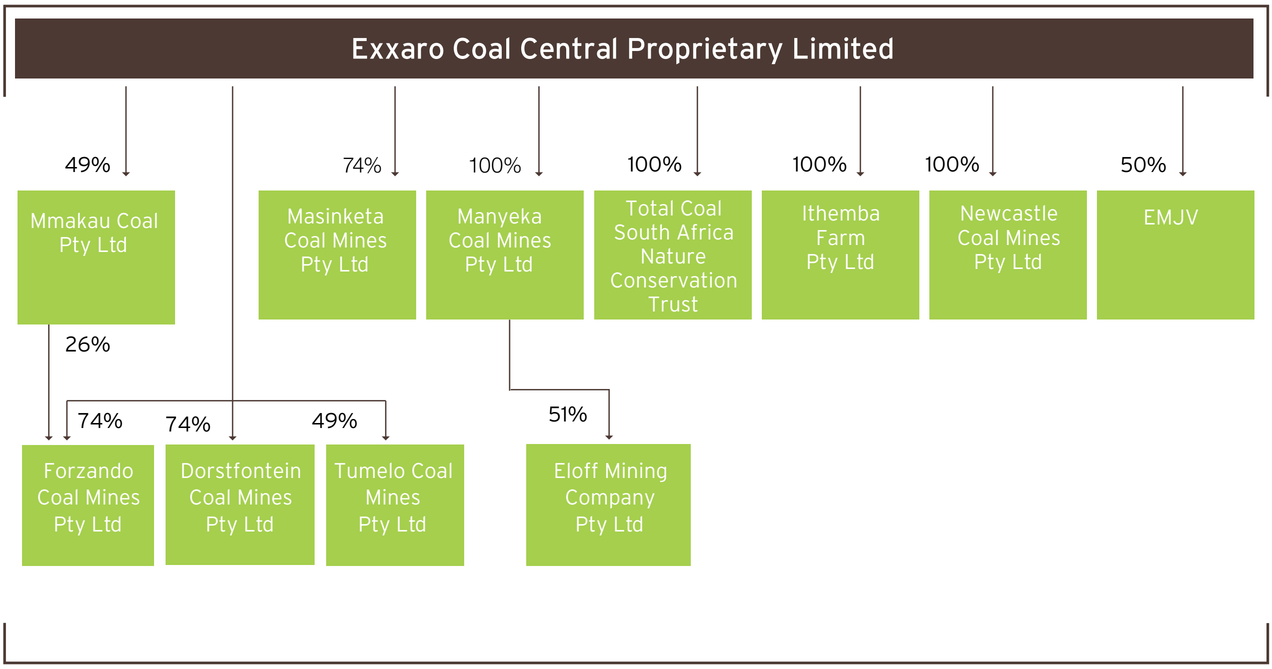
9.5 BUSINESS COMBINATION

On 20 August 2015, the group acquired a 100% controlling interest, of the share capital of TCSA for a cash amount of US$262 million (R3 381 million) from Total S.A. plus a maximum additional amount of US$120 million structured in a series of deferred payments linked to the performance of the API4 price between 2015 and 2019 (contingent consideration). The acquisition was classified as an acquisition of a business, in accordance with IFRS 3 *Business Combinations*.

TCSA was renamed ECC on 20 August 2015, which forms part of the coal commercial operating segment for purposes of reporting to the chief operating decision-maker. ECC is a large-scale South African business which has a majority interest in two mining complexes, DCM and Forzando, located in the Witbank coal basin in the Mpumalanga province. The majority of ECC's production is export coal which is shipped via RBCT to international markets, mainly India and China. ECC also sells some of its production into the South African domestic market.

The business combination increases the scale of the group's coal portfolio and further entrenches Exxaro as one of the premier coal producers in South Africa. The transaction compliments Exxaro's strategic imperative to focus on coal businesses.

The ECC group is shown in the organogram below:



The following table summarises the consideration paid for the ECC group, the fair value of the assets acquired, liabilities assumed and the non-controlling interests at the acquisition date:

At 31 December	Group 2015 Rm
Consideration	
Cash	3 381
Contingent consideration	33
Consideration	3 414
Less: indemnification asset	(1 044)
Total consideration	2 370
Recognised amounts of identifiable assets acquired and liabilities assumed	
– Property, plant and equipment	1 064
– Intangible assets	2
– Investment in RBCT	1 133
– Deferred tax assets	42
– Financial assets	211
– Inventories	133
– Trade and other receivables	235
– Current tax receivable	25
– Cash and cash equivalents	31
– Current outside shareholder loans	(21)
– Non-current provisions	(878)
– Deferred tax liabilities	(507)
– Trade and other payables	(248)
– Current tax payable	(4)
– Contingent liability	(13)
– Overdraft	(86)
– Non-current liabilities held-for-sale	(1 044)
Net identifiable assets acquired	75
Add: non-controlling interests	771
Add: goodwill	1 524
Net assets acquired	2 370
Purchase consideration – cash flow	
Subsidiary acquired, net of cash:	
Cash consideration	3 381
Add: overdraft acquired	55
– Bank	(31)
– Overdraft	86
Net cash outflow investing activities	3 436

9.5 BUSINESS COMBINATION (CONTINUED)

Goodwill

The goodwill of R1 524 million arising from the business combination was a result of the purchase price being in excess of the net identifiable assets (including mineral properties, RBCT investments and other assets) and assumed liabilities. The goodwill is not deductible for tax purposes. This goodwill was recognised as part of intangible assets, refer note 11.3.2.

Acquisition-related costs

Acquisition-related costs of R39,3 million were charged to operating expenses in profit or loss and included in operating cash flows for the year ended 31 December 2015. Total acquisition-related costs since the inception of the transaction amounts to R71,2 million.

Contingent consideration

The potential undiscounted amount of all deferred future payments that the group could be required to make under this arrangement is between nil and US$120 million. The amount of future payments is dependent on the API4 coal price.

The fair value of the contingent consideration arrangement of US$2,52 million (R32,51 million) was estimated by applying the discounted cash flow method. The fair value estimates are based on a discount rate of 3,44% and assumed API 4 price per tonne between US$51 and US$63. This is a Level 3 fair value measurement.

At 31 December 2015, there was an increase of US$0,03 million (R0,44 million) recognised in profit or loss for the contingent consideration arrangement.

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

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

No additional payment to Total S.A. was required for the 2015 financial year as the API4 price was below the range.

Acquired trade and other receivables

The fair value and gross contractual amount of trade and other receivables acquired was R235 million. The full amount is expected to be collectable.

Indemnification asset

Total S.A. have contractually agreed to indemnify Exxaro for any claims brought by Scinta (the buyer of ECC's interest in the EMJV) or any third party in relation to the sale of ECC's interest in the EMJV to Scinta, including without limitation all liabilities arising out of the mine closure in respect of the EMJV and all environmental liabilities attributable to the mining operations which were subject of the EMJV. EMJV indemnification amounts to R1 044 million. (Refer note 9.4).

The indemnification asset is deducted from the consideration transferred for the business combination. As is the case with the indemnified liabilities, there have been no changes in the amount recognised for the indemnification asset as at 31 December 2015.

Accounting policy choice for non-controlling interests

Exxaro has elected to measure non-controlling interests at their proportionate share in the recognised amounts of the acquiree's identifiable net assets and assumed liabilities. The non-controlling interest of R771 million represents the proportionate share of net identifiable assets and assumed liabilities attributable to non-controlling interests, arising from the acquisition of ECC.

Revenue and profit contribution (before intercompany eliminations)

The acquired business contributed R827 million revenue (R156 million after eliminating intercompany sales) to the group results. It also contributed no attributable profit or loss (R671 million loss after eliminating intercompany sales) to the group's attributable profits for the period from 21 August 2015 to 31 December 2015. If the date of acquisition had been 1 January 2015, revenue contribution from this business would have been R2 268 million (R1 597 million after eliminating intercompany sales), while losses would have been R1 163 million (R1 834 million after eliminating intercompany sales).

Other judgements, estimates and assumptions applied to the business combination transaction:

Contingent liability

A contingent liability of R13 million was recognised in the statement of financial position on the acquisition of ECC for a take-or-pay penalty. The take-or-pay penalty is being finalised by the charging party. There is uncertainty on the probability of the take-or-pay penalty.

Consolidation of entities with less than 50% ownership

It has been concluded that the ECC group controls Mmakau Coal, even though it holds less than half of the voting rights of this subsidiary. This is because the group has provided the majority of the funding, is exposed to the downside risk and carries all the operational risk for the company.

Fair value of material assets acquired

Asset acquired	Valuation technique
Mineral assets (included in property, plant and equipment)	The market approach was used to fair value the mineral assets. A range of indicative market-related values of R/tonne attributed to different coal resources were identified. This was applied to the inside and outside LOM resources.
Investment in RBCT	The income approach was used to fair value the RBCT investment. DCF methodology was applied to the free cash flows expected to be generated. The discount rate applied is one which would be applicable to a similar investment. The discount rate was adjusted for a similar size shareholding.

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.

For an acquisition achieved in stages (step acquisition), the acquisition date carrying value of the acquirer's previously held interest in the acquiree is remeasured to fair value at the acquisition date. All previous reserves in relation to the fair value adjustments are reversed through equity.

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

	Share of (loss)/income from equity-accounted investments		Dividend and other income	
	Group		Company	
For the year ended 31 December	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Associates	(1 339)	2 339	1 429	3 733
Listed investments	(1 646)	(628)	668	553
– Tronox Limited	(1 646)	(628)	668	553
Unlisted investments	307	2 967	761	3 180
– RBCT[1]	(4)			
– SIOC[2]	104	2 830	673	3 095
– Tronox SA	40	(38)		
– Tronox UK[3]	103	98	88	85
– Black Mountain	64	77		
Joint ventures	202	176		
– Mafube	253	267		
– SDCT	2	1		
– Cennergi	(53)	(92)		
Total (loss)/income from investments in associates and joint ventures	(1 137)	2 515	1 429	3 733

[1] *Previously reported as a financial asset available-for-sale.*
[2] *The reduction in equity-accounted income from SIOC was mainly due to the impairment of property, plant and equipment (Exxaro's share amounted to R1 194 million, pre-tax) and the decline in iron ore prices.*
[3] *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

	Group		Company	
At 31 December	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Investments				
– Listed	8 997	9 686	10 880	10 880
– Unlisted	10 693	8 902	2 272	2 272
Total investments in associates	19 690	18 588	13 152	13 152

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

Group	Notes	Investments Rm	Total Rm
2015			
At beginning of year		18 588	18 588
Loss on dilution of investment		(10)	(10)
Transfer from financial assets	16.2.2.1	683	683
Transfer from other assets		106	106
Acquisition of subsidiaries	9.5	1 133	1 133
Net share of results	10.2	(1 339)	(1 339)
Dividends received		(1 341)	(1 341)
Other			
Share of reserve movements		1 870	1 870
At end of year (refer note 10.5)		19 690	19 690
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

There were no loans with associates for the 2015 and 2014 financial years.

10.3.2 Investments in joint ventures

At 31 December	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Investments (per statement of financial position)	1 662	966	641	267
Loans	105	83	60	60
Total investments and loans in joint ventures	1 767	1 049	701	327

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

	Notes	Investments Rm	Loans[1, 2] Rm	Total Rm
Group				
2015				
At beginning of year		966	83	1 049
Additional interests acquired		374		374
Net share of results		196	2	198
– Share of equity-accounted income	10.2	200	2	202
– Elimination of intergroup profits		(4)		(4)
Share of reserve movements		126		126
Movement in indebtedness from joint ventures			20	20
At end of year (refer note 10.5)		1 662	105	1 767
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
Company				
2015				
At beginning of year		267	60	327
Additional interests acquired		374		374
At end of year (refer note 10.5)		641	60	701
2014				
At beginning of year		159	60	219
Additional interests acquired		108		108
At end of year (refer note 10.5)		267	60	327

[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 and are interest free.*

10.4 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

10.4.1 Income from investments in associates and joint venture

For the year ended 31 December	Notes	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Share of (loss)/income from investments in associates and joint ventures	10.2	(1 137)	2 515		
Dividends received	10.5.2	1 341	3 719	1 341	3 648
Non-cash flow loss/(income) from investments in associates and joint ventures		1 137	(2 515)		
Total income received from investments in associates and joint ventures		1 341	3 719	1 341	3 648

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 2015 %	Percentage holding 2014 %
Associated companies					
Listed					
– Tronox Limited[4]	A	USA	51 154 280	43,87	43,98
Unlisted					
– SIOC[5]	A	RSA	240 000 000	19,98	19,98
– Tronox SA	A	RSA	208	26,00	26,00
– Tronox UK[6]	F	UK		26,00	26,00
– RBCT[7]	T	RSA	92 844	10,33	
– Black Mountain[8]	A	RSA	260	26,00	26,00
Total associated companies (refer note 10.3.1)					
Incorporated joint ventures[9]					
Unlisted					
Mafube	A	RSA	50	50,00	50,00
– Investment					
– Loan					
SDCT	T	RSA	1 333	33,33	33,33
– Investment					
– Loan					
Cennergi	EN	RSA	50	50,00	50,00
– Investment					
– Loan					
Unincorporated joint operations					
Moranbah Coal Project	A	AUS		50,00	50,00
Total joint arrangements (refer note 10.3.2)					
Total investment in associates and joint ventures					

[1] *A – Mining, F – Financing, EN – Energy, T – Export terminal.*

[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 43,98% investment in Tronox Limited on 31 December 2014 was diluted during the year to 43,87% on 31 December 2015 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$3,91 on 31 December 2015 (31 December 2014: US$28,88), and an exchange rate against the US$ of R15,48 (31 December 2014: R11,56). The recoverable amount (value in use) of this investment was determined based on Exxaro's share of the present value of Tronox's future cash flows, and resulted in no impairment charge being recognised on 31 December 2015.*

[5] *The fair value of the investment is based on the share price of KIO on 31 December 2015 of R41,20 per share (31 December 2014: R239,90 per share), adjusted for a liquidity discount of 20%. The recoverable amount (value in use) of this investment was determined based on Exxaro's share of the present value of SIOC's future cash flows, and resulted in no impairment charge being recognised on 31 December 2015.*

[6] *Tronox UK does not have shares, but only members' interest.*

[7] *The investment in RBCT increased as part of the ECC acquisition. This resulted in RBCT being accounted for as an associate. The effective shareholding percentage of 9,37% was applied to equity account for RBCT. RBCT is considered to be an associate as a result of Exxaro having representation on the RBCT board of directors.*

[8] *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.*

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

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 11.1.3 for details with regard to commitments relating to associates and joint ventures.

Group carrying value 2015 Rm	Group carrying value 2014 Rm	Company carrying value 2015 Rm	Company carrying value 2014 Rm	Fair value[3] 2015 Rm	Fair value[3] 2014 Rm	Fair value hierarchy level	Valuation technique
8 997	9 686	10 880	10 880	3 095	14 122	1	Listed market price
5 081	5 422			2 900	16 700	2	Adjusted equity value
1 833	1 786	1 181	1 181	1 833	1 786	3	Net asset value
1 440	1 337	1 091	1 091	1 440	1 337	3	Net asset value
1 919				2 026		3	DCF
420	357			802	828	3	DCF
19 690	18 588	13 152	13 152	12 096	34 773		
1 067	818			1 453	1 030	3	DCF
1 067	818						
105	83			197	227	3	DCF
105	83						
595	148	701	327	1 112	581	3	DCF
595	148	641	267				
		60	60				
1 767	1 049	701	327	2 762	1 838		
21 457	19 637	13 853	13 479	14 858	36 611		

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 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 Rm	Tronox SA Rm	Tronox UK Rm	SIOC Rm	RBCT[1] Rm	Black Mountain Rm	Mafube Rm	Cennergi Rm	SDCT Rm
Statements of comprehensive income									
For the year ended 31 December 2015									
Revenue	27 071	6 577		36 138	290	1 574	1 916		2
Operating expenses	(29 007)	(6 034)	(15)	(27 611)	(327)	(1 223)	(1 215)	(175)	
Operating (loss)/profit	(1 936)	543	(15)	8 527	(37)	351	701	(175)	2
Finance income	90	88	776	246		9	34	13	6
Finance costs	(2 317)	(418)	(355)	(880)	(11)	(23)	(36)		(2)
Impairment charges				(5 978)					
Share of income from equity-accounted investments				6					
(Loss)/profit before tax	(4 163)	213	406	1 921	(48)	337	699	(162)	6
Income tax benefit/(expense)	551	(61)	(11)	(1 398)	5	(92)	(202)	56	(2)
(Loss)/profit for the year	(3 612)	152	395	523	(43)	245	497	(106)	4
Other comprehensive income/(loss)	1 754	28		(2 223)	5				
Total comprehensive (loss)/income for the year	(1 858)	180	395	(1 700)	(38)	245	497	(106)	4
(Loss)/profit attributable to:	(3 612)	152	395	523	(43)	245	497	(106)	4
Owners of the parent	(3 754)	152	395	523	(43)	245	497	(106)	4
Non-controlling interests	142								
Total comprehensive (loss)/income attributable to:	(1 858)	180	395	(1 700)	(38)	245	497	(106)	4
Owners of the parent	(987)	180	395	(1 700)	(38)	245	497	(106)	4
Non-controlling interests	(871)								
Dividends paid to Exxaro	668			673					
Statements of financial position									
At 31 December 2015									
Non-current assets	63 877	13 360	4 405	34 584	21 778	1 652	1 943	5 383	110
Current assets	17 207	5 456	1 205	14 014	346	803	1 313	180	258
Total assets	81 084	18 816	5 610	48 598	22 124	2 455	3 256	5 563	368
Equity and liabilities									
Total equity	18 268	7 049	5 538	25 439	20 482	1 615	2 133	1 136	(1)
Equity attributable to owners of the parent	16 519	7 049	5 538	25 439	20 482	1 615	2 133	1 136	(1)
Non-controlling interests	1 749								
Non-current liabilities	54 255	9 852	63	18 406	922	546	709	4 197	333
Interest-bearing borrowings	45 020	7 221	63	8 000	241			3 853	333
Non-current provisions	2 805	319		2 726	129		394		
Post-retirement employee obligations	2 102	83			81	199			
Share-based payment liability								157	
Deferred tax	3 169	2 229		7 675	471	347	315	187	
Other (including non-current tax payable)	1 159			5					
Current liabilities	8 561	1 915	9	4 753	720	294	414	230	36
Trade and other payables	5 081	660	2	3 266	122	238	414	110	36
Interest-bearing borrowings	2 564	1 210		205	26				
Current tax payable	662		7	933		56			
Current provisions	180	45		349	14				
Current shareholder loan					558			120	
Other (including financial liabilities – warranties)	74								
Total equity and liabilities	81 084	18 816	5 610	48 598	22 124	2 455	3 256	5 563	368
Included above in joint ventures:									
– Cash and cash equivalents							964	18	10
– Depreciation and amortisation							184	1	

[1] *Statement of comprehensive income relates to the period 1 September 2015 to 31 December 2015.*

	Associate companies					Joint ventures		
	Tronox 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)	
Operating (loss)/profit	(677)	332	(8)	19 658	412	852	(281)	1
Finance income	141	131	740	75	8	4	5	5
Finance costs	(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	

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 Rm	Tronox SA Rm	Tronox UK Rm	SIOC Rm	RBCT	Black Mountain Rm	Mafube Rm	Cennergi[1] Rm	SDCT[2] Rm
2015									
Closing net assets	16 519	7 049	5 538	25 439	20 482	1 615	2 133	1 136	(1)
Interest in equity-accounted investment (%)	43,87	26,00	26,00	19,98	9,37	26,00	50,00	50,00	33,33
Interest in equity-accounted investment	7 246	1 833	1 440	5 082	1 919	420	1 067	568	
Excess of carrying value over fair value of identifiable assets and liabilities[3]	1 751								
Unrealised profit in closing balances				(1)				(33)	
Loans to equity-accounted investments								60	105
Carrying value at 31 December	8 997	1 833	1 440	5 081	1 919	420	1 067	595	105
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

[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 of items of property, plant and equipment are:

2015	Coal	Ferrous	Other
Land	Not depreciated	Not depreciated	Not depreciated
Mineral properties	1 – 25 years or 638k – 62,2Mt	7 – 25 years	n/a
Residential land	Not depreciated	Not depreciated	Not depreciated
Residential buildings	1 – 40 years	25 years	n/a
Buildings and infrastructure	1 – 40 years	10 – 25 years	3 – 25 years
Machinery, plant and equipment	13 000 – 50 000 hours or 1 – 40 years or 638k – 62,2Mt	1 – 15 years	1 – 20 years
Site preparation, mining development and rehabilitation	1 – 25 years or 638k – 62,2Mt	25 years	n/a
Assets under construction	Not depreciated	Not depreciated	Not depreciated

2014	Coal	Ferrous	Other
Land	Not depreciated	Not depreciated	Not depreciated
Mineral properties	1 – 25 years	7 – 25 years	n/a
Residential land	Not depreciated	Not depreciated	Not depreciated
Residential buildings	1 – 40 years	25 years	3 – 25 years
Buildings and infrastructure	1 – 40 years	3 – 40 years	3 – 25 years
Machinery, plant and equipment	13 000 – 50 000 hours or 1 – 40 years	1 – 15 years	1 – 10 years
Site preparation, mining development and rehabilitation	1 – 25 years	25 years	n/a
Assets under construction	Not depreciated	Not depreciated	Not depreciated

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 (as determined per project) concludes that future economic benefits (as determined per project) 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 are based on the "probability" of future economic benefits, the information that management uses to make that determination depends on the level of exploration.

Development costs

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

11.1.2 Property, plant and equipment

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 develop-ment and rehabili-tation Rm	Assets under con-struction Rm	Total Rm
2015									
Gross carrying amount									
At beginning of year		264	3 618	643	2 576	16 088	262	5 070	28 521
Additions			2		195	1 297	25	926	2 445
Changes in decommissioning assets	13.2				(7)	(66)			(73)
Acquisition of subsidiaries	9.5	17	1 032		9	2	4		1 064
Borrowing costs capitalised	12.1.2							6	6
Disposals of items of property, plant and equipment					(4)	(335)	(7)		(346)
Net reclassification from/(to) non-current assets held-for-sale		20			(60)			(81)	(121)
Exchange differences on translation		6			3	162		275	446
Transfer to other assets								(1)	(1)
Transfer between classes		2	(1)	22	732	1 882	21	(2 658)	
At end of year		309	4 651	665	3 444	19 030	305	3 537	31 941
Accumulated depreciation									
At beginning of year		9	1 002	90	648	3 508	193	12	5 462
Charges for the year	7.1.3		79	10	122	778	26		1 015
Disposal of subsidiaries and other business operations									
Disposals of items of property, plant and equipment					(1)	(160)	(8)		(169)
Net reclassification to non-current assets held-for-sale					(18)				(18)
Transfer between classes				13		(1)		(12)	
Exchange differences on translation						5			5
At end of year		9	1 081	113	751	4 130	211		6 295
Impairment of assets									
At beginning of year			1 916		1	1 058		1 740	4 715
Charges for the year	9.2				78	143	4		225
Disposals of items of property, plant and equipment						(139)			(139)
Exchange differences on translation						159		274	433
At end of year			1 916		79	1 221	4	2 014	5 234
Net carrying amount at end of year		300	1 654	552	2 614	13 679	90	1 523	20 412

11.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

11.1.2 Property, plant and equipment (continued)

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 develop-ment and rehabili-tation Rm	Assets under con-struction 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
Disposals of items of property, plant and equipment						(217)			(217)
Net reclassification to non-current assets held-for-sale		(25)							(25)
Exchange differences on translation		1	124			(22)	(32)	(21)	50
Transfer between classes		3		297	1 295	8 436	4	(10 035)	
Transfer (to)/from other assets		(5)	(5)		1	(1)			(10)
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
Depreciation charges	7.1.3	9	70	24	112	635	25		875
Disposal of subsidiaries and other business operations						(2)			(2)
Disposals 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
Impairment charges	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

Company	Notes	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	Total Rm
2015					
Gross carrying amount					
At beginning of year		8	710	211	929
Additions				49	49
Disposals of items of property, plant and equipment			(16)		(16)
Reclassification to non-current assets held-for-sale				(81)	(81)
Transfer between classes			80	(80)	
Transfer to other assets				(1)	(1)
At end of year		8	774	98	880
Accumulated depreciation					
At beginning of year		4	296		300
Charges for the year	7.1.3		61		61
Disposals of items of property, plant and equipment			(14)		(14)
At end of year		4	343		347
Net carrying amount at end of year		4	431	98	533
2014					
Gross carrying amount					
At beginning of year		8	640	221	869
Additions			15	107	122
Disposals 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

11.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

11.1.3 Capital commitments

	Group		Company	
At 31 December	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Capital expenditure contracted for plant and equipment	2 162	2 887	3	125
Capital expenditure authorised for plant and equipment but not contracted	1 376	2 160	46	403
Capital commitments include the group's share of capital commitments of associates and joint ventures	441	1 485		

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

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

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Replacement of property, plant and equipment	(1 640)	(1 380)	(49)	(122)
Reconditional spares	(23)	(80)		
	(1 663)	(1 460)	(49)	(122)

11.1.4.2 Investments in property, plant and equipment to expand operations

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Expansion and new technology	(727)	(1 737)		

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 the 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 recent quoted field prices. Game earmarked for sale is classified as consumable biological assets (inventories).

11.2.2 Plantation, livestock and game

At 31 December	Plantation Rm	Livestock Rm	Game Rm	Total Rm
Group				
2015				
Reconciliation of carrying amount and Level 3 hierarchy				
At beginning of year	19	6	59	84
(Losses)/gains attributable to physical and price changes	(6)	2	(17)	(21)
Net reclassification to inventory	(3)	(1)	(8)	(12)
At end of year	10	7	34	51
Fair value of biological assets split:				
– Mature	9	7	34	50
– Immature[1]	1			1
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

[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 2015 year.

The plantation was valued by Mr Johannes Bezuidenhout, an independent appraiser, on 7 December 2015.

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

There were no changes to the valuation techniques of livestock and plantations in the current or prior financial years.

The valuation of the game was based on the national auction prices until 2014, but from 2015 the valuation is based on quoted field prices in the Lephalale area.

	2015	2014
Closing stock consist of:		
Plantation[1] (hectares)	1 147	1 147
Livestock[2] (number)	1 535	1 636
Game[3] (number)	6 192	4 993

[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.

11.2 BIOLOGICAL ASSETS (CONTINUED)

11.2.2 Plantation, livestock and game (continued)

	Unobservable inputs	Sensitivity of inputs and fair value measurement[1]	2015 Range of inputs	2015 Sensitivity analysis of a 10% increase in the inputs[2] Rm	2014 Range of inputs	2014 Sensitivity analysis of a 10% increase in the inputs[2] Rm
Plantation	Hectares (ha)	Ha increase	1 147	1	1 147	2
	Standing value per ha	Standing value increase	R765 to R20 806	1	R249 to R25 556	2
Livestock	Beef price per kg	Beef prices increase	R17,33 to R33,873	1	R20,59 to R34,22	1
	Number of animals	Number of animals increase	1 535	1	1 636	1
	Meat portion of total carcass weight	Carcass weight increase	84kg to 364kg	1	84kg to 364kg	1
Game	Quoted field prices per species	Field prices increase	R838 to R425 000	3		
	Auction prices per species	Auction prices increase			R317 to R427 000	4
	Capture, transport and insurance cost	Cost decrease			R96 to R128 100	(2)
	Number of animals	Number of animals increase	6 192	3	4 993	6

[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.*

Inter-relationships

Inter-relationships 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. Refer note 9.1 for the policy on the measurement of goodwill at initial recognition.

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 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.

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 costs 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 cost 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:

	2015	2014
Patents and licences		
Options and rights	10 – 20 years	10 – 20 years
Software licences	1 – 10 years	1 – 5 years
Technology licences – intellectual property	25 years	25 years

11.3 INTANGIBLE ASSETS (CONTINUED)

11.3.2. Goodwill, patents and licences

		Group		Company	
At 31 December	Notes	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Goodwill					
Gross carrying amount					
At beginning of year		1 020	953		
Acquisition of subsidiaries[1]		1 524			
Exchange differences			67		
At end of year		2 544	1 020		
Accumulated impairment					
At beginning of year		1 020			
Charge for the year	9.2	1 524	1 020		
At end of year		2 544	1 020		
Patents and licences[2]					
Gross carrying amount		294	258	277	245
At beginning of year		258	232	245	219
Additions		34	30	32	26
Acquisition of subsidiaries		2			
Transfers from other assets			1		
Write-offs			(5)		
Accumulated amortisation		36	22	27	15
At beginning of year		22	9	15	3
Write-offs			(1)		
Charges for the year	7.1.3	14	14	12	12
Accumulated impairment		202	202	202	202
At beginning of year		202		202	
Charge for the year	9.2		202		202
At end of year		202	202	202	202
Net carrying amount at end of year		56	34	48	28

[1] *2015 Goodwill was allocated to ECC (refer notes 9.5 and 9.2). 2014 Goodwill was allocated to AKI with the acquisition in 2012.*

[2] *Includes software licences, intellectual property (which was impaired on 31 December 2014) 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, South Africa).*

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	Notes	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Dividends					
– Listed shares		1	4		
– Unlisted shares			5		
Total income from financial assets		1	9		

11.4.3 Financial assets

At 31 December	Notes	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Environmental rehabilitation funds	16.2	1 329	826	17	16
Loans to joint ventures	10.3.2	105	83	60	60
Non-current receivables	16.2.2.8	803	522	219	129
Loan to BEE shareholder[1]	16.2	426		426	
Indemnification asset[2]	9.5	1 044			
Investments	16.2	214	1 262		
– Available-for-sale		210	1 240		
– Fair value through profit or loss (KIO)		4	22		
Lease receivables		146	160		
Per statement of financial position		4 067	2 853	722	205
Included in non-current assets held-for-sale					
Environmental rehabilitation fund	9.4		73		
Total financial assets, including financial assets held-for-sale		4 067	2 926	722	205

[1] *During 2015 Exxaro provided Main Street 333 with a loan. The loan is repayable by April 2017 and attracts interest at Prime plus 5%.*

[2] *The indemnification asset has arisen as a result of the business combination transaction. Refer note 9.5.*

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 NET INVESTMENT IN FINANCE LEASE (CONTINUED)

11.5.1 Accounting policies relating to leased assets (continued)

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	**Notes**	**2015 Rm**	**2014 Rm**
Total gross investment in finance lease		160	174
– Not later than one year		14	14
– Later than one year but not later than five years		56	56
– Later than five years		90	104
Less: Unearned finance income	12.1.7	(77)	(88)
Present value of minimum lease payments receivable		83	86
– Not later than one year		3	3
– Later than one year but not later than five years		19	17
– Later than five years		61	66

The lease relates to the upgrade of the Zeeland Water Treatment Works (in Lephalale, South Africa), 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, 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	**Notes**	**2015 Rm**	**2014 Rm**	**2015 Rm**	**2014 Rm**
Total finance income		102	80	43	18
– Interest income		91	66	43	18
– Finance lease interest income		11	9		
– Interest income from loans to joint ventures			5		
Total finance costs		(770)	(183)	(558)	(322)
– Interest expense		(546)	(323)	(546)	(310)
– Unwinding of discount rate on rehabilitation cost	13.2	(220)	(183)	(2)	(2)
– Amortisation of transaction costs		(10)	(10)	(10)	(10)
– Borrowing costs capitalised[1]		6	333		
Total net financing costs		(668)	(103)	(515)	(304)
[1] Borrowing costs capitalisation rate		*6,94%*	*6,69%*		
Included in interest income are:					
– Interest income on unimpaired loans and receivables		30	13	26	9
– Interest income on cash and cash equivalents		34	26	17	8
– Interest income on financial assets designated at fair value through profit or loss		21	24		1
– Interest income on non-financial assets		6	3		
		91	66	43	18
Included in interest expense are:					
– Interest expense on financial liabilities measured at amortised cost		(490)	(280)	(490)	(279)
– Interest expense on bank overdrafts		(56)	(31)	(56)	(31)
– Interest on non-financial liabilities			(12)		
		(546)	(323)	(546)	(310)

12.1.3 Interest-bearing borrowings

At 31 December	Notes	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Interest-bearing borrowings					
Summary of loans by financial year of redemption					
2015			34		34
2016[1]		882	392	882	392
2017		1 274	874	1 274	874
2018		795	395	795	395
2019		1 317	917	1 317	917
2020 onwards		799	398	799	398
Total interest-bearing borrowings	16.2	5 067	3 010	5 067	3 010
– Current interest-bearing borrowings[2]		882	34	882	34
– Non-current interest-bearing borrowings		4 185	2 976	4 185	2 976
Overdraft					
Bank overdraft	16.2		67		66

[1] *During the 2014 year, an addendum to the senior loan facility was signed extending the first capital repayment to 30 January 2016. At date of this report R500 million had been repaid.*

[2] *The non-current portion includes the following amounts 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	2015	2014	2015	2014
Aggregate nominal amount (Rm)	5 000	5 000	3 000	3 000
Issue date/draw down date	31 May 2012 and 24 February 2015	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]	10 equal payments for the outstanding amount from 29 January 2016	10 equal payments for the outstanding amount from 29 January 2016	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)	1 000	3 000	3 000	3 000
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	9,38%	9,12%	9,26%	8,54%

There were no defaults or breaches in terms of interest-bearing borrowings during both reporting periods, except in respect of the dividend declaration financing covenant (ie net profit after tax to distribution covenant). The latter was as a result of the non-cash impairments. The group obtained approval from the providers of finance for the waiver of this covenant on the basis that the impairments are non-cash flow items, which approval was received.

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

	DMTN Programme (Bond)			
	R480 million senior unsecured floating rate note		R520 million senior unsecured floating rate note	
	2015	**2014**	**2015**	**2014**
	480	480	520	520
	15 May 2014	15 May 2014	15 May 2014	15 May 2014
	19 May 2017	19 May 2017	19 May 2019	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	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	36	60	60
	Unsecured	Unsecured	Unsecured	Unsecured
	Not applicable	Not applicable	Not applicable	Not applicable
	Floating rate	Floating rate	Floating rate	Floating rate
	Three months	Three months	Three months	Three months
	JIBAR plus a margin of 170 basis points (1,70%)	JIBAR plus a margin of 170 basis points (1,70%)	JIBAR plus a margin of 195 basis points (1,95%)	JIBAR plus a margin of 195 basis points (1,95%)
	0,13%	0,13%	0,08%	0,08%
	8,29%	8,02%	8,55%	8,29%

12.1 DEBT (CONTINUED)

12.1.5 Net debt reconciliation[1]

At 31 December	Notes	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 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):		(3 012)	(1 071)		
– Cash and cash equivalents		2 055	2 006		
– Non-current interest-bearing borrowings		(4 185)	(2 976)		
– Current interest-bearing borrowings		(882)	(34)		
– Overdraft			(67)		
Cash (outflow)/inflow from operating and investing activities:		(2 119)	2 280		
Add:					
– Non-cash flow movement for interest accrued not yet paid		(47)	(4)		
– Non-cash flow for amortisation of transaction costs		(10)	(10)		
– Translation differences of movements in cash and cash equivalents		235	40		
(Increase)/decrease in net debt		(1 941)	2 306		

[1] *Non-IFRS measure.*

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

For the year ended 31 December	Notes	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Interest received		54	59	7	9
Total finance income	12.1.2	102	80	43	18
Non-cash flow items:					
– Interest income not yet received		(37)	(12)	(36)	(9)
– Finance lease interest income adjustment		(11)	(9)		
Interest paid		(500)	(307)	(500)	(295)
Total finance costs	12.1.2	(770)	(183)	(558)	(322)
Non-cash flow items:					
– Unwinding of discount rate on rehabilitation cost	13.2	220	183	2	2
– Amortisation of transaction costs		10	10	10	10
– Borrowing costs capitalised		(6)	(333)		
– Finance cost capitalised to loan less finance costs paid and interest accrued not yet paid		46	16	46	15
Net financing cost paid		(446)	(248)	(493)	(286)

12.1.7 Financial liabilities

At 31 December	Notes	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Finance lease	11.5.2	77	88		
Derivative financial liability[1]	16.2.1	39		39	
Total financial liabilities		116	88	39	

[1] *Relates to the contingent consideration on the ECC business combination transaction (refer 9.5).*

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

At 31 December	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 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 (2014: 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]	(530)	(566)		
Total	2 445	2 409	2 975	2 975

[1] *These trusts have been consolidated.*

Reconciliation of authorised shares not issued	Group Number of shares 2015 '000	Group Number of shares 2014 '000	Company Number of shares 2015 '000	Company Number of shares 2014 '000
Number of authorised unissued ordinary shares at beginning of year	144 961	145 027	141 884	141 884
Unissued shares	141 884	141 884	141 884	141 884
Treasury shares held by Kumba Resources Management Share Trust and Mpower 2012[1]	3 077	3 143		
Treasury shares distributed by Mpower 2012 to good leavers	(186)	(66)		
Number of authorised unissued shares at end of year	144 775	144 961	141 884	141 884

Refer the notice of the AGM in the summarised group financial statements and notice of the annual general meeting 2015 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 2015 or 2014.

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 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	Notes	Environmental rehabilitation Rm	Decommis-sioning Rm	Other site closure cost Rm	Litigation Rm	Total Rm
Group						
2015						
At beginning of year		1 828	427	201	17	2 473
Charge to operating expenses		(65)	(29)	2	2	(90)
– Additional provision		513	32	15	2	562
– Unused amounts reversed		(578)	(61)	(13)		(652)
Unwinding of discount rate on rehabilitation cost	12.1.2	158	52	10		220
Provisions capitalised to property, plant and equipment	11.1.2		(73)			(73)
Utilised during year		(26)		(114)		(140)
Exchange differences		1			1	2
Acquisition of subsidiaries		830	48			878
Total provisions at end of year		2 726	425	99	20	3 270
Current portion included in current liabilities		(83)		(55)	(20)	(158)
Total non-current provisions		2 643	425	44		3 112
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	11.1.2		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	Notes	Environmental rehabilitation Rm	Other site closure cost Rm	Total Rm
Company				
2015				
At beginning of year		30	11	41
Charge to operating expenses		(6)		(6)
– Unused amounts reversed		(6)		(6)
Unwinding of discount rate on rehabilitation cost	12.1.2	2		2
Total provisions at end of year		26	11	37
Current portion included in current liabilities			(11)	(11)
Total non-current provisions		26		26
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

Funding of environmental and decommissioning rehabilitation

Contributions towards the cost of mine closure are made to the environmental rehabilitation funds and the balance of the funds amount to R1 335 million on 31 December 2015 (2014: R904 million). Of this amount R1 329 million (2014: R899 million) is included in financial assets and R6 million (2014: 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 2015 includes ongoing litigation claims against Exxaro that may result in an outflow of economic benefits in future.

13.3 CONTINGENT LIABILITIES

At 31 December	Group 2015 Rm	Group 2014 Rm
Total contingent liabilities	7 378	2 609
– DMC Iron Congo S.A.	6	
– Pending litigation claims[1]	1 233	445
– Operational guarantees[2]	3 559	1 263
– Share of contingent liabilities of equity-accounted investments	2 580	901

[1] *Pending litigation and other claims consist of legal cases as well as tax disputes 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] *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 increase is mainly due to the acquisition of ECC.*

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

Exxaro's share of contingent liabilities from equity-accounted investments relates mainly to:

- Operational guarantees (guarantees to banks and other institutions) amounting to R1 394 million (2014: R901 million)
- Municipality rates and taxes levied but under objection of R87 million (2014: nil)
- Tax assessments under process of objection for R1,1 billion, which includes R739 million of interest and penalties.

SIOC has received a tax assessment from SARS in relation to the tax years 2006 to 2010, for the amount of R5,5 billion. This includes interest and penalties of R3,7 billion.

SIOC has considered these matters in consultation with specialist external tax and legal advisors and disagree with SARS' audit findings. SIOC is therefore in the process of preparing an objection to the assessment, together with an application to the Commissioner of SARS for a suspension of payment until the matter is resolved. Further more, during 2015 SARS notified SIOC of its intention to conduct a field audit covering the 2011 to 2013 years of assessment, which is in progress.

Mayoko

At 31 December 2015 DMC, a subsidiary of Exxaro, is exposed to possible customs import duties as a result of a review by the RoC customs department on assets imported by DMC into the RoC in 2012 under a temporary arrangement, pending the ratification of the mining convention. To date, the mining convention has not been ratified which increases the potential risk. The penalties are deemed reasonably possible, but the level of probability for the outflow of economic resources is considered not probable.

To date, no notification has been issued by the RoC customs department. Exxaro believes that these matters have been appropriately treated by disclosing a contingent liability. The group will be defending any claims for penalties by following due process in the RoC.

SARS

On 18 January 2016, Exxaro received a letter of intent from SARS following an international income tax audit for the years of assessment 2009 to 2013. According to the letter, SARS proposes that certain international Exxaro companies will be subject to South African Income Tax. No assessment has been issued at this stage and Exxaro is following due processes to respond to SARS.

As at the date of this report, Exxaro has responded to the letter of intent, disputing the basis for the proposed adjustments. The group is awaiting SARS's response. These matters have been considered in consultation with external tax and legal advisors, who support the group's position set out in its dispute.

Exxaro believes that these matters have been appropriately treated by disclosing a contingent liability.

13.4 CONTINGENT ASSETS

	Group	
At 31 December	**2015 Rm**	**2014 Rm**
Total contingent assets	86	256
– Guarantee on sale of NCC[1]		170
– Share of contingent assets of equity-accounted investments[2]	86	86

[1] *Exxaro received a guarantee from Universal as part of the sales transaction of NCC. This transaction was concluded in 2015.*

[2] *Bank guarantee issued in favour of SIOC related to environmental rehabilitation.*

Timing and occurrence of any possible inflows of the contingent assets are uncertain.

13.5 OTHER COMMITMENTS

	Group		Company	
At 31 December	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– Less than one year	74	70	33	35
– More than one year and less than five years	78	65	44	29
Total operating lease commitments	152	135	77	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
Total operating sublease receivables	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 CPI or PPI. None of the lease arrangements contain restrictive clauses that are unusual considered to 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 SARs, LTIP, 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 2015 and 31 December 2014 and employer contributions to each fund were as follows:

	Employer contributions		Working members[1]	
	2015 Rm	2014 Rm	2015 Number	2014 Number
Group				
Exxaro Selector funds	108	107	2 321	2 371
Iscor Employees' Provident Fund	49	51	2 531	2 677
Mine Workers Provident Fund	25	24	1 508	1 549
Sentinel Retirement Fund	57	49	1 752	1 331
Other funds	10	12	29	308
Total	249	243	8 141	8 236
Company				
Exxaro Selector funds	44	47	690	795
Iscor Employees' Provident Fund	1	2	39	62
Sentinel Retirement Fund	5	5	52	49
Total	50	54	781	906

[1] *Working members who are contributing members to an accredited retirement fund.*

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 R94 million (2014: R91 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.

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 EMPLOYEE BENEFITS (CONTINUED)

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 are held in trust to the benefit of selected Exxaro employee beneficiaries for a period of five years. At inception, all qualifying employees received 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 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.

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

14.2.4.3 LTIP

A 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 2015 LTIP grant obtained the right, provided performance conditions are met, to receive a number of Exxaro shares. The performance conditions relate to:

- 50% on the basis of the retention of qualifying employees during the vesting period
- 50% on the basis of headline earning 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 the performance conditions are calculated.

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.

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.

14.2.4.4 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

		2015	2014
		Number of instruments '000	Number of instruments '000
Unit awards accepted at start of scheme (held in trust)[1]			
Outstanding at beginning of year		2 690	2 789
Issued during the year		84	81
Exercised during the year		(186)	(66)
Lapsed/cancelled during the year		(81)	(114)
Outstanding at end of the year		2 507	2 690
Terms of outstanding instruments at end of the year	Expiry date		
	2017	2 507	2 690
Exercise price range for instruments exercised during the year (R)		41,04 – 169,81	100,00 – 169,81
Total proceeds if shares are issued (Rm)		31	301

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

14.2.4.6 SARs

		2015		2014	
		Number of instruments '000	Grant price range R	Number of instruments '000	Grant price range R
Outstanding at beginning of year		1 970	67,07 – 210,84	3 530	60,60 – 210,84
Exercised during the year		(104)	67,07	(376)	59,42 – 126,77
Lapsed/cancelled during the year		(380)	83,50 – 110,65	(1 184)	150,66 – 210,84
Outstanding at end of the year		1 486	67,07 – 163,95	1 970	67,07 – 163,95
Terms of outstanding instruments at end of the year	Expiry date				
	2015			368	67,61 – 155,69
	2016	4	126,77	775	67,07 – 91,92
	2017	674	67,07 – 126,77	811	110,91 – 127,27
	2018	792	110,91 – 127,27	16	126,77 – 150,66
	2019	16	126,77 – 150,66		
		1 486		1 970	
Vested but not sold during the year		1 486	67,07 – 150,66	1 970	67,07 – 163,95
Exercise price range for instruments exercised during the year (R)			83,50 – 110,65		102,85 – 152,30
Total proceeds if shares are issued (Rm)		65,7		203,1	

14.2.4.7 LTIP

		2015		2014	
		Number of instruments '000	Face value range[1] R	Number of instruments '000	Face value range[1] R
Outstanding at beginning of year		6 453	99,25 – 212,26	4 139	67,07 – 212,26
Issued during the year		4 325	40,84 – 111,01	2 816	112,32 – 150,49
Exercised during the year		(453)	40,95 – 112,48	(312)	99,25 – 151,60
Lapsed/cancelled during the year		(1 372)	100,16 – 212,26	(190)	140,08 – 210,84
Outstanding at end of the year		8 953	99,25 – 212,26	6 453	99,25 – 212,26
Terms of outstanding instruments at end of the year	Expiry date				
	2015			1 517	150,06 – 212,26
	2016	2 090	142,33 – 165,02	2 186	142,33 – 165,02
	2017	2 688	111,01 – 150,49	2 750	112,32 – 150,49
	2018	4 175	40,84 – 100,80		
		8 953	40,84 – 165,02	6 453	112,32 – 212,26
Face value range for instruments exercised during the year (R)			40,95 – 112,48		99,25 – 151,60
Total value of shares outstanding (Rm)		395,9		665,2	

[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 DBP

		2015		2014	
		Number of instruments '000	Share price[1] R	Number of instruments '000	Share price[1] R
Outstanding at beginning of year		168	112,68 – 163,40	95	112,68 – 206,12
Issued during the year		113	67,59 – 109,72	93	140,52 – 150,49
Exercised during the year		(22)	62,85 – 110,50	(18)	137,50 – 151,60
Lapsed/cancelled during the year		(3)	140,52 – 163,40	(2)	140,52 – 163,40
Outstanding at end of the year		256	67,59 – 163,40	168	112,68 – 163,40
Terms of outstanding instruments at end of the year	Expiry date				
	2015			23	153,39 – 206,12
	2016	52	161,98 – 167,72	53	161,98 – 167,72
	2017	91	140,52 – 150,49	92	140,52 – 150,49
	2018	113	67,59 – 109,72		
		256	67,59 – 167,72	168	140,52 – 206,12
Share price range for instruments exercised during the year (R)			62,85 – 110,50		137,50 – 151,60
Total value of shares outstanding (Rm)		11,3		17,2	

[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.

The instruments granted in terms of the LTIP, disregarding the non-market performance vesting conditions, which are regarded as exogenous to the valuation model, 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 LTIP instrument is equal to the share price at the vesting date, less the present value of future dividends expected to be declared over the term of the scheme, multiplied by the number of instruments granted in terms of the LTIP. The latter is then adjusted for the number of instruments expected to vest.

		2015	2014
Weighted average fair value for grants during the year (R):			
LTIP		44,67	39,40
DBP		132,01	132,01
Inputs to the valuation models for:			
LTIP	Share price at valuation date (R)	97	142,61
	Weighted average option life (years)	3	3
	Dividend yield (%)	2,74	2,74
	Risk-free interest rate (%)	6,88	7,29
	Employee forfeiture rate (%)	4,77	5,07
DBP	Share price at valuation date – March (R)	133,00	146,17
	Share price at valuation date – August (R)	67,82	150,88
	Weighted average option life (years)	3	3
	Dividend yield – March (%)	1,74	2,86
	Dividend yield – August (%)	2,35	2,50
	Risk-free interest rate – March (%)	6,96	7,43
	Risk-free interest rate – August (%)	7,34	6,83
	Employee forfeiture rate (%)	1,35	1,37

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 2015 amounts to R4,97 million (2014: R5 million).

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

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

At 31 December	2015 Rm	2014 Rm
Group		
At beginning of the year	167	149
Charge to operating expenses	21	19
Current service costs	8	8
Interest expense	17	15
Expected employer benefit payments	(4)	(4)
Remeasurements[1]	24	
Reclassification from/(to) non-current liabilities held-for-sale	5	(1)
At end of the year	217	167

[1] *Tax on remeasurements amounts to R7 million.*

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

RSA:	2015 Rm	2014 Rm
Present value of unfunded obligations	217	171

(iii) The actuarial assumptions were as follows:

	2015	2014
Discount rate (%)	10,9	10
Salary growth rate (%)	9,9	8,8
Healthcare cost inflation (%)	10,4	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 14,9%	Increase by 19,4%
Healthcare cost inflation	1,00%	Increase by 18,8%	Decrease by 14,7%
Expected retirement age	1 year	Decrease by 3,8%	Increase by 3,9%

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 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 2016 amount to R7 million.

14.4 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

This report on remuneration and related matters (refer to the integrated report 2015 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

	NCOE/guaranteed remuneration plus circumstantial			Short-term incentives
2015	**Basic salary R**	**Benefits and allowances[1] R**	**Retirement fund contributions R**	**Performance bonuses[2] R**
Executive directors				
SA Nkosi	7 657 353	98 226	757 320	4 652 386
MDM Mgojo[5]	4 903 361	191 468	426 409	2 728 533
WA de Klerk	4 727 814	233 063	472 036	2 697 499
Total executive directors' remuneration	17 288 528	522 757	1 655 765	10 078 418
Prescribed officers				
AW Diedericks[6]	2 261 164	89 097	223 631	1 395 863
JG Meyer[6]	2 180 164	170 097	223 631	1 378 557
MI Mthenjane	2 973 693	76 353	258 582	1 328 415
M Piater[7]	3 344 971	131 802	330 821	1 890 474
Dr. N Tsengwa[8]	1 583 085	376 673	148 616	1 197 487
PE Venter[9]	1 098 893	42 829	95 556	
M Veti	2 963 323	38 013	293 076	2 280 343
CH Wessels	1 848 058	71 638	149 842	779 202
Total prescribed officers' remuneration	18 253 351	996 502	1 723 755	10 250 341

2015	Fees for services R	Benefits and allowances R	Total R
Non-executive directors			
S Dakile-Hlongwane	474 042	2 726	476 768
Dr CJ Fauconnier	917 947	9 482	927 429
MW Hlahla[5]	124 339		124 339
Dr D Konar (chairman)	1 555 441		1 555 441
S Mayet[10]	96 758		96 758
NB Mbazima[11]	341 881		341 881
VZ Mntambo	476 170		476 170
RP Mohring	899 532	10 741	910 273
V Nkonyeni	513 602		513 602
MF Randera	474 740	6 295	481 035
J van Rooyen	643 779		643 779
D Zihlangu	455 850	3 615	459 465
Total non-executive director remuneration paid by Exxaro	6 974 081	32 859	7 006 940

[1] *Includes leave days purchased as well as travel and acting allowances.*
[2] *All incentive schemes are performance related and were approved by the board. The two-tier short-term incentive scheme applies to all employees throughout the group.*
[3] *Comprise long service awards, zero-fatality and LTIFR rewards.*
[4] *Includes restraint of trade lump sums and ex-gratia payments.*
[5] *Appointed on 4 June 2015.*
[6] *Appointed on 1 April 2015.*
[7] *Termination on 31 December 2015, severance package.*
[8] *Appointed to act as Executive Head: Coal operations on 1 May 2015.*
[9] *Termination on 31 March 2015, severance package.*
[10] *Appointed on 18 August 2015, fees paid to employer.*
[11] *Resigned on 18 August 2015.*

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

Long-term incentives	Other						
Gains on management share schemes R	Exit payment R	Recognition[3] R	Other[4] R	Total remuneration paid R	Share-based payment expense R	Gains on management share schemes R	Total remuneration expense R
2 592 636		5 190		15 763 111	4 517 714	(2 592 636)	17 688 189
1 072 537		5 190		9 327 498	2 326 852	(1 072 537)	10 581 813
1 598 667		5 190		9 734 269	2 910 051	(1 598 667)	11 045 653
5 263 840		15 570		34 824 878	9 754 617	(5 263 840)	39 315 655
437 559		1 646		4 408 960	731 188	(437 559)	4 702 589
319 143		14 512		4 286 104	639 648	(319 143)	4 606 609
		5 190	667 368	5 309 601	572 621		5 882 222
1 393 339	11 687 117	45 480		18 824 004	1 358 175	(1 393 339)	18 788 840
6 556		1 694		3 314 111	464 372	(6 556)	3 771 927
856 782	16 929 984	96 010	3 167 432	22 287 486	640 746	(856 782)	22 071 450
400 306		5 190		5 980 251	804 330	(400 306)	6 384 275
159 062		5 190	24 468	3 037 460	416 651	(159 062)	3 295 049
3 572 747	28 617 101	174 912	3 859 268	67 447 977	5 627 731	(3 572 747)	69 502 961

14.4 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.4.2 Summary of remuneration received or receivable (continued)

	NCOE/guaranteed remuneration plus circumstantial		
2014[1]	**Basic salary R**	**Benefits and allowances**[1] **R**	**Retirement fund contributions R**
Executive directors			
SA Nkosi	7 323 305	93 941	724 283
WA de Klerk	4 574 666	180 255	452 439
Total executive directors' remuneration	11 897 971	274 196	1 176 722
Prescribed officers			
MDM Mgojo	4 106 203	161 484	357 182
MI Mthenjane	3 344 464	110 930	248 683
M Piater	3 213 283	126 613	317 797
PE Venter	4 307 298	199 045	377 156
M Veti	2 837 160	36 394	280 598
C H Wessels	1 775 303	68 818	143 943
Total prescribed officers' remuneration	19 583 711	703 284	1 725 359

2014	**Fees for services R**	**Benefits and allowances R**	**Total R**
Non-executive directors			
S Dakile-Hlongwane	413 707		413 707
Dr CJ Fauconnier	684 700	28 692	713 392
JJ Geldenhuys[7]	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[8]	225 083		225 083
MF Randera	427 540	2 106	429 646
NL Sowazi[9,10]	123 368		123 368
J van Rooyen	599 734		599 734
D Zihlangu	410 575		410 575
Total non-executive director remuneration paid by Exxaro	6 242 626	61 019	6 303 645

[1] *The 2014 executive directors' and prescribed officers' remuneration disclosures have been represented to be aligned with the remuneration philosophy as presented in the integrated report 2015.*

[2] *Includes leave days purchased as well as travel and acting allowances.*

[3] *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.*

[3] *Comprise long service awards, zero-fatality and LTIFR rewards.*

[4] *Include restraint of trade payments and encashments of leave.*

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

[7] *Retired on 27 May 2014.*

[8] *Appointed on 3 June 2014.*

[9] *Fees paid to the respective employer and not the individual.*

[10] *Resigned on 3 June 2014.*

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

Short-term incentives	Long-term incentives	Other					
Performance bonuses[3] R	Gains on management share schemes R	Recognition[4] R	Other[5] R	Total remuneration paid R	Share-based payment expense[6] R	Gains on management share schemes R	Total remuneration expense R
3 188 762	5 509 697	7 307	124 073	16 971 368	(1 407 592)	(5 509 697)	10 054 079
1 938 841	2 792 914	7 307		9 946 422	(1 751 637)	(2 792 914)	5 401 871
5 127 603	8 302 611	14 614	124 073	26 917 790	(3 159 229)	(8 302 611)	15 455 950
2 023 946	2 135 162	7 307	160 404	8 951 688	(611 575)	(2 135 162)	6 204 951
840 052		5 762	644 799	5 194 690	(455 177)		4 739 513
1 243 101	1 347 297	7 307	51 049	6 306 447	(726 992)	(1 347 297)	4 232 158
1 726 326	1 881 695	7 307	51 395	8 550 222	(1 430 693)	(1 881 695)	5 237 834
72 017	988 532	7 307		4 222 008	(535 725)	(988 532)	2 697 751
493 741	415 262	7 307		2 904 374	(217 667)	(415 262)	2 271 445
6 399 183	6 767 948	42 297	907 647	36 129 429	(3 977 829)	(6 767 948)	25 383 652

14.4.3 Interest in Exxaro shares

(i) Number of shares

	2015		2014	
Directors at 31 December	**Direct**	**Indirect**	**Direct**	**Indirect**
Beneficial interest				
S Dakile-Hlongwane		488 763		488 763
WA de Klerk		23 844	1 462	19 011
Dr CJ Fauconnier	47 500		47 500	
Dr D Konar (chairman)	6 168		6 168	
MDM Mgojo	16 047	6 662 997		
VZ Mntambo		5 529 881		5 529 881
RP Mohring	1 000		1 000	
SA Nkosi	80 142	9 656 935	61 113	9 644 427
NL Sowazi				1 124 906
J van Rooyen		1 500		1 500
D Zihlangu		2 818 552		2 818 552
Non-beneficial interest				
WA de Klerk		468		66 363
Dr CJ Fauconnier		1 000		1 000

(ii) Percentages (direct and indirect)

	2015	2014
S Dakile-Hlongwane	0,14	0,14
MDM Mgojo	1,87	
VZ Mntambo	1,54	1,54
SA Nkosi	2,72	2,71
NL Sowazi		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 2015 and the date on which the annual financial statements were approved.

14.4 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

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 SARs

2015	Rights held at 31 December[1] Number	Grant date price R	Exercisable period
Executive directors			
SA Nkosi		112,35	01/04/2015
	67 430	67,07	01/04/2016
	45 474	126,77	01/04/2017
	112 904		
MDM Mgojo		112,35	01/04/2015
	27 530	67,07	01/04/2016
	16 358	126,77	01/04/2017
	43 888		
Prescribed officers			
AW Diedericks	6 988	126,77	01/04/2017
	6 988		
JG Meyer		112,35	01/04/2015
	7 910	67,07	01/04/2016
	4 666	126,77	01/04/2017
	12 576		
M Piater		112,35	01/04/2015
		67,07	01/04/2016
	9 380	126,77	01/04/2017
	9 380		
Dr. N Tsengwa		112,35	01/04/2015
	8 312	126,77	01/04/2017
	8 312		
PE Venter	17 376	126,77	01/04/2017
	17 376		

[1] *Refers to rights held by employees including vested not yet exercised as well as unvested rights.*
[2] *Based on a share price of R44,04 which prevailed on 31 December 2015.*
[3] *Shares forfeited due to performance conditions not being fully met.*

It is assumed that directors will not exercise rights which are out of the money.

Proceeds if exercisable at 31 December[2] R	Rights exercised during the year Number	Shares forfeited[3] Number	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
		41 780				
2 969 617						
2 002 675						
4 972 292		41 780				
		15 720				
1 212 421						
720 406						
1 932 827		15 720				
307 752						
307 752						
		4 560				
348 356						
205 491						
553 847		4 560				
		9 420				
	16 330		67,07	102,59	580 042	31/03/2015
413 095						
413 095	16 330	9 420			580 042	
		9 170				
366 060						
366 060		9 170				
765 239						
765 239						

14.4 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.4.4 Share options and restricted share awards (continued)

14.4.4.1 Management SARs (continued)

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	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.*

There were no management share appreciation right scheme rights exercised nor shares forfeited in 2014.

It is assumed that directors will not exercise rights which are out of the money.

14.4.4.2 Management share scheme – LTIP

2015	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	Shares forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
SA Nkosi		01/04/2015			20 234	48 331	100,8	2 039 587	01/04/2015
	94 011	01/04/2016	4 140 244	4 140 244					
	135 608	01/04/2017	5 972 176	5 972 176					
	196 751	01/04/2018	8 664 914	8 664 914					
	426 370		18 777 334	18 777 334	20 234	48 331		2 039 587	
MDM Mgojo		01/04/2015			8 208	19 604	100,8	827 366	01/04/2015
	38 843	01/04/2016	1 710 646	1 710 646					
	47 848	01/04/2017	2 107 226	2 107 226					
	68 820	01/04/2018	3 030 833	3 030 833					
	63 889	01/05/2018	2 813 672	2 813 672					
	219 400		9 662 377	9 662 377	8 208	19 604		827 366	
WA de Klerk		01/04/2015			10 237	24 452	100,8	1 031 890	01/04/2015
		01/11/2015			4 318	10 312	57,29	247 378	12/11/2015
	58 439	01/04/2016	2 573 654	2 573 654					
	82 010	01/04/2017	3 611 720	3 611 720					
	121 218	01/04/2018	5 338 441	5 338 441					
	261 667		11 523 815	11 523 815	14 555	34 764		1 279 268	

2015	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	Shares forfeited[2] Number	Sale price/market price R	Pre-tax gain R	Date exercised
Prescribed officers									
AW Diedericks		01/04/2015			3 641	8 696	100,8	367 013	01/04/2015
	16 036	01/04/2016	706 225	706 225					
	20 081	01/04/2017	884 367	884 367					
	34 387	01/04/2018	1 514 403	1 514 403					
	70 504		3 104 995	3 104 995	3 641	8 696		367 013	
JG Meyer		01/04/2015			2 169	5 179	100,8	218 635	01/04/2015
		02/08/2015			1 508	3 603	66,65	100 508	26/08/2015
	15 213	01/04/2016	669 981	669 981					
	18 988	01/04/2017	836 232	836 232					
	34 387	01/04/2018	1 514 403	1 514 403					
	68 588		3 020 616	3 020 616	3 677	8 782		319 143	
MI Mthenjane	21 589	01/05/2016	950 780	950 780					
	23 246	01/04/2017	1 023 754	1 023 754					
	33 435	01/04/2018	1 472 477	1 472 477					
	78 270		3 447 011	3 447 011					
M Piater		01/04/2015			4 614	11 018	100,8	465 091	01/04/2015
		01/11/2015			2 540	6 066	57,29	145 517	03/11/2015
	30 632	01/04/2016	1 349 033	1 349 033					
	37 876	01/04/2017	1 668 059	1 668 059					
	54 478	01/04/2018	2 399 211	2 399 211					
	81 558	01/09/2018	3 591 814	3 591 814					
	81 558	18/12/2018	3 591 814	3 591 814					
	286 102		12 599 931	12 599 931	7 154	17 084		610 608	
Dr. N Tsengwa		01/04/2015				8 747	100,8	369 130	01/04/2015
	16 263	01/04/2016	716 223	716 223					
	20 109	01/04/2017	885 600	885 600					
	28 922	01/04/2018	1 273 725	1 273 725					
	65 294		2 875 548	2 875 548		8 747		369 130	
PE Venter		01/04/2015			8 357	19 961	100,8	842 386	01/04/2015
	41 015	01/04/2016	1 806 301	1 806 301					
	50 523	01/04/2017	2 225 033	2 225 033					
	91 538		4 031 334	4 031 334	8 357	19 961		842 386	
M Veti		01/04/2015			3 667	8 757	100,8	369 634	01/04/2015
	18 458	01/04/2016	812 890	812 890					
	23 146	01/04/2017	1 019 350	1 019 350					
	33 291	01/04/2018	1 466 136	1 466 136					
	74 895		3 298 376	3 298 376	3 667	8 757		369 634	
CH Wessels		01/04/2015			1 578	3 767	100,8	159 062	01/04/2015
	8 849	01/04/2016	389 710	389 710					
	10 942	01/04/2017	481 886	481 886					
	15 737	01/04/2018	693 057	693 057					
	35 528		1 564 653	1 564 653	1 578	3 767		159 062	

[1] *Based on a share price of R44,04 which prevailed on 31 December 2015.*
[2] *Shares forfeited due to performance conditions not being fully met.*

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 – LTIP (continued)

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	Shares forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
SA Nkosi		01/04/2014			34 801	1 737	140,08	4 874 924	09/04/2014
	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	34 801	1 737		4 874 924	
WA de Klerk		01/04/2014			17 399	869	140,08	2 437 252	03/04/2014
	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	17 399	869		2 437 252	
Prescribed officers									
MDM Mgojo		01/04/2014			13 414	670	140,08	1 879 033	10/04/2014
	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	13 414	670		1 879 033	
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			8 136	406	140,08	1 139 691	07/04/2014
	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	8 136	406		1 139 691	
PE Venter		01/04/2014			13 433	671	140,08	1 881 695	04/04/2014
	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	13 433	671		1 881 695	
M Veti		01/04/2014			5 875	293	140,08	822 970	10/04/2014
	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	5 875	293		822 970	
CH Wessels		01/06/2014			2 796	140	148,52	415 262	02/09/2014
	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	2 796	140		415 262	

[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.*

14.4.4.3 Management share scheme – DBP

2015	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		06/03/2015			569	109,72	62 431	16/03/2015
		28/02/2015			1 346	109,72	147 683	17/03/2015
		31/03/2015			3 099	102,59	317 926	13/04/2015
		31/08/2015			370	67,59	25 008	08/09/2015
	1 326	08/03/2016	58 397	58 397				
	1 004	31/08/2016	44 216	44 216				
	3 204	07/03/2017	141 104	141 104				
	409	31/08/2017	18 012	18 012				
	1 933	06/03/2018	85 129	85 129				
	15 959	31/03/2018	702 834	702 834				
	23 835		1 049 692	1 049 692	5 384		553 048	
MDM Mgojo		06/03/2015			252	109,72	27 649	17/03/2015
		28/02/2015			558	109,72	61 224	17/03/2015
		31/03/2015			1 455	102,59	149 268	13/04/2015
		31/08/2015			104	67,59	7 029	08/09/2015
	127	08/03/2016	5 593	5 593				
	3 854	01/04/2016	169 730	169 730				
	574	31/08/2016	25 279	25 279				
	2 255	07/03/2017	99 310	99 310				
	4 560	31/03/2017	200 822	200 822				
	778	31/08/2017	34 263	34 263				
	12 148		534 997	534 997	2 369		245 170	
WA de Klerk		06/03/2015			355	109,72	38 951	18/03/2015
		28/02/2015			842	109,72	92 384	18/03/2015
		31/03/2015			1 679	102,59	172 249	02/04/2015
		31/08/2015			234	67,59	15 816	08/09/2015
	827	08/03/2016	36 421	36 421				
	4 320	31/03/2016	190 253	190 253				
	640	31/08/2016	28 186	28 186				
	2 082	07/03/2017	91 691	91 691				
	5 687	31/03/2017	250 455	250 455				
	262	31/08/2017	11 538	11 538				
	1 236	06/03/2018	54 433	54 433				
	8 790	31/03/2018	387 112	387 112				
	23 844		1 050 089	1 050 089	3 110		319 400	
Prescribed officers								
AW Diedericks		28/02/2015			373	109,72	40 926	16/03/2015
		31/03/2015			658	102,59	67 504	08/04/2015
		31/08/2015			45	67,59	3 042	08/09/2015
	55	08/03/2016	2 422	2 422				
	1 807	01/04/2016	79 580	79 580				
	339	31/08/2016	14 930	14 930				
	440	07/03/2017	19 378	19 378				
	2 350	31/03/2017	103 494	103 494				
	137	31/08/2017	6 033	6 033				
	649	06/03/2018	28 582	28 582				
	3 618	31/03/2018	159 337	159 337				
	1 276	31/08/2018	56 195	56 195				
	10 671		469 951	469 951	1 076		111 472	
JG Meyer	468	08/03/2016	20 611	20 611				
	1 360	01/04/2016	59 894	59 894				
	1 028	07/03/2017	45 273	45 273				
	2 196	31/03/2017	96 712	96 712				
	130	31/08/2017	5 725	5 725				
	614	06/03/2018	27 041	27 041				
	3 450	31/03/2018	151 938	151 938				
	1 240	31/08/2018	54 610	54 610				
	10 486		461 804	461 804				

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 – DBP (continued)

2015	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
Prescribed officers (continued)								
MI Mthenjane	138	31/03/2016	6 078	6 078				
	563	07/03/2017	24 795	24 795				
	701		30 873	30 873				
M Piater		08/03/2016			250	109,72	27 430	18/03/2015
		28/02/2015			609	109,72	66 819	18/03/2015
		31/03/2015			947	102,59	97 153	13/04/2015
		31/08/2015			167	67,59	11 288	08/09/2015
	597	08/03/2016	26 292	26 292				
	1 330	01/04/2016	58 573	58 573				
	252	31/08/2016	11 098	11 098				
	1 462	07/03/2017	64 386	64 386				
	4 046	31/03/2017	178 186	178 186				
	185	31/08/2017	8 147	8 147				
	867	06/03/2018	38 183	38 183				
	3 107	31/03/2018	136 832	136 832				
	1 526	31/08/2018	67 205	67 205				
	13 372		588 902	588 902	1 973		202 690	
Dr. N Tsengwa		28/02/2015			376	109,72	41 255	17/03/2015
		31/03/2015			772	102,59	79 199	02/04/2015
		31/08/2015			97	67,59	6 556	08/09/2015
	87	08/03/2016	3 831	3 831				
	889	01/04/2016	39 152	39 152				
	87	31/08/2016	3 831	3 831				
	46	07/03/2017	2 026	2 026				
	159	31/08/2017	7 002	7 002				
	896	06/03/2018	39 460	39 460				
	1 812	31/03/2018	79 800	79 800				
	532	31/08/2018	23 429	23 429				
	4 508		198 531	198 531	1 245		127 010	
PE Venter		31/08/2015			213	67,59	14 397	02/09/2015
					213		14 397	
M Veti		06/03/2015			197	109,72	21 615	18/03/2015
		31/08/2015			134	67,59	9 057	08/09/2015
	461	08/03/2016	20 302	20 302				
	208	31/08/2016	9 160	9 160				
	688	07/03/2017	30 300	30 300				
	88	31/08/2017	3 876	3 876				
	416	06/03/2018	18 321	18 321				
	2 581	13/05/2018	113 667	113 667				
	727	31/08/2018	32 017	32 017				
	5 169		227 643	227 643	331		30 672	
CH Wessels	428	01/04/2016	18 849	18 849				
	126	31/08/2016	5 549	5 549				
	430	07/03/2017	18 937	18 937				
	735	31/03/2017	32 369	32 369				
	55	31/08/2017	2 422	2 422				
	262	06/03/2018	11 538	11 538				
	1 163	31/03/2018	51 219	51 219				
	3 199		140 883	140 883				

[1] *Based on a share price of R44,04 which prevailed on 31 December 2015.*

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	
MI Mthenjane	138	31/08/2016	14 283	14 283				
	563	31/03/2017	58 271	58 271				
	701		72 554	72 554				

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 – DBP (continued)

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
Prescribed officers (continued)								
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	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.*

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 there from are disclosed in chapter 10. There were no finance costs or expenses in respect of bad debt or doubtful debts incurred with regard to the associates or the joint ventures during the financial years ended 31 December 2015 or 2014.

	Notes	Joint ventures	Associates	Joint ventures	Associates
		2015		2014	
		Rm	Rm	Rm	Rm
Items of income and expense incurred during the year					
– Group sales of goods and services		4	56	3	58
– Group purchases of goods and services		949	47	1 927	
The outstanding balances at 31 December					
– Included in trade and other receivables	7.2.3		39		6
– Included in trade and other payables	7.2.4	95	1	148	

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

Subsidiaries

Detail 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 for essential services rendered:

	2015 Rm	2014 Rm
Exxaro Coal Proprietary Limited	1 260	1 457
Exxaro FerroAlloys Proprietary Limited	13	12
Ferroland Grondtrust Proprietary Limited	3	3
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	Employee Share Incentive Trust
Exxaro Foundation	Local Social Economic Development[1]
Exxaro Chairman's Fund	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
Exxaro Mountain Bike Academy NPC	Local Social Economic Development[1]
Total Coal South Africa Nature Conservation Trust	Trust Fund for Mine Closure

[1] *Non-profit organisations.*

Directors

Details relating to directors' emoluments and shareholdings (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, other than the executive and non-executive directors and executive committee members, no other key management personnel were identified. Refer note 14.4 for details on directors' remuneration.

For the group, for 2015 and 2014, the executive committee has been identified as being both key management personnel and prescribed officers. Refer page 14.4 for details on their remuneration.

Shareholders

The principal shareholders of the company at 31 December 2015 are detailed in annexure 3.

Exxaro granted a loan of R400 million to Main Street 333, Exxaro's majority BEE shareholder, during July 2015.

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 statements of cash flows. 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 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

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 recognised initially at fair value and are subsequently 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.

16.1.8 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 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

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 are 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

	At fair value through profit or loss							
Group	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
2015								
Assets								
Non-current assets								
Property, plant and equipment					20 412	20 412		
Biological assets					51	51		
Intangible assets					56	56		
Investments in associates					19 690	19 690		
Investment in joint ventures					1 662	1 662		
Deferred tax					544	544		
Financial assets, consisting of:		1 117	2 594	210	146	4 067		
– Environmental rehabilitation funds		1 113	216			1 329	1 329	
– Loans to joint ventures			105			105	105	105
– KIO		4				4	4	
– Chifeng				210		210	210	
– Lease receivables					146	146		146
– Indemnification asset			1 044			1 044	1 044	1 044
– Loan to BEE shareholder			426			426	426	426
– Non-current receivables			803			803	803	803
Total non-current assets		1 117	2 594	210	42 561	46 482		
Current assets								
Inventories					1 240	1 240		
Trade receivables			2 112		310	2 422	2 112	2 112
Other receivables[2]			243			243	243	243
Current tax receivable					55	55		
Derivative financial asset	1					1	1	1
Cash and cash equivalents			2 055			2 055	2 055	2 055
Total current assets	1		4 410		1 605	6 016		
Non-current assets held-for-sale					128	128		
Total assets	1	1 117	7 004	210	44 294	52 626		

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	Financial liabilities at amortised cost Rm	Non-financial liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm
2015						
Equity and liabilities						
Capital and other components of equity						
Share capital				2 445	2 445	
Other components of equity				6 911	6 911	
Retained earnings				25 670	25 670	
Equity attributable to owners of the parent				35 026	35 026	
Non-controlling interest				(800)	(800)	
Total equity				34 226	34 226	
Non-current liabilities						
Interest-bearing borrowings			4 185		4 185	4 185
Non-current provisions				3 112	3 112	
Post-retirement employee obligations				217	217	
Non-current derivative financial liability		39			39	39
Financial liability[1]				77	77	
Deferred tax				5 071	5 071	
Total non-current liabilities		39	4 185	8 477	12 701	
Current liabilities						
Trade and other payables			2 685	820	3 505	2 686
Current shareholder loans[3]			21		21	21
Derivative financial liability	41				41	41
Interest-bearing borrowings			882		882	882
Current tax payable				48	48	
Current provisions				158	158	
Total current liabilities	41		3 588	1 026	4 655	
Non-current liabilities held-for-sale				1 044	1 044	
Total equity and liabilities	41	39	7 773	44 773	52 626	

[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 include sundry receivables, reclassification of creditors with debit balances and R6 million in respect of the short-term portion of the environmental rehabilitation funds.

[3] Current shareholder loans relate to the outside shareholders of Eloff Mining Company Proprietary Limited. The loans are unsecured, interest free and are repayable on demand.

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
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					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 held-for-sale		73	3		252	328	76	3
Total assets	8	921	4 704	1 240	40 556	47 429		

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	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 other components of equity				
Share capital		2 409	2 409	
Other components of equity		6 031	6 031	
Retained earnings		25 985	25 985	
Equity attributable to owners 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.*

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

Company	Designated at fair value through profit or loss Rm	Loans and receivables at amortised cost Rm	Financial liabilities at amortised cost Rm	Non-financial assets and non-financial 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
2015							
Assets							
Non-current assets							
Property, plant and equipment				533	533		
Intangible assets				48	48		
Investments in associates				13 152	13 152		
Investment in joint ventures				641	641		
Investments in subsidiaries		4 190		5 110	9 300	4 190	4 190
Deferred tax				390	390		
Financial assets, consisting of:	17	705			722	722	705
– Environmental rehabilitation funds	17				17	17	
– Loans to joint ventures		60			60	60	60
– Loan to BEE shareholder		426			426	426	426
– Non-current receivables		219			219	219	219
Total non-current assets	17	4 895		19 874	24 786		
Current assets							
Trade receivables		2 094		14	2 108	2 094	2 094
Other receivables[2]		52			52	52	52
Cash and cash equivalents		796			796	796	796
Total current assets		2 942		14	2 956		
Non-current assets held-for-sale				81	81		
Total assets	17	7 837		19 969	27 823		
Equity and liabilities							
Capital and other components of equity							
Share capital				2 975	2 975		
Other components of equity				1 091	1 091		
Retained earnings				9 777	9 777		
Total equity				13 843	13 843		
Non-current liabilities							
Interest-bearing borrowings			4 185		4 185	4 185	
Non-current provisions				26	26		
Non-current derivative financial liability	39				39	39	
Total non-current liabilities	39		4 185	26	4 250		
Current liabilities							
Trade and other payables			8 628	209	8 837	8 628	
Interest-bearing borrowings			882		882	882	
Current provisions				11	11		
Total current liabilities			9 510	220	9 730		
Total equity and liabilities	39		13 695	14 089	27 823		

[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)

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

Company	Designated at fair value through profit or loss Rm	Loans and receivables at amortised cost Rm	Financial liabilities at amortised cost	Non-financial assets and non-financial 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		
Investment 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 other components of equity							
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			2 976	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.*

16.2.2 Fair values

The financial assets and financial liabilities 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.

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	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
2015				
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	1 117	1 117		
– Environmental rehabilitation funds	1 113	1 113		
– KIO	4	4		
Available-for-sale financial assets	210			210
– Chifeng	210			210
Financial liabilities held-for-trading at fair value through profit or loss	(41)		(41)	
– Current derivative financial liabilities	(41)		(41)	
Financial liabilities designated at fair value through profit or loss	(39)			(39)
– Non-current derivative financial liability	(39)			(39)
Net financial assets/(liabilities) held at fair value	1 248	1 117	(40)	171

Reconciliation of Level 3 hierarchy	Non-current derivative financial liability Rm	Chifeng Rm	RBCT Rm	Total Rm
Opening balance		267	973	1 240
Movement during the year				
Total gains for the period recognised in other comprehensive income (pre-tax effect)[1]		(103)	(61)	(164)
Acquisition of subsidiaries	(33)			(33)
Reclassification of loan repayments			(229)	(229)
Exchange gains for the period recognised in other comprehensive income		46		46
Exchange losses for the period recognised in profit or loss	(6)			(6)
Transfers out of Level 3[2]			(683)	(683)
Closing balance	(39)	210		171

[1] *Tax on RBCT amounts to R23 million.*

[2] *Relates to the RBCT investment now accounted for as an investment in associate.*

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.2 Fair values (continued)

16.2.2.1 Fair value hierarchy (continued)

Company	Fair value Rm	Level 1 Rm	Level 3 Rm
2015			
Financial assets designated at fair value through profit or loss	17	17	
– Environmental rehabilitation funds	17	17	
Financial liabilities designated at fair value through profit or loss	(39)		(39)
– Non-current derivative financial liability	(39)		(39)
Net financial (liabilities)/assets held at fair value	(22)	17	(39)

No Level 2 instruments reported in 2015.

Reconciliation of Level 3 hierarchy	Non-current derivative financial liability Rm	Total Rm
Movement during the year		
Acquisition of subsidiary	(33)	(33)
Exchange losses for the period recognised in profit or loss	(6)	(6)
Closing balance	(39)	(39)

Group	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
2014				
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	Fair value Rm	Level 1 Rm
2014		
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

No Level 2 and Level 3 instruments reported in 2014 for the company.

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 2015 and 31 December 2014, as shown in the reconciliation above.

The RBCT investment has been transferred out of Level 3 of the fair value hierarchy and classified as an investment in associate following the acquisition of additional interest in RBCT through the ECC acquisition. Refer note 10.3.1 for further details of the step acquisition in relation to the RBCT investment.

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, designated at fair value through profit or loss
Included in the environmental rehabilitation funds, designated at fair value through profit or loss, are 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 Exxaro Environmental Rehabilitation Fund and Matla and Arnot Environmental Rehabilitation Fund (Funds) are classified within Level 1 of the fair value hierarchy, as these Funds have been invested on the JSE and NYSE. 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 Funds were created and comply 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 2015 the shares were trading at R41,20 (2014: R239,90).

16.2.2.7 New Age Exploration Limited
The New Age Exploration Limited investment, of 2 136 824 shares, 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 2015 the shares were trading at AU$0,004 (2014: AU$0,009).

16.2.2.8 Non-current receivables
Included in the non-current receivables is an amount of R802 million (2014: R521 million) recoverable from Eskom in respect of the rehabilitation, environmental expenditure and post-retirement medical obligation 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) and employee benefits (refer note 14.3).

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/RMB exchange rate, RMB/US$ exchange rate, Zinc LME price, production volumes, operational costs and the discount rate.

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)

	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
At 31 December 2015			
Observable inputs			
Rand/RMB exchange rate	R2,31/RMB1	Strengthening of the rand to the RMB	21
RMB/US$ exchange rate	RMB6,26 to RMB7,12/US$1	Strengthening of the RMB to the US$	203
Zinc LME price (US$ per tonne in real terms)	US$1 611 to US$2 200	Increase in price of zinc concentrate	203
Unobservable inputs			
Production volumes (tonnes)	85 000 tonnes	Increase in production volumes	31
Operational costs (US$ million per annum in real terms)	US$56,94 to US$75,22	Decrease in operations costs	(173)
Discount rate (%)	9,93%	Decrease in the discount rate	(19)
At 31 December 2014			
Observable inputs			
Rand/RMB exchange rate	R1,86/RMB1	Strengthening of the rand to the RMB	26
RMB/US$ 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)

[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 variable remain constant.*

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

b) Non-current derivative financial liability
Non-current derivative financial liability, arising on the contingent consideration relating to the acquisition of ECC, is classified within Level 3 of the fair value hierarchy as there is no quoted market price or observable price available for this financial instrument. This financial instrument is valued as the present value of the estimated future cash flows, using a discounted cash flow model.

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

	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
At 31 December 2015			
Observable inputs			
Rand/US$ exchange rate	R15,48/US$1	Strengthening of the rand to the US$	4
API4 export price (price per tonne)	US$51,15 to US$62,5	Increase in API4 export price per tonne	175
Unobservable inputs			
Discount rate (%)	3,44%	Decrease in the discount rate	(1)

[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 variable remain constant.*

Inter-relationships

Any inter-relationships between unobservable inputs is not considered to have a significant impact within the range of reasonably possible alternative assumptions for the reporting period.

c) RBCT

For 2014, RBCT was classified within Level 3 of the fair value hierarchy as there was no quoted market price or observable price available for this investment. This unlisted investment was valued as the present value of the estimated future cash flows, using a discounted cash flow model. It was not anticipated that the RBCT investment would be disposed of in the near future. The valuation technique was 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.

	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
At 31 December 2014			
Observable inputs			
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

[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 variable remain constant.*

Inter-relationships

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

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

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 in the integrated report 2015 as published on www.exxaro.com. 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 (ie net profit after tax to distribution covenant). The latter was as a result of the non-cash impairments as follows:

	2015 Rm	2014 Rm
ECC: goodwill	1 524	
Reductants operation: property, plant and equipment	225	
Mayoko iron ore project: goodwill		1 020
Mayoko iron ore project: property, plant and equipment		4 740
Intellectual property		202

The group obtained approval from the providers of finance for the waiver of this covenant on the basis that the impairments are non-cash flow items, which approval was received.

Neither the company nor any of its subsidiaries are subject to externally imposed regulatory capital requirements. The group reviewed the capital allocation in the short to medium term. This resulted in the reprioritisation and staggering of project pipeline to preserve cash in the year, and there was continued focus on reducing input and overhead costs, while protecting the group's profit margins. Key results from the group's initiatives included:

- Cash conservation
- Maintaining low debt levels
- Operational efficiency.

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.

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

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

16.2.6.2.1 Price risk management

As the Funds are invested by Exxaro's in-house 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 R2,99 million (2014: R2,7 million) after tax; an equal change in the opposite direction would have decreased equity by R2,99 million (2014: R2,7 million). The impact on profit or loss would have been an increase or decrease of R2,99 million (2014: R2,7 million) after tax. The analysis has been performed on the same basis for 2015 and 2014.

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 2015 and 2014.

	Profit		Equity	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
KIO	0,264	2		
New Age Exploration Limited	0,007	0,001		

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 note 16.2.2.9 regarding the price sensitivity of investment in Chifeng.

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 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 2015 amount to Nil (2014: US$4 million), whereas uncovered cash and cash equivalents amount to US$43,7 million (2014: US$95 million).

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)

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:R15,48 (2014: US$1:R11,56).

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:

	2015			2014		
	Average spot rate	Average achieved rate	Closing spot rate	Average spot rate	Average achieved rate	Closing spot rate
US$	12,76	13,23	15,48	10,83	10,86	11,56
€	14,17		16,81	14,38		14,06
XAF	0,02		0,03	0,02		0,02
AU$	9,58		11,30	9,80		9,48

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 2015 and 31 December 2014 are as follows:

Group	Market related value Rm	Foreign amount million	Contract value Rm	Recognised fair value losses Rm
2015				
Exports				
US$ – FECs	579	37	539	(40)

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

2015	2015 Rm	Total Rm
Exports		
Expected future cash flows		
US$ – FECs	539	539
Expected loss in profit or loss		
US$ – FECs	(40)	(40)

2014	Market related value Rm	Foreign amount million	Contract value Rm	Recognised fair value profits Rm
Imports				
US$ – FECs				
Less than three months	126	11	118	8
Total	126	11	118	8

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

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

Foreign currency sensitivity

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		Equity	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Group				
– US$	91	110		
Company				
– US$	91	110		

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 R15,48: US$1, with actual rate realising at R15,58: US$1) represents a weakening of the rand against the US$, 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 R16,81: €1, with actual rate coming out at R16,91: €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.

6.2.6.2.3 Interest rate risk management

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

The 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:

	1 to 6 months Rm	Total borrowings Rm
At 31 December 2015		
Non-current interest-bearing borrowings	4 185	4 185
Current interest-bearing borrowings[1]	882	882
	5 067	5 067
Total borrowings (%)	100	100
At 31 December 2014		
Non-current interest-bearing borrowings	2 976	2 976
Current interest-bearing borrowings[1]	34	34
	3 010	3 010
Total borrowings (%)	100	100

[1] *The R882 million (2014: R34 million) represents principal amount of R800 million, interest capitalised of R90 million (2014: R44 million) reduced by the amortised transaction costs of R8 million (2014: R10 million).*

Interest rate sensitivity

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

	Loss	
	2015 Rm	2014 Rm
Increase of 50 basis points in interest rate	(25)	(15)

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 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.6 Risk Management (continued)

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.

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	
	2015 Rm	2014 Rm
Amount approved (per MoI)	42 783	43 031
Total borrowings	(5 067)	(3 010)
Unutilised borrowing capacity	37 716	40 021

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2015 and 2014 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		
Group	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm
2015					
Financial assets					
Derivative financial asset	1	1	1		
Loan to BEE shareholder	426	521		521	
Trade and other receivables	2 349	2 349	2 349		
Cash and cash equivalents	2 055	2 055	2 055		
Total financial assets	4 831	4 926	4 405	521	
Percentage profile (%)		*100*	*89*	*11*	
Financial liabilities					
Current shareholder loans	21	21	21		
Interest-bearing borrowings	5 067	6 120	1 281	1 792	3 047
Non-current derivative financial liability	39	39			39
Trade and other payables	2 685	2 685	2 685		
Derivative financial liability	41	41	41		
Total financial liabilities	7 853	8 906	4 028	1 792	3 086
Percentage profile (%)		*100*	*45*	*20*	*35*
Liquidity gap identified[1]	(3 022)	(3 980)	377	(1 271)	(3 086)

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

Group	Carrying amount Rm	Contractual cash flows Rm	Maturity 0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
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)

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

Company	Carrying amount Rm	Contractual cash flows Rm	Maturity 0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
2015						
Financial assets						
Loan to BEE shareholder	426	521		521		
Trade and other receivables	2 146	2 146	2 146			
Cash and cash equivalents	796	796	796			
Total financial assets	3 368	3 463	2 942	521		
Percentage profile (%)		*100*	*85*	*15*		
Financial liabilities						
Interest-bearing borrowings	5 067	6 120	1 281	1 792	3 047	
Non-current derivative financial liability	39	39			39	
Trade and other payables	8 628	8 628	8 628			
Total financial liabilities	13 734	14 787	9 909	1 792	3 086	
Percentage profile (%)		*100*	*67*	*12*	*21*	
Liquidity gap identified[1]	(10 366)	(11 324)	(6 967)	(1 271)	(3 086)	
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)	(6 144)	(2 559)	(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 is not expected to be repaid in the foreseeable future.*

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.6 Risk Management (continued)

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 are spread amongst 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 portion 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	
	2015 %	2014 %
By geographical area		
– South Africa	71	73
– Europe	25	12
– Asia	4	15
Total	100	100
By industry		
– Steel	2	18
– Manufacturing	5	5
– Merchants	7	20
– Structural metal	4	
– Public utilities	78	53
– Mining	3	2
– Other	1	2
Total	100	100

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
The carrying amount of the financial assets at 31 December was:				
Neither past due nor impaired	6 935	4 867	7 837	9 431
– Trade receivables	2 112	1 830	2 094	4 817
– Other receivables	243	255	52	143
– Derivative financial asset	1	8		
– Loans to joint ventures	105	83	60	60
– Loans to subsidiaries			4 190	2 985
– Non-current receivables	803	522	219	129
– Indemnification asset	1 044			
– Loan to BEE shareholder	426		426	
– Lease receivables	146	160		
– Trade receivables held-for-sale		3		
– Cash and cash equivalents	2 055	2 006	796	1 297
Past due	92	322	10	94
– Trade receivables	90	322	10	94
– Other receivables	2			
Total financial assets	7 027	5 189	7 847	9 525
Impaired	146	44	290	
– Trade receivables	50	29		
– Other receivables	96	15	96	
– Indebtedness by subsidiaries			194	
Financial assets including impaired receivables	7 173	5 233	8 137	9 525

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 norm.

Repayment terms with a customer were temporarily renegotiated but will revert back to original payment terms on 1 January 2016.

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

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.6 Risk Management (continued)

16.2.6.4 Credit risk management (continued)

16.2.6.4.2 Trade and other receivables age analysis

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Past due but not impaired				
1 – 30 days overdue	76	1	3	1
31 – 60 days overdue	6	203		
61 – 90 days overdue		6		5
90 – 180 days overdue	1			
>180 days overdue	9	112	7	88
Total carrying amount of financial instruments past due but not impaired[1]	92	322	10	94
Past due and impaired				
1 – 30 days overdue	1		1	
31 – 60 days overdue	1		1	
61 – 90 days overdue	1		1	
90 – 180 days overdue	34		2	
>180 days overdue	109	44	91	
Total carrying amount of financial instruments past due and impaired	146	44	96	
Total carrying amount of financial instruments past due or impaired	238	366	106	94

[1] *The group past due but not impaired receivable of R72 million relates to the Europe geographical area, R18 million relates to South Africa and R2 million relates to the RoC.*

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	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Cash and cash equivalents				
Fitch ratings				
F1+	1 023	1 412	682	1 097
F1	191	200	114	200
Standard and Poors's ratings				
A-1+	10	30		
A-1	831	364		
Total cash and cash equivalent	2 055	2 006	796	1 297
Derivative financial assets				
Standard and Poors's ratings				
A-1	1	8		
Total derivative financial assets	1	8		

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.

16.2.6.4.4 Collateral
No collateral was held by the group as security and other enhancements over the financial assets during the years ended 31 December 2015 and 2014.

Guarantees
The group did not obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees during the financial year ended 31 December 2015 and 31 December 2014. 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	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Cash and cash equivalents				
Cash and cash equivalents	2 055	2 006	796	1 297
Bank overdraft		(67)		(66)
Cash and cash equivalents	2 055	1 939	796	1 231

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, including transaction costs and initial fair value of contingent consideration arising on acquisition date, less accumulated impairment losses. Subsequent fair value remeasurements of the contingent consideration are recognised in profit or loss.

Business combinations are accounted for using the acquisition method as at the acquisition date — 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

For the year ended 31 December	Company 2015 Rm	Company 2014 Rm
Unlisted shares		
– Dividends[1]		282
– Net finance income	353	450
Interest expense on financial liabilities measured at amortised cost[2]	(1 163)	(1 693)
Interest income on impaired loans and receivables	4	
Interest income on unimpaired loans and receivables	1 512	2 143
Total income from investments in subsidiaries	353	732

[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.*

17.3 INVESTMENTS IN SUBSIDIARIES

At 31 December	Notes	Company 2015 Rm	Company 2014 Rm
Shares at cost less impairment losses		5 110	3 449
Non-current portion		4 190	2 985
Total indebtedness		(1 898)	(366)
By subsidiaries[1]		6 284	7 801
– Current[2]		2 094	4 816
– Non-current		4 190	2 985
To subsidiaries (current)		(8 182)	(8 167)
Total current portion		6 088	3 351
– Included in trade and other receivables	7.2.3	(2 094)	(4 816)
– Included in trade and other payables	7.2.4	8 182	8 167
Per statement of financial position		9 300	6 434

[1] *The 2015 indebtedness by subsidiaries is stated after impairments of R194 million and R1 104 million on the current and non-current loans of ECC respectively.*

[2] *Includes R885 million (2014: R38 million) for the current portion of the back-to-back (non-current) loans.*

Terms for loans

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.

Treasury loans

The current loans included in trade and other receivables and trade and other payables consists mainly of treasury loans. The treasury loans have no repayment terms and are payable on demand. Interest is charged at money market rates on applicable loans.

Back-to-back loans (linked to external term loans)

The non-current loans and a portion of the current loans relate to the back-to-back loans. The back-to-back loans have similar terms as agreed with external lenders. Interest on the term loan facility is paid on a six monthly basis at 9,38% per annum (2014: 9,12% per annum). Interest is based on JIBAR plus a margin of 275 basis points (2014: JIBAR plus a margin of 275 basis points). Refer note 12.1.4 for detailed terms and conditions of the term loans.

	Company 2015 Rm	Company 2014 Rm
Non-current back-to-back loans		
Summary of loans by financial year of redemption		
2016		395
2017	1 276	876
2018	797	397
2019	1 318	918
2020	799	399
Total unsecured non-current loans	4 190	2 985
Current portion of non-current back-to-back loans	885	38
Total back-to-back loans	5 075	3 023

17.4 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO INVESTMENTS IN SUBSIDIARIES

At 31 December	Notes	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
17.4.1 Proceeds from disposal of operation					
Consideration received					
– NCC		70			
Total proceeds from disposal of operation		70			
17.4.2 Acquisition of subsidiaries					
Purchase consideration paid for acquisition of Exxaro Resources (Beijing) Commercial Company Limited					(2)
Purchase consideration paid for acquisition of ECC		(3 381)		(3 381)	
ECC overdraft balances acquired		(55)			
Total acquisition of subsidiaries		(3 436)		(3 381)	(2)
17.4.3 (Increase)/decrease in indebtedness by subsidiaries					
(Increase)/decrease in indebtedness by subsidiaries				(1 204)	615
Total (increase)/decrease in investment in subsidiaries				(1 204)	615

17.5 DETAILED ANALYSIS OF INVESTMENTS IN SUBSIDIARIES[1]

					Interest of company			
					Investment in shares		Indebtedness	
At 31 December	Country of incorporation[2]	Nature of business[3]	Public interest score[4]	Issued capital-unlisted ordinary shares number	2015 R	2014 R	2015 Rm	2014 Rm
DIRECT INVESTMENTS								
AlloyStream Holdings Proprietary Limited	RSA	H	1	1	746 163	746 163	23	22
AlloyStream Proprietary Limited	RSA	M	1	1	1	1		
Clipeus Investment Holdings Proprietary Limited	RSA	H	1	1	1	1	12	11
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		329 500 002				
Exxaro Australia Proprietary Limited	AUS	A & P			423 782 774	416 660 264	5	
Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited	RSA	H	1	1	1	1	219	219
Exxaro Chairman's Fund	RSA	T						
Exxaro Coal Botswana Holding Company Proprietary Limited	BOT	H		500	10	10		
Exxaro Coal Central Proprietary Limited[6,7]	RSA	M	342	1 000 000	1 512 355 094			
Exxaro Coal Proprietary Limited	RSA	A	35 612	1	1 000	1 000	5 437	7 008
Exxaro Employee Empowerment Participation Scheme Trust	RSA	T	1					
Exxaro Employee Empowerment Trust	RSA	T	1					
Exxaro Environmental Rehabilitation Fund	RSA	T						
Exxaro FerroAlloys Proprietary Limited	RSA	M	316	1	1	1	21	(31)
Exxaro Foundation	RSA	T						
Exxaro Holdings Congo Proprietary Limited	RSA	H	1	40 000	1 869 951 859	1 869 951 859	(69)	(69)
Exxaro Holdings Proprietary Limited	RSA	H	1	1	459 517 297	459 517 297	56	55
Exxaro Insurance Company Limited	RSA	I	217	5 000	5 000 000	5 000 000		
Exxaro Mountain Bike Academy NPC	RSA	E	2				11	8
Exxaro People Development Initiative NPC	RSA	E	1					
Exxaro Properties (Groenkloof) Proprietary Limited	RSA	B	1	1		1		
Exxaro Resources (Beijing) Commercial Company Limited	PRC	C			1 609 275	1 609 275		
Ferroland Grondtrust Proprietary Limited	RSA	D	82	2	2	2	55	46
Gravelotte Iron Ore Company Proprietary Limited	RSA	A	5	1	1	1	41	42
Kumba Resources Management Share Trust	RSA	T					(41)	(40)
Mayoko Investment Company	MAU	H		218 982 391	180 666 137	39 128 148		
Rocsi Holdings Proprietary Limited	RSA	H	1	1	653 722 945	653 722 945	(553)	(478)
Skyprops 112 Proprietary Limited[8]	RSA	H	1	100	1	1		

At 31 December	Country of incorporation[2]	Nature of business[3]	Public interest score[4]	Issued capital-unlisted ordinary shares number	Interest of company: Investment in shares 2015 R	Interest of company: Investment in shares 2014 R	Interest of company: Indebtedness 2015 Rm	Interest of company: Indebtedness 2014 Rm
INDIRECT INVESTMENTS								
African Iron Exploration SA (85%)	CON	P		196 000				
African Iron Proprietary Limited	AUS	H		501 828 283				
AKI Exploration (Bermuda) Proprietary Limited	BER	H		808				
AKI Exploration Proprietary Limited	AUS	H		1				
Coastal Coal Proprietary Limited	RSA	A	137	5 000			22	9
DMC Iron Congo SA	CON	A		156 800				
DMC Mining Proprietary Limited	AUS	H		91 867 867				
Dorstfontein Coal Mines Proprietary Limited (74%)[7]	RSA	M	2 251	10 000				
Eloff Mining Company Proprietary Limited (51%)[7]	RSA	M	28	5 715				
Exxaro Australia Iron Investments Proprietary Limited	AUS	H		2				
Exxaro Base Metals China Limited	HK	H		100				
Exxaro Base Metals International BV	NE	P		40			214	214
Exxaro Coal Mpumalanga Proprietary Limited	RSA	A	9 940	100 000 000			(222)	(339)
Exxaro Esmore Cooperatief U.A[9]	NE	J						
Exxaro International BV	NE	H		680			(6 939)	(6 942)
Exxaro International Trading AG	SW	C		10 000				
Exxaro Mayoko SA	CON	G		1 000				
Exxaro Mineral Sands BV	NE	P		180			167	167
Exxaro Reductants Proprietary Limited	RSA	M	98	1			(358)	(269)
Ferrowest Shareblock Proprietary Limited[8]	RSA	B	1	100				
Forzando Coal Mines Proprietary Limited (74%)[7]	RSA	M	1 304	200				
Inyanda Coal Proprietary Limited	RSA	A	2	1 000				
Ithemba Farm Proprietary Limited[7]	RSA	V	1	100				
Manyeka Coal Mines Proprietary Limited[7]	RSA	H	1	2 000				
Masinketa Coal Mines Proprietary Limited (74%)[7]	RSA	H	2	100				
Mmakau Coal Proprietary Limited (49%)[7]	RSA	P	6	100				
Newcastle Coal Mines Proprietary Limited[7]	RSA	M	3	2 000				
Quindong Minerals Proprietary Limited	AUS	G		100				
The Vryheid (Natal) Railway, Coal and Iron Company Proprietary Limited	RSA	A	99	3 675				
Total Coal South Africa Nature Conservation Trust[7]	RSA	T						
Tumelo Coal Mines Proprietary Limited (49%)[7]	RSA	M	22	100				
Total investment in subsidiaries					5 109 872 528	3 448 856 936	(1 898)	(366)

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

[2] *RSA – Republic of South Africa, AUS – Australia, HK – Hong Kong, 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, V – Farming.*

[4] *Public interest scores are only applicable to entities incorporated in the RSA.*

[5] *Impaired during 2014.*

[6] *Impaired during 2015.*

[7] *Acquired during 2015.*

[8] *Shares were cancelled during 2015 as entity is in process of liquidation.*

[9] *Liquidated during 2015. Cooperative in Rotterdam, Netherlands.*

17.6 NON-CONTROLLING INTERESTS

17.6.1 Summarised financial information

The summarised financial information set out below relates to the subsidiaries with non-controlling interests that are material to the group.

The amounts disclosed for each subsidiary are before intercompany eliminations.

	Dorstfontein Coal Mines Proprietary Limited Rm	Other ECC Rm
Statements of financial position		
At 31 December 2015		
Non-current assets	957	146
Current assets	123	23
Total assets	1 080	169
Non-current liabilities	3 808	275
Current liabilities	130	6
Total liabilities	3 938	281
Net liabilities	(2 858)	(112)
Accumulated non-controlling interests	(743)	(57)
Statements of comprehensive income		
For the period 31 December 2015		
Revenue	524	
Operating (expenses)/income	(517)	1
Net operating profit	7	1
Finance income	1	1
Finance costs	(109)	(5)
Loss before tax	(101)	(3)
Income tax expense		(1)
Loss for the period	(101)	(4)
Other comprehensive income		
Total comprehensive loss for the period	(101)	(4)
Loss attributable to:	(101)	(4)
Owners of the parent	(75)	(2)
Non-controlling interests	(26)	(2)
Total comprehensive loss attributable to:	(101)	(4)
Owners of the parent	(75)	(2)
Non-controlling interests	(26)	(2)
Statements of cash flows		
For the period ended 31 December 2015		
Cash flows from operating activities	5	(9)
Cash flows from investing activities	(32)	4
Cash flows from financing activities	27	7
Net increase in cash and cash equivalents		2

No dividends were paid during 2015.

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 2015 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 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 2015 are consistent with those applied in 2014 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 3 *Business Combinations,* management has made certain judgements in respect of the fair value of the contingent consideration, the estimation of the contingent liability of a take-or-pay penalty as well as the consolidation of entities with less than 50% ownership (refer note 9.5)
- 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 28 *Investments in Associates* management has assessed the level of influence that the group has on its investment in RBCT and the investment has subsequently been reclassified from a financial asset available-for-sale to an investment in associate (refer note 10.3.1).
- 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. 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.

18.1.5 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 base 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 BASIS OF PREPARATION (CONTINUED)

18.1.5 Key assumptions made by management in applying accounting policies (continued)

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.

18.1.5.8 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 quoted field prices. Refer 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 (2009) for South African and Congolese properties and the JORC Code (2012) for Australian properties. Such estimates relate to the category for the resource (measured, indicated or inferred), the quantum and the grade.

18.1.5.12 Business combination

Management made various judgements and estimates regarding the business combination transaction in 2015. Refer note 9.5.

18.2 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

18.2.1 During 2015, the following accounting pronouncements became effective:

	Effective date	Impact on the group
Annual improvements to IFRS 2010-2012 reporting cycle		
• IFRS 2 *Share-based Payments* – clarifies the definition of vesting condition and separately defines performance condition and services condition.	1 July 2014	The amendment had no impact on the group as the group has applied the definition appropriately.
• IFRS 3 *Business Combination* – 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 definition 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.	1 July 2014	Exxaro complied with this amendment and applied the guidance for the contingent consideration relating to the ECC business combination in 2015.
• 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.	1 July 2014	The amendments had no impact on the group as the group has not aggregated any operating segments not are there any differences between the reported segment assets and the group's assets.
• 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 payable at invoice amounts where the effect of discounting is immaterial.	1 July 2014	The amendment had no impact on the group as short term receivables and payables are measured at invoice amounts where the effect of discounting is immaterial.

	Effective date	Impact on the group
• IAS 16 *Property, Plant and Equipment* and IAS 38 I*ntangible Assets* – are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.	1 July 2014	The amendment had no impact on the group as the group does not apply the revaluation model to property, plant and equipment nor intangible assets.
• 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 the parent of the reporting entity (the management entity). Disclosure of the amounts charged to the reporting entity is required.	1 July 2014	The amendment had no impact on the group as the group does not make use of an entity that provides key management personnel services to the Exxaro group of companies.
Annual improvements to IFRS 2011-2013 reporting cycle • IFRS 1 *First Time Adoptions of IFRSs* – 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.	1 July 2014	The amendment had no impact on the group as the group is not a first time adopter of IFRS.
• 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*.	1 July 2014	The amendment had no impact on the group as the group has not formed any new joint ventures. This will be considered for future transactions.
• IFRS 13 *Fair Value Measurement* – amended the basis of conclusions 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 Measurements* or IFRS 9 *Financial Instruments.*	1 July 2014	The amendment had no impact on the group as the group does not apply the portfolio exception in IFRS 13.
• 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	The amendment had no impact on the group as the group does not hold investment property nor has it acquired investment property.
Amendment to IAS 19 *Employee Benefits* The amendment applies to contributions from employee 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 services, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with services will be required to recognise the benefit of those contributions over employee's working lives.	1 July 2014	The amendment had no impact on the group as the group currently only has an unfunded post-retirement medical aid benefit plan.

18.2 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

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

	Effective date
• 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 re-measured 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
• 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. The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 and IAS 28. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.	Postponed (initially 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

	Effective date
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. – 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 January 2016
• Amendment to IAS 12 *Income Taxes.* The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.	1 January 2017
• Amendment to IAS 7 *Cash Flow Statements.* In January 2016, IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.	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 use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.	1 January 2018

	Effective date
• 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 2018
• IFRS 16 *Leases* The new standard states that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the statement of financial position. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of the lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more fair representation of a lessee's assets and liabilities and, together with enhanced disclosure, will provide greater transparency of a lessee's financial leverage and capital employed. One of the implications of the new standard is that there will be a change to key financial ratios derived from lessee's assets and liabilities (for example, leverage and performance ratios). IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC 15 *Operating leases – Incentives*, and SIC 27 *Evaluating the substance of transactions involving the legal form of a lease.*	1 January 2019

The accounting standards and amendments issued to accounting standards and interpretations which are relevant to the group, but not yet effective at 31 December 2015, 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 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.

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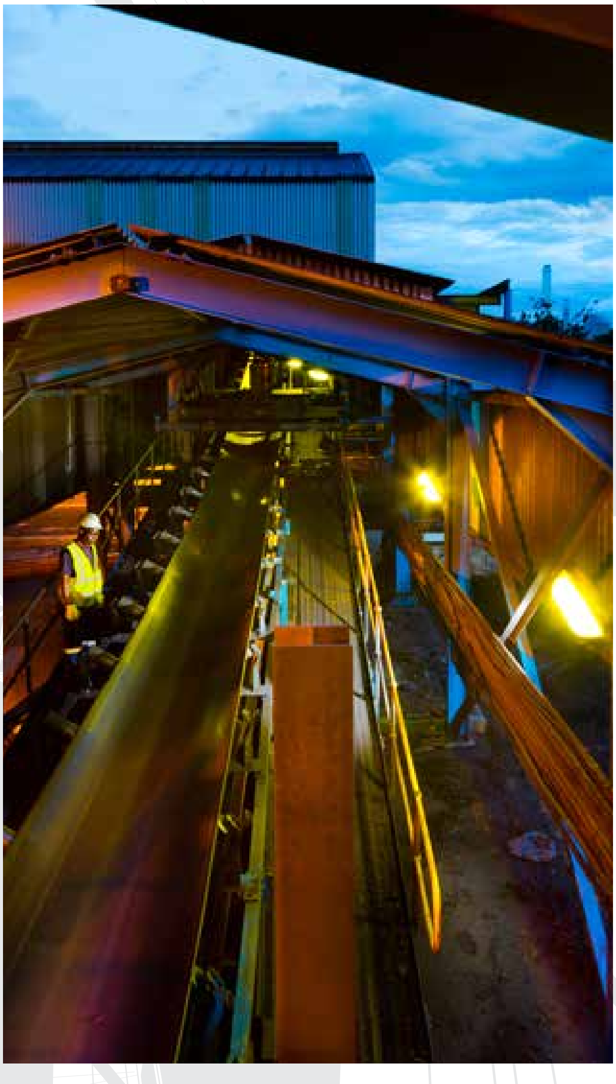
ANNEXURES



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 2015 and 2014) 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: R12,76 (2014: US$1: R10,86) 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: R15,48 (2014: US$1: R11,56).

Stripping cost

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 of. 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	
For the year ended 31 December	2015 Rm	2014 Rm
Investment in other non-current assets		
Decrease in loans to joint ventures		185
Decrease in non-current receivables	141	219
Decrease in non-current financial assets	24	4
Increase in non-current receivables	(67)	(1)
Increase in environmental rehabilitation funds	(184)	(180)
Increase in loans to joint ventures	(20)	(13)
	(106)	214

ANNEXURE 3: SHAREHOLDER ANALYSIS

3.1 Exxaro public and non-public shareholding 2015

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued share capital
Non-public shareholders	56	1,01	224 631 680	62,73
• Main Street 333[1]	1	0,02	186 550 873	52,09
• Anglo South Africa Capital Proprietary Limited	1	0,02	34 730 282	9,70
• Kumba Management Share Trust	1	0,02	158 218	0,04
• Exxaro Employee Empowerment Share Trust	1	0,02	2 731 562	0,77
• Directors	10	0,17		
• 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]			24 312	0,01
– MDM Mgojo[3]			28 195	0,01
– SA Nkosi[3]			103 977	0,03
• Subsidiary directors	42	0,76	247 093	0,07
Public shareholders	5 472	98,99	133 483 825	37,27
Total		100,00	358 115 505	100,00

[1] *Includes indirect shareholding through Main Street 333 of the following directors:*

- SA Nkosi	*9 633 100*	*2,69*
- MDM Mgojo	*6 650 849*	*1,86*
- S Dakile-Hlongwane	*488 763*	*0,14*
- VZ Mntambo	*5 529 881*	*1,54*
- D Zihlangu	*2 818 552*	*0,79*

[2] *Includes direct, indirect, beneficial and non-beneficial holdings.*

[3] *Includes direct and DBP shareholding.*

3.2 Registered shareholder spread

In accordance with the Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2015:

Shareholder spread	Number of holders	Total shareholders %	Number of shares	Issued capital
1 – 1 000 shares	5 364	97,03	812 394	0,23
1 001 – 10 000 shares	87	1,57	226 359	0,06
10 001 – 100 000 shares	36	0,65	1 505 814	0,42
100 001 – 1 000 000 shares	29	0,53	12 533 549	3,50
1 000 001 shares and above	12	0,22	343 037 389	95,79
Total	5 528	100,00	358 115 505	100,00

ANNEXURE 3: SHAREHOLDER ANALYSIS (CONTINUED)

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 2015:

Investment management shareholdings	Total shareholding	%
Coronation Asset Management Proprietary Limited	64 071 199	17,89
Public Investment Corporation (PIC)	15 642 439	4,37
Allan Gray Investment Council	12 765 073	3,56
Total	92 478 711	25,82
Beneficial shareholdings		
Main Street 333	186 550 873	52,09
Anglo South Africa Capital Proprietary Limited	34 730 282	9,70
Government Employees Pension Fund	19 643 040	5,49
Coronation Top20 Fund	12 009 416	3,35
Total	252 933 611	70,63

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.

WANOS in issue

The number of shares in issue at the beginning of the year, increased by shares issued during the year, and Treasury share 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.

ADMINISTRATION

Group company secretary and registered office
CH Wessels
Exxaro Resources Limited
Roger Dyason Road
Pretoria West, 0183
(PO Box 9229, Pretoria, 0001)
South Africa
Telephone +27 12 307 5000

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

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

Sponsor
ABSA Bank Limited (acting through its Corporate and Investment Bank division)
Barclays Sandton North
15 Alice Lane
Sandton, 2196
Telephone +27 11 895 6000

Commercial bankers
Absa Bank Limited

Auditors
PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill, 2157

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

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

SHAREHOLDER DIARY

Financial year-end	31 December
Annual general meeting	May
Reports and accounts published	Published
Announcement of annual results	March
Integrated 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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