POWERING POSSIBILITY

Exxaro Resources Limited
Group and company annual financial statements for the year ended 31 December 2018

CONTENTS

CHAPTER 12: FUNDING

CHAPTER 13: PROVISIONS, CONTINGENCIES AND OTHER COMMITMENTS

CHAPTER 14: PEOPLE

CHAPTER 15: RELATED PARTIES

CHAPTER 16: FINANCIAL INSTRUMENTS

CHAPTER 17: SUBSIDIARIES

CHAPTER 18: COMPLIANCE

CHAPTER 19: ANNEXURES

ACRONYMS

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

FVPL	Fair value through profit or loss
GG	Grootegeluk
HDSA	the meaning given to it, or any equivalent or replacement term, in the broad-based socio-economic empowerment charter for the South African Mining Industry, developed under section 100 of the MPRDA, as amended or replaced from time to time
HEPS	Headline earnings per share
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standard
IM	Information management
IPP	Independent power producer
IT	Information technology
JIBAR	Johannesburg Interbank Agreed Rate
JORC	Joint Ore Reserves Committee Code
JSE	JSE Limited
kcal	Kilocalorie
King IV™	King IV Report on Corporate Governance for South Africa, 2016
KIO	Kumba Iron Ore Limited
KPI(s)	Key performance indicator(s)
kt	Kilo tonnes
LightApp	LightApp Technologies Limited
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 or MS333	Main Street 333 Proprietary Limited (RF)
Manyeka	Manyeka Coal Mines Proprietary Limited
MoI	Memorandum of Incorporation
Mpower 2012	Exxaro Employee Empowerment Trust
MPRDA	Mineral and Petroleum Resources Development Act 28 of 2002
Mt	Million tonnes
NBC	North Block Complex
NCI	Non-controlling interests
NCOE	Notional cost of employment
NEMA	National Environmental Management Act, 1998
NPC	Not for profit company

ACRONYMS (CONTINUED)

OCI	Other comprehensive income
PAYE	Pay as you earn
PIC	Public Investment Corporation
PPI	Producer Price Index
PRC	People's Republic of China
Prime Rate	South African prime bank rate
PwC	PricewaterhouseCoopers Incorporated
RB1	Richards Bay export product 1
RBCT	Richards Bay Coal Terminal Proprietary Limited
Replacement BEE Transaction	BEE transaction which was implemented in 2017 and resulted in Exxaro being held 30% by HDSAs
Rm	Rand million
RMB	Chinese renminbi
RSA	Republic of South Africa
SAICA	South African Institute of Chartered Accountants
SAMREC Code	The South African code for the reporting of exploration results, mineral resources and mineral reserves
SAR	Share appreciation right scheme
SARS	South African Revenue Service
SIOC	Sishen Iron Ore Company Proprietary Limited
SPPI	Solely payments of principal and interest
SSCC	Semi-soft coking coal
Tata Power	Tata Power Company Limited
TiO_2	Titanium dioxide
Tronox	Exxaro's investment in Tronox entities
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
Tronox UK	Tronox Sands Limited Liability Partnership in the United Kingdom
TSR	Total shareholder return
UK	United Kingdom
Universal Coal	Universal Coal Development IV Proprietary Limited
US$	United States dollar
USA	United States of America
VAT	Value Added Tax
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WANOS	Weighted average number of shares
WATP	Weighted average trading price

CHAPTER 1:
BROAD-BASED ECONOMIC VALUE CREATION

CHAPTER 1:

Broad-based economic value creation

1.1 GROUP CASH VALUE ADDED STATEMENT (UNAUDITED)

The cash value added statement shows the wealth the group has created through mining operations and investing activities.

Exxaro generates and creates value to its various stakeholders as follows:

- Employees receive salaries or 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 and investments receive various taxes 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
- Communities surrounding the operations of Exxaro benefit through corporate social investment initiatives
- All stakeholders benefit from continuous reinvestment into the group to ensure sustainability and expansion.

The statement on page 7 summarises the total cash wealth created and how it was disbursed among the group's stakeholders. The retained amount was reinvested into the group for the replacement of assets and further development of operations (further value add over time).

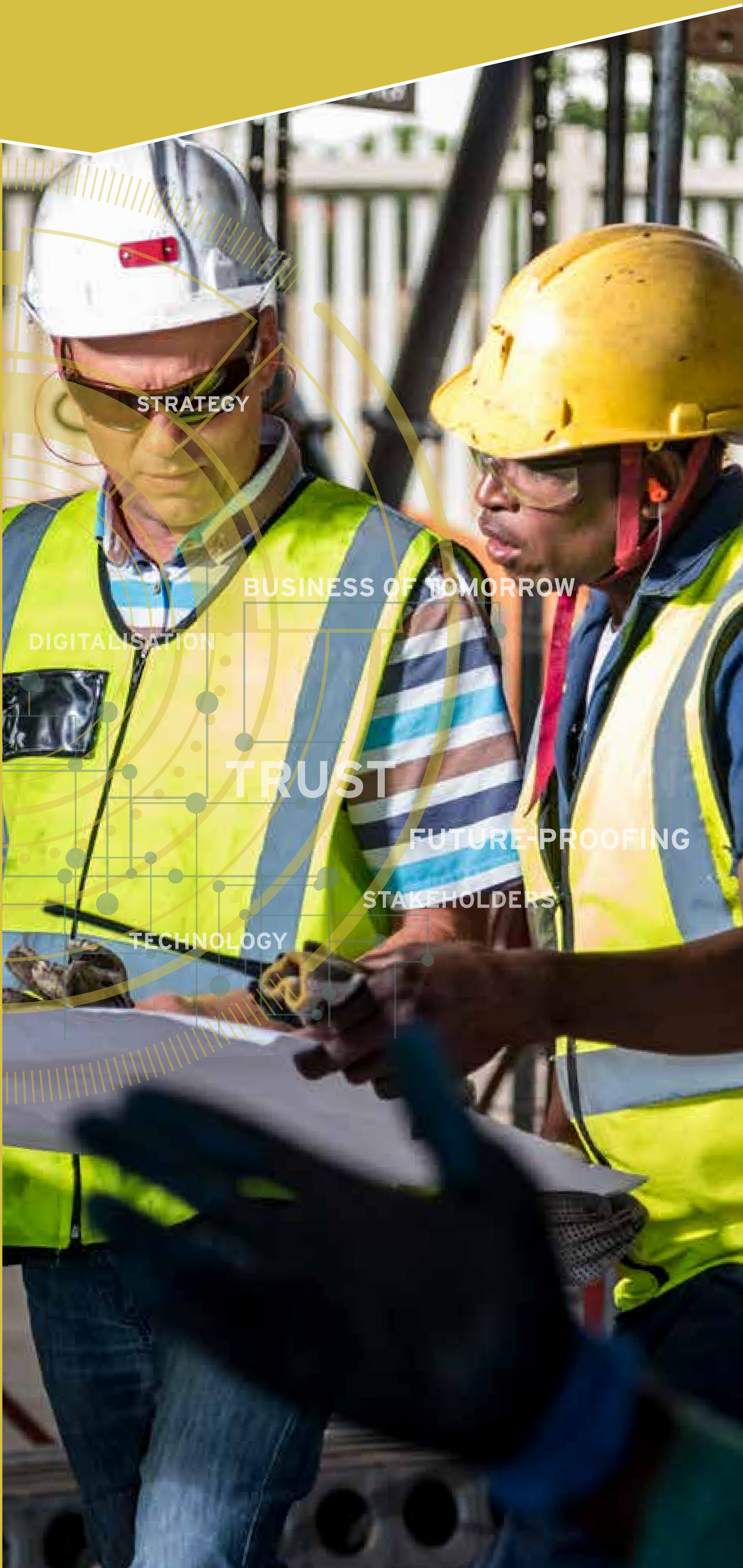
Value distribution

1.1 GROUP CASH VALUE ADDED STATEMENT (UNAUDITED) (CONTINUED)

VALUE DISTRIBUTION

For the year ended 31 December	2018 Rm	2017 Rm
Direct economic value generated	14 546	13 020
Gross revenue from the sale of products and services (including VAT)	29 025	25 855
Income from investments and interest received	2 932	1 688
Operating costs	(17 411)	(14 523)
Economic value distributed	(12 611)	(8 120)
Employee salaries, wages and benefits (excluding PAYE)	(3 486)	(2 930)
PAYE deducted from remuneration paid	(1 143)	(882)
Payments to government (taxation contribution)	(1 657)	(1 433)
Cost of financing (interest paid and other loan costs)	(518)	(597)
Cash dividend paid, excluding Mpower 2012 beneficiaries	(5 483)	(2 214)
Cash dividend paid to Mpower 2012 beneficiaries		(13)
Dividend paid to BEE Parties	(247)	
Community investments and volunteerism (including donations)	(77)	(51)
Net economic value retained in the group to maintain and develop operations	1 935	4 900
Included in the above are:		
Payments to government (taxation contribution)	(1 657)	(1 433)
Direct taxes per country (excluding deferred tax)	(1 007)	(790)
– RSA	(986)	(774)
– Netherlands	(21)	(16)
VAT	(153)	(434)
– Levied on purchases of goods and services	2 992	2 254
– Charged on turnover	(3 145)	(2 688)
Additional amounts collected by the group on behalf of government		
– Unemployment Insurance Fund	(12)	(12)
Levies paid to government	(485)	(197)
– Rates and taxes	(6)	(10)
– Royalties	(413)	(133)
– Workers' Compensation Fund	(13)	(7)
– Unemployment Insurance Fund	(12)	(12)
– Skills Development Levy	(41)	(35)
Community investments and volunteerism per region	(77)	(51)
– Gauteng	(34)	(19)
– Limpopo	(23)	(15)
– Mpumalanga	(20)	(17)

CHAPTER 2:
THE YEAR IN BRIEF



CHAPTER 2:

The year in brief

FINANCIAL PERFORMANCE

The group's net operating profit from continuing operations for 2018 increased by R4 728 million to R5 703 million (2017: R975 million). The coal business benefited from higher revenue from the commercial mines, an increase in Eskom sales volumes and higher exports while the group's results were impacted by various key transactions, including costs associated with the implementation of the Replacement BEE Transaction in 2017 of R4 339 million.

Income from equity-accounted investments (continuing and discontinued) of R3 259 million for 2018 (2017: R2 123 million) increased by 54%. This is as a result of key transactions which occurred in 2017, Exxaro's share of the loss incurred by Tronox Limited on the disposal of the Alkali chemicals business of R1 271 million which was partly offset by an impairment reversal of property, plant and equipment (R716 million net of tax) from SIOC. In 2018, Tronox SA reported improved operating performance and foreign currency exchange gains. In addition, Cennergi's financial results were boosted by fair value adjustments on derivative instruments and a change in the useful life of property, plant and equipment.

COMPARABILITY OF RESULTS

The key transactions shown below should be considered for a better understanding of the comparability of results between 2018 and 2017.

KEY TRANSACTIONS IMPACTING ON COMPARABILITY

Reporting segment	Description	2018 Rm	2017 Rm
Coal	– Insurance claim received from external parties[1]	57	3
	– Gain on disposal of non-core investments[1,2]	171	
	– Gain/(loss) on disposal of property, plant and equipment[1,3]	121	(62)
	– Post-tax share of equity-accounted investments' remeasurements[1]	(1)	
Ferrous	– Post-tax share of SIOC's loss on disposal of property, plant and equipment[1]	(13)	(11)
	– Post-tax share of SIOC's reversal of impairment of property, plant and equipment[1]		716
TiO_2	– Loss on dilution of shareholding in Tronox Limited[1]		(106)
	– Gain on partial disposal of investment in Tronox Limited including the recycling of the foreign currency translation reserve, offset by a loss on the recycling of the financial instruments revaluation reserve to profit or loss[1]		5 191
	– Post-tax share of Tronox's gain on disposal of property, plant and equipment[1]	1	1
	– Post-tax share of Tronox Limited's loss on disposal of Alkali chemical business[1]		(1 271)
Energy	– Post-tax share of Cennergi's net gain on disposal of property, plant and equipment[1]	1	
Other	– Loss on disposal of financial asset	(2)	
	– Receivable relating to the disposal of the Mayoko iron ore project written off		(27)
	– BEE credentials expense and transaction costs		(4 339)
	– Fair value adjustment on contingent consideration relating to the acquisition of ECC	(357)	(354)
	– Loss on disposal of property, plant and equipment[1]		(2)
	– Recycling of the foreign currency translation reserve on liquidation of foreign entities to profit or loss[1]	14	(58)
Net financing cost	– Eyesizwe preference dividend accrued (consolidation impact)	(100)	(11)
Net tax adjustments	– Tax on key transactions	(29)	17
Group	**Total attributable earnings impact**	(137)	(313)

[1] *Excluded from headline earnings.*

[2] *Comprises gains on disposal of Manyeka (R69 million) and of certain assets and liabilities of NBC (R102 million).*

[3] *Includes R115 million gain on disposal of mineral properties by Matla.*

GROUP FINANCIAL RESULTS

REVENUE

Group revenue increased by 12% to R25 491 million (2017: R22 813 million), mainly due to higher coal selling prices and higher Eskom commercial volumes at Grootegeluk, based on demand from Medupi power station, partially offset by a lower quality product mix. The average price per tonne achieved on exports was US$77 (2017: US$69). The average spot exchange rate realised was marginally stronger at R13.24 to the US dollar (2017: R13.30).

EARNINGS

Earnings, which include Exxaro's share of equity-accounted investments was R7 030 million (2017: R5 982 million) or 2 801 cents per share (2017: 1 923 cents per share), impacted by various key transactions (as shown in the table above).

GROUP FINANCIAL RESULTS (CONTINUED)

EARNINGS (CONTINUED)

Headline earnings increased to R6 707 million (2017: R1 560 million) or 2 672 cents per share (2017: 502 cents per share), driven by the following non-recurring costs in the prior year:

- BEE credential expense and transaction costs of R4 339 million for the Replacement BEE Transaction, which were not adjusted for in headline earnings
- Cessation of the equity method of accounting for Tronox Limited on 30 September 2017.

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

	Equity-accounted income/(loss)		Dividends received	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Mafube	114	259		
RBCT	(36)	(24)		
SIOC	2 592	3 303	2 569	1 390
Tronox SA	382	67		
Tronox UK[1]	110	119		
Tronox Limited[2]		(1 829)	69	109
Cennergi	66	2	58	
LightApp[3]	(5)			
AgriProtein[4]	(31)			
Black Mountain	70	226		
Curapipe	(3)			
Total	3 259	2 123	2 696	1 499

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

[2] *Application of the equity method of accounting ceased when the Tronox Limited investment was classified as a non-current asset held-for-sale on 30 September 2017.*

[3] *Acquired on 18 September 2018.*

[4] *Acquired on 31 May 2018.*

CASH FLOW AND FUNDING

Cash flow generated by operations of R7 024 million (2017: R6 826 million) plus dividends received from investments in associates and joint ventures of R2 696 million was sufficient to cover capital expenditure and ordinary dividends as shown below.

Deploying cash generated by operations	2018 Rm	2017 Rm
Cash generated by operations	7 024	6 826
Dividends received from investments in associates and joint ventures	2 696	1 499
Net finance costs	(289)	(409)
Capital expenditure	(5 790)	(3 921)
Tax paid	(1 007)	(790)
Final/interim ordinary dividend paid	(2 334)	(2 227)
Net surplus	300	978

Total capital expenditure increased by R1 869 million mainly due to investments in the GG6 phase 2 expansion and Belfast projects.

SIOC declared a final dividend to shareholders on 14 February 2019, totalling R1 369 million for Exxaro's 20.62% shareholding. This dividend will be recognised as part of the 2019 interim results.

DEBT EXPOSURE

The group had net debt of R3 867 million at 31 December 2018 compared to net cash of R69 million at 31 December 2017.

Net debt includes the preference share liability of R609 million (2017: R2 478 million) for Eyesizwe.

In addition to cash flow items noted above, a gross special dividend of R4 502 million (R3 149 million paid to external shareholders) was paid to shareholders on 5 March 2018 after the partial disposal of the shareholding in Tronox Limited in October 2017.

COAL BUSINESS

Trading conditions in the domestic market were strong in 2018, resulting in all premium product being sold at stable prices. Exxaro's supply to Eskom increased in line with contractual commitments while all other markets remained stable.

The international export market recorded strong demand for most of 2018. India increased its demand for South African lower-grade material up to the third quarter of 2018, when the market became oversupplied with coal from Indonesia and Australia after the ban on coal imports by China. Demand from South Korea slowed in 2018 as South African coal could not compete with Colombian material, but new opportunities came from Japan after Exxaro shipped a trial cargo to a power plant and received a new order for 2019. In Pakistan, new coal-fired power plants were commissioned in 2018, increasing annual coal demand to 6Mtpa from the traditional 4Mtpa. Exxaro made further inroads into the Pakistan market, supplying both the power plant and cement industries.

China has recently relaxed the ban on coal imports. However, there is still a strong indication that it will continue to protect its domestic market by limiting coal imports. If China imposes a further ban on imports, this will have a negative impact on coal pricing, especially into India.

In addition to favourable domestic and international trading conditions, Exxaro realised year-on-year operational excellence improvements and successfully implemented two key initiatives, namely visualisation of Exxaro's mining value chain and the integrated operations centre at some of Exxaro's major mines, focused on eliminating systemic waste.

REVENUE

Coal revenue increased by 12% to R25 302 million (2017: R22 553 million). Higher revenue from the commercial mines reflects higher selling prices, an increase in Eskom sales volumes and higher export sales. This was partially offset by lower domestic sales and a lower product quality mix.

CAPEX AND PROJECTS

Exxaro's capital for its coal business increased by 50% compared to 2017. This is mainly due to:

- the GG6 phase 2 expansion project in the Waterberg region
- the Belfast project, Leeuwpan Lifex project and higher sustaining capex at ECC, in the Mpumalanga region.

The higher capex is partly offset by:

- optimisation on sustaining capital at Grootegeluk (trucks, stacker and reclaimers as well as discard and backfill phase 2 project).

Coal capex	2018 Rm	2017 Rm	Change %
Sustaining	2 779	3 203	-13
Commercial: Waterberg	1 904	2 687	-29
Commercial: Mpumalanga	875	516	+70
Expansion	2 943	601	
Commercial: Waterberg	1 987	440	
Commercial: Mpumalanga	956	161	
Total coal capex	5 722	3 804	+50

EQUITY-ACCOUNTED INVESTMENT

Mafube, a 50% joint venture with Anglo, recorded lower equity-accounted income of R114 million (2017: R259 million), mainly due to ramping down at Springboklaagte and ramping up at the Nooitgedacht reserve.

FERROUS BUSINESS

EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted income from SIOC was R2 592 million (2017: R3 303 million). The lower equity-accounted income is mainly attributable to Exxaro's share of a post-tax impairment reversal of R716 million for property, plant and equipment during 2017. An interim dividend of R1 263 million was received from SIOC in 2018 (2017: R1 390 million). A final dividend, of which Exxaro's share will be R1 369 million, was declared on 14 February 2019.

TiO_2 BUSINESS

EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted income from Tronox SA and Tronox UK increased by R306 million to R492 million compared to 2017. This is mainly due to improved operating performance and foreign currency exchange gains.

Exxaro is committed to monetising the remaining 23.35% interest in Tronox Limited to focus on core activities, repay debt, fund capital commitments and make distributions to shareholders by applying the capital allocation framework. In this regard, on 26 November 2018, Exxaro and Tronox Limited agreed to address the following key matters:

- The terms of Exxaro's support for Tronox Limited's intention to redomicile from Australia, where it is currently incorporated, to the United Kingdom
- Exxaro's accelerated disposal of its 26% member's interest in Tronox UK for R2 billion in cash, representing Exxaro's indirect share of loan accounts in Tronox SA at 30 September 2018

TiO$_2$ BUSINESS (CONTINUED)

EQUITY-ACCOUNTED INVESTMENTS (CONTINUED)

- Further clarification of terms and conditions agreed between Exxaro and Tronox Limited in 2012, when Tronox Limited was formed, by which Exxaro can dispose of its 26% equity interest in Tronox SA in exchange for 7.2 million Tronox Limited shares or the cash equivalent (the disposal). In addition to existing triggers, Exxaro and Tronox Limited have agreed that the disposal can be triggered on the occurrence of certain events, including confirmation or agreement that Tronox SA has met the relevant ownership requirements for its existing mining rights, in the context of the new mining charter
- The terms on which Exxaro can begin a staged process to monetise its remaining Tronox Limited stake of 28.7 million shares in 2019, subject to market conditions, including Exxaro's grant to Tronox Limited of a right to acquire such shares at a market-related price in lieu of selling them in the market or to any third parties.

The investment in Tronox Limited continues to meet the criteria to be classified as a non-current asset held-for-sale. In addition, Exxaro's membership interest in Tronox UK was classified as a non-current asset held-for-sale as of 30 November 2018, when all the requirements in terms of IFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations* were met, and application of the equity method ceased.

On 15 February 2019, Tronox Limited confirmed the completion of the first stage of its redomiciliation, in which it has acquired Exxaro's 26% ownership interest in Tronox UK for R2.1 billion.

On 8 March 2019, Tronox Limited announced that the shareholders of Tronox Limited approved the transaction to redomicile to the United Kingdom from Australia.

ENERGY BUSINESS AND OTHER

EQUITY-ACCOUNTED INVESTMENTS – CENNERGI

Equity-accounted income from Cennergi, a 50% joint venture with Tata Power, increased from R2 million in 2017 to R66 million in 2018. Financial results were boosted by fair value adjustments on derivative instruments, as well as a change in the useful life (from 20 years to 30 years) of property, plant and equipment at the two wind farms which reduced the depreciation charge.

In 2018, Exxaro received dividends of R58 million as well as R186 million for the settlement of shareholder loans.

EQUITY-ACCOUNTED INVESTMENTS – OTHER

On 31 May 2018, Exxaro acquired an equity interest in AgriProtein. The purchase price of US$52.5 million comprises initial cash of US$14.5 million (R184.2 million) paid on 1 June 2018 and a deferred consideration of US$38 million (R482.8 million), which will be paid over the next two years. The timing of the deferred consideration depends on AgriProtein's capital expenditure requirements. Transaction costs of R6.6 million were capitalised to the cost of the investment. AgriProtein develops municipal organic waste-conversion plants to generate high-quality, natural protein sold for use in animal feed and agriculture.

On 18 September 2018, Exxaro acquired an equity interest in LightApp. The purchase price of US$10 million comprises initial cash of US$5 million (R71.9 million), paid on 27 September 2018, and a deferred consideration of US$5 million (R70.7 million) which will be paid over the next two years. Transaction costs of R0.6 million were capitalised to the cost of the investment. LightApp is one of the leading start-ups in industrial energy analytics. It is a software company that develops and deploys an energy management system for industrial customers. The LightApp solution enables continuous collection and analysis of energy consumption data together with production indicators from sensors on the production floor. This analysis leads to improved energy management and efficiency through deeper insights and alerts. While LightApp is a global business, Exxaro will also use the LightApp platform to improve energy management at its own operations, with the first deployment already commencing at the FerroAlloys facility in Pretoria.

SALE OF NON-CORE ASSETS AND INVESTMENTS

To optimise Exxaro's coal portfolio, Exxaro concluded a sale of shares agreement with Universal Coal for the 100% shareholding in Manyeka, including the 51% interest in Eloff. The transaction closed on 31 July 2018. Exxaro received net cash of R75 million, resulting in a gain on disposal of R69 million.

On 2 March 2018, Exxaro concluded a sale of asset agreement with North Block Complex Proprietary Limited to dispose of certain assets and liabilities of NBC. Given the composition of the assets, two section 11 applications were submitted to the DMR to transfer the mineral rights. Although the section 11 for the Paardeplaats mining right has not yet been granted, it was agreed with the buyer to close the transaction on 31 October 2018. Exxaro received proceeds of R17 million for the Glisa and Eerstelingsfontein reserves, resulting in a gain on disposal of R102 million.

The sale of Paardeplaats will be concluded once the section 11 approval has been obtained.

SHAREHOLDER RETURN

Given Exxaro's strong balance sheet, underpinned by strong cash flow generation, the board of directors approved a revised dividend policy during 2018. The revised dividend policy comprises the following two components;

- a pass through of the SIOC dividend received: and
- a dividend based on a targeted cover ratio of 2.5 times to 3.5 times core attributable coal earnings.

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

As such, Exxaro was able to declare a final dividend of 555 cents per share for 2018, bringing the total dividend for 2018 to 1 085 cents per share. Including the special dividend of 1 255 cents per share paid during 2018, total dividends during 2018 were 2 340 cents per share.

Historical dividend declarations

OUTLOOK[1]

Exxaro expects sustainable improvement in the physical operating results for the coal business by embedding Exxaro's business optimisation and operational excellence initiatives across all operations, and unlocking value through data analytics and value-chain integration.

Exxaro is proud to report that the group is on track and within budget to deliver value on Exxaro's coal capital projects. The Belfast and Leeuwpan Lifex projects are ahead of schedule, while the GG6 expansion and Grootegeluk rapid load out station projects are impacted by community and labour related activities in the Lephalale area. Exxaro continues to engage with contractors faced with labour unrest and corporate uncertainty.

A stable domestic market is anticipated for the first half of 2019, supported by healthy prices due to tight supply in premium quality sized coal.

In Mpumalanga Eskom has, due to the termination of several coal supply agreements, requested industry participants for expressions of interest to supply coal on a short-term basis while it is looking to enter into longer-term contracts. This is positive for Exxaro as it provides more flexibility between various markets.

Exxaro remains positive that the outcome of the national elections on 8 May 2019 will put South Africa on a renewed investment and economic growth path urgently needed to address the socio-economic challenges the country is facing. Exxaro is fully supportive of the investment drive spearheaded by the Presidency.

The international market remains largely bearish owing to possible market oversupply, which hinges on China and its ban on coal imports. An increase in coal demand is expected in India, a market that is likely to remain Exxaro's main export destination.

Market conditions are expected to be supportive in 2019. Exxaro will continue to explore more opportunities in emerging markets where coal-fired power plants are being commissioned.

During the first half of 2019, the performance of the SIOC investment will be boosted by higher iron ore prices after supply disruptions in Brazil, a relative high global lump premium and a weak rand/US dollar exchange rate.

Although global economic activity is edging down and market sentiment is challenging, commodity price support in the second half of 2018 is expected to continue into the first half of 2019. However, global policy tensions, especially on trade, remain the biggest threat to global growth. The rand/US dollar exchange rate is expected to remain volatile during the period.

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

CHAPTER 3: REPORTS

CHAPTER 3:

Reports

3.1 DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors are responsible for maintaining adequate accounting records, the preparation of the annual financial statements of the group and company as well as to develop and maintain a sound system of internal controls to safeguard shareholders' investments and assets. In presenting the accompanying group and company 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 auditors and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal controls, auditing, financial reporting and financial risk management. The 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 group and company annual financial statements. The independent external auditors and internal auditors have unrestricted access to all records, property and personnel as well as to the audit committee.

The directors have reviewed the financial budgets along with the underlying business plans for the period to 31 December 2019. In light of the current financial position and existing borrowing facilities, it is considered appropriate that the group and company annual financial statements be prepared on the going-concern basis. The independent external auditors are responsible for reporting on whether the group and company annual financial statements are fairly represented in accordance with IFRS. The independent external auditors have audited the group and company annual financial statements and their unmodified report appears on pages 24 to 27. Against this background, the directors accept responsibility for the group and company annual financial statements, which were approved by the board of directors on 12 April 2019 and are signed on its behalf by:

MDM Mgojo	**PA Koppeschaar**
Chief executive officer	Finance director

Pretoria
12 April 2019

3.2 CERTIFICATE BY THE GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I, SE van Loggerenberg, in my capacity as group company secretary and legal, confirm that, to the best of my knowledge and belief, for the year ended 31 December 2018, Exxaro has filed with the Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

SE van Loggerenberg
Group company secretary and legal

Pretoria
12 April 2019

3.3 REPORT OF THE DIRECTORS

The directors have pleasure in presenting the group and company annual financial statements of Exxaro Resources Limited for the year ended 31 December 2018.

NATURE OF BUSINESS

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

While coal is the core of our business now and for decades to come, Exxaro understands the finite nature of the fossil-fuel sector and changing global imperatives. Therefore, Exxaro also holds a 50% (2017: 50%) interest in Cennergi, an energy company which aims to be the leading cleaner energy IPP in South Africa.

Exxaro's major investments in associates include its 23.35% (2017: 23.66%) equity interest in Tronox Limited, a vertically integrated mining and inorganic chemical business. It also includes a 26% (2017: 26%) equity interest in Tronox SA and a 20.62% (2017: 20.62%) equity interest in SIOC, which extracts and processes iron ore.

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

Exxaro's strategy is based on sustainably growing its coal asset base as well as embarking on investments focused on the security of energy, water and food supply (agriculture). This underpinned the strategy guiding our business of tomorrow, that along with the business of today (being coal) will ensure that Exxaro empowers better lives in Africa and beyond.

Interests acquired during the year in the area of agriculture and energy

Exxaro acquired an equity interest in AgriProtein on 31 May 2018. AgriProtein develops municipal organic waste conversion plants to generate high quality, natural protein sold for use in animal feed and agriculture.

On 18 September 2018, Exxaro acquired an equity interest in LightApp. LightApp is one of the leading start-ups in industrial energy analytics. It is a software company that develops and deploys an energy management system for industrial customers.

Sale of non-core assets and investments to ensure sustainable coal assets

To optimise Exxaro's coal portfolio, a sale of shares agreement was concluded with Universal Coal for the 100% shareholding in Manyeka, including a 51% interest in Eloff. The transaction closed on 31 July 2018.

On 2 March 2018, Exxaro concluded a sale of asset agreement with North Block Complex Proprietary Limited to dispose of certain assets and liabilities of NBC. Given the composition of the assets, two section 11 applications were submitted to the DMR to transfer the mineral rights. Although the section 11 for the Paardeplaats mining right has not yet been granted, it was agreed with the buyer to close the transaction on 31 October 2018.

The sale of Paardeplaats will be concluded once section 11 approval has been obtained.

INTEGRATED REPORT AND SUPPLEMENTAL INFORMATION

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

CORPORATE GOVERNANCE

The directors endorse and acknowledge the principles contained in King IV™. These principles are applied by Exxaro and therefore the disclosures made in the integrated report are essential to allow stakeholders to assess whether the principles and recommended practices are integrated in the business processes of Exxaro. Furthermore, we acknowledge that effective corporate governance should form part of everything we say and do. Corporate governance forms part of the foundational layers of our strategy, and effective governance is therefore entrenched as a way of doing business. Full details on how these principles are applied in Exxaro are set out in the integrated report 2018.

3.3 REPORT OF THE DIRECTORS (CONTINUED)

COMPARABILITY OF RESULTS

The results for the years ended 31 December 2018 and 2017 are not comparable due to the key transactions reported in the table on page 9. Refer note 5.6 and 5.7 for detail regarding the re-presentation and restatement of 2017 financial information.

ACCOUNTING POLICIES

The accounting policies applied during the year ended 31 December 2018 are consistent, in all material respects, with those applied in the group and company annual financial statements for the year ended 31 December 2017 except for the adoption of the following new standards, which are relevant to the group, for the first time for the year commencing 1 January 2018:

- IFRS 9 *Financial Instrument*
- IFRS 15 *Revenue from Contracts with Customers*

The impact of the adoption and the new accounting policies are disclosed in note 5.6.

REGISTRATION DETAILS

The company registration number is 2000/011076/06. The registered office is Roger Dyason Road, Pretoria West, 0183, Republic of South Africa. Refer chapter 19: annexure 3, for further details.

CAPITAL MANAGEMENT

A new capital allocation framework was adopted in June 2018. In terms of the new framework, free cash flow generated will be prioritised per the diagram below.

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

SHARE CAPITAL

	Number of shares	
At 31 December	**2018**	**2017**
Authorised ordinary shares of R0.01 each	500 000 000	500 000 000
Issued ordinary shares of R0.01 each	358 706 754	358 706 754
Treasury shares held by Kumba Resources Management Share Trust	158 218	158 218
Treasury shares held by Eyesizwe	107 612 026	107 612 026

3.3 REPORT OF THE DIRECTORS (CONTINUED)

SHAREHOLDERS

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

DIVIDEND PAYMENTS

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

Given Exxaro's strong balance sheet, underpinned by strong cash flow generation, the board approved a revised dividend policy during 2018. The revised dividend policy comprises two components; firstly, a pass through of the SIOC dividend received and secondly, a dividend based on a targeted cover ratio of 2.5 times to 3.5 times core attributable coal earnings.

Exxaro declared the following dividends:

Dividend number 31

Interim dividend number 31 of 530 cents per share was approved on 14 August 2018 and declared in South African rand in respect of the six-month period ended 30 June 2018. The dividend payment date was Monday, 25 September 2018 to shareholders recorded in the register of the company at close of business on Friday, 21 September 2018.

Dividend number 32

Final dividend number 32 of 555 cents per share was approved on 12 March 2019 and declared in South African rand in respect of the year ended 31 December 2018. The final dividend payment date is Monday, 13 May 2019 to shareholders recorded in the register of the company at close of business on Friday, 10 May 2019 (record date). To comply with the requirements of Strate, the last date to trade cum dividend is Monday, 6 May 2019. The shares will commence trading ex-dividend on Tuesday, 7 May 2019.

The final dividend declared is subject to dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local final dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 444 cents per share. The number of ordinary shares in issue at the date of this declaration is 358 706 754. Exxaro company's tax reference number is 9218/098/14/4.

Special dividend

On 13 February 2018, Exxaro declared a special dividend amounting to 1 255 cents per share following the partial disposal of its shareholding in Tronox Limited during October 2017. The dividend was paid to shareholders on 5 March 2018.

INVESTMENTS AND SUBSIDIARIES

The financial information in respect of investments and interests in subsidiaries of the company is disclosed in note 17.8.

EVENTS AFTER THE REPORTING PERIOD

The group entered into the following transactions subsequent to 31 December 2018:

- On 15 February 2019, Exxaro received a cash dividend of R460 million from Tronox UK and Exxaro's 26% membership interest was redeemed for an amount of R1 597 million
- On 22 February 2019, Exxaro signed a transfer agreement with the Arnot OpCo Proprietary Limited consortium, whose shareholders are former employees of Arnot and Wescoal, for the transfer of the Arnot mine. This transfer is subject to regulatory and the three parties' approvals.

Refer details above regarding the final dividend for 2018.

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 2018 or in the group and company annual financial statements 2018 that would significantly affect the operations or the results of the group and company. Refer note 18.3 for further details.

DIRECTORATE AND SHAREHOLDINGS OF DIRECTORS

Details of the directors in office at the date of this report are set out in the integrated report 2018.

Details of directors' shareholdings are contained in note 14.5.3.

In March 2018 as a result of the Replacement BEE Transaction Dr MF (Fazel) Randera, Mr D (Rain) Zihlangu, Mr VZ (Zwelibanzi) Mntambo; Mrs S (Salukazi) Dakile-Hlongwane and Ms MW (Monhla) Hlahla resigned due to the unwinding of MS333. In their stead, Eyesizwe nominated four individuals which the board appointed to take up office with immediate effect: Mr VZ (Zwelibanzi) Mntambo; Ms MW (Monhla) Hlahla, Ms L (Likhapha) Mbatha and Ms D (Daphne) Mashile-Nkosi.

3.3 REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORATE AND SHAREHOLDINGS OF DIRECTORS (CONTINUED)

Dr D (Deenadayalen) Konar, who served as chairman of the board, retired by rotation at the AGM on 24 May 2018 and did not make himself available for re-election. Mr S (Saleh) Mayet, who served as a non-executive director also retired at the AGM and did not offer himself for re-election. Furthermore, Dr CJ (Constantinus) Fauconnier, an independent non-executive director retired in terms of the requirements of the MoI (by virtue of his age) and did not offer himself for re-election.

The board subsequently filled these casual vacancies after running a thorough and transparent appointment process through its remuneration and nomination committee, taking into account its race and gender targets of 50% black and 30% black women. It appointed Ms A (Anuradha) Sing, Ms GJ (Geraldine) Fraser-Moleketi, Mr MJ (Mark) Moffett and Mr LI (Isaac) Mophatlane as independent non-executive directors.

In accordance with the MoI, the appointments by the board are required to be confirmed through election by the shareholders at the forthcoming AGM to be held on 23 May 2019.

At the date of the compilation of this report, the following individuals were directors of the company:

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

DIRECTORS' SERVICE CONTRACTS

All executive directors' employment contracts are subject to six calendar months' notice. Non-executive directors are not bound by service contracts. There are no restraints of trade associated with the service contracts of executive directors.

A detailed analysis of the directors' and prescribed officers' remuneration is included in note 14.5.

GROUP COMPANY SECRETARY

Mrs SE (Saret) van Loggerenberg, a Fellow of the Institute of Chartered Secretaries is the company secretary. The contact details of Saret van Loggerenberg appear in the administration section on page 188.

INDEPENDENT EXTERNAL AUDITORS

PwC was re-elected as independent external auditors on 24 May 2018 in accordance with section 90 of the Companies Act and has again been proposed for re-election in respect of the 2019 financial year, to occur at the forthcoming AGM on 23 May 2019.

AUDIT COMMITTEE

The audit committee report appears on pages 20 to 23, as well as in the integrated report 2018.

BORROWING POWERS AND FINANCIAL ASSISTANCE

	Group	
	2018 Rm	(Re-presented) 2017 Rm
Amount approved	52 308	50 126
Total borrowings (excluding finance leases)	(4 414)	(6 529)
Unutilised borrowing capacity	47 894	43 600

The borrowing powers were set at 125% of shareholders' funds attributable to owners of the parent for both the 2018 and 2017 financial years.

Pursuant to the authorisation granted at the AGM held on 25 May 2017, shareholders approved, in accordance with section 45 of the Companies Act, the giving of financial assistance to related and inter-related companies of Exxaro.

3.3 REPORT OF THE DIRECTORS (CONTINUED)

BORROWING POWERS AND FINANCIAL ASSISTANCE (CONTINUED)

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

EMPLOYEE INCENTIVE SCHEMES

Details of the employee incentive schemes are set out in note 14.3 as well as the remuneration and nomination committee report in the integrated report 2018 and the supplementary information.

RELATED-PARTY TRANSACTIONS

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

GOING CONCERN

The directors believe that the group and company have adequate financial resources to continue in operation for the foreseeable future and accordingly the group and company annual financial statements 2018 have been prepared on a going-concern basis. The directors are not aware of any new material changes, or any material non-compliance with statutory or regulatory requirements, that may adversely impact the group or company.

SPONSOR

Absa Limited acted as sponsor to the company for the financial year ended 31 December 2018.

TRANSFER SECRETARIES

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

AGM

The 18th (eighteenth) AGM of shareholders of Exxaro will be held (subject to any adjournment or postponement) at the JSE Building, 9th Floor Dining Room, One Exchange Square, Gwen Lane, Sandton, South Africa, at 11:00 on Tuesday, 14 May 2019 to consider and, if deemed fit, pass with or without modification, the resolutions.

3.4 AUDIT COMMITTEE REPORT

The audit committee (the committee) is pleased to present its report for the financial year ended 31 December 2018.

PURPOSE

The committee is constituted as a statutory committee of the company in terms of section 94 of the Companies Act, and a committee of the board of directors of the company in terms of all other duties assigned to it by the board of directors.

The terms of reference of this committee was reviewed following the publication of King IV™ and a new set of terms of reference was adopted at the end of 2017. In line with King IV™, the committee plays an essential role in providing independent oversight over the effectiveness of assurance functions and services as well as the integrity of the annual financial statements.

The committee reviewed its terms of reference again in 2018 in light of the recent corporate failures nationally and internationally to ensure increased oversight over the reporting of its major subsidiaries.

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

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

In terms of the Companies Act, the committee has an independent role with accountability to both the board of directors and the company's shareholders. The committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management, nor does it assume accountability of the functions performed by other committees of the board of directors.

3.4 AUDIT COMMITTEE REPORT (CONTINUED)

COMPOSITION

The committee at all times consisted of three independent non-executive directors for the year under review. The chairman of the board of directors is not a member of the audit committee, although he attends all meetings as a permanent invitee. The chief executive officer, finance director, chief audit executive, as well as the independent external auditor and internal auditors are also permanent invitees to meetings. In addition, Mr LI Mophatlane was a permanent invitee and consultant to the committee from June 2018.

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

MEETINGS

Four quarterly meetings were held in 2018. Attendance of 100% throughout the year illustrates high levels of engagement by our committee members.

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

Name	Designation	Attendance since appointment
Mr MJ Moffett	Independent non-executive director	100%
Mr EJ Myburgh	Independent non-executive director	100%
Mr V Nkonyeni	Independent non-executive director and chairman	100%
Dr CJ Fauconnier[1]	Former independent non-executive director	100%
Mr J van Rooyen[2]	Former independent non-executive director and chairman	100%

[1] Dr CJ Fauconnier retired as a director of the company and chairman of this committee on 24 May 2018.
[2] Mr J van Rooyen has been appointed chairman of the board of directors and retired as a member of this committee.

STATEMENTS

External auditors

The independent external auditors are PwC. Fees paid to the auditors are disclosed in note 7.1.3. Exxaro has an approved policy to regulate the use of non-audit services by the independent external auditors. This differentiates between permitted and prohibited non-audit services and specifies a monetary threshold against which approvals are considered. In the year under review, PwC was paid R32 million (2017: R36 million), which included R26 million (2017: R26 million) for statutory audit and related activities as well as R6 million (2017: R10 million) for non-audit services, mainly for tax advisory services, agreed upon procedures in respect of a REM channel survey and an investment circular for the proposed disposal of the remaining Tronox Limited investment. The committee is satisfied with the level and extent of non-audit services rendered during the year by PwC and that these did not affect its independence.

The committee annually assesses the independence of PwC and again completed this assessment at its meeting on 8 March 2019, PwC was required to confirm that:

- It is not precluded from reappointment due to any impediment in terms of section 90(2)(b) of the Companies Act
- In compliance with section 91(5) of the Companies Act, compared to membership of the firm on reappointment in 2018, more than one half of the members remain in 2019
- It remains independent, as required by section 94(7)(a) of the Companies Act and JSE Listings Requirements.

Based on this assessment, the committee again nominated PwC as independent external auditors for 2019. Shareholders will therefore be requested to re-elect PwC in this capacity for the 2019 financial year at the AGM on 23 May 2019.

The committee noted the rotation and change in the PwC audit partner from Mr JFM Kotze to Mr TD Shango, following Mr TD Shango's suitability assessment as required by this committee in terms of paragraph 3.84(g) (iii) and section 22.15(h) of the JSE Listings Requirements.

Internal auditors

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

3.4 AUDIT COMMITTEE REPORT (CONTINUED)

STATEMENTS (CONTINUED)

Annual financial statements

The committee reviewed the group and company annual financial statements 2018 and accounting practices in detail and is satisfied that the information contained therein, as well as the application of accounting policies and practices, are reasonable.

Statement on effectiveness of internal financial controls

The committee, with input and reports from the independent external auditors and internal auditors, reviewed the system of internal financial controls, as underpinned by the enterprise risk management framework, during the year. Informed by these reviews, the committee confirmed that there were no material areas of concern that would render the internal financial controls ineffective.

Finance director and finance function

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

Combined assurance

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

The combined assurance forum (the forum) has been constituted to coordinate the assurance activities within the group in compliance with the enhanced requirements of King IV™ as a minimum. The forum is to implement and embed the combined assurance framework principles as approved by the committee. Permanent invitees to the forum are representatives from the independent external auditors, internal auditors, other major assurance providers as well as members of the committee and sustainability, risk and compliance committee of the board of directors.

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

2018 OVERVIEW

Other key issues that received attention during the year

- Reviewed and discussed the audited annual financial statements and related disclosures with the finance director, the general manager: risk, compliance and assurance, internal audit and the independent external auditors, and recommended the annual financial statements to the board of directors for approval
- The impact of external factors with respect to the financial KPIs in the strategic performance dashboard and the adjustment of the best realistic measures to reflect this reality
- Attendance of independent non-executive directors at the combined assurance forum
- The impact of adopting IFRS 9 and IFRS 15.

3.4 AUDIT COMMITTEE REPORT (CONTINUED)

KEY PERFORMANCE INDICATORS

2018 KPIs	Evaluation score[1]
Provide robust independent scrutiny to the company values of assets in the balance sheet, the going-concern assumption and other judgement areas	4
Continue scrutinising the risk assessment and ensure alignment on all assurance activities (combined assurance)	4
Maintain oversight of inventory, receivables and basis of determination of valuation	4
Ensure the effectiveness of internal audit and IT is handled seamlessly and professionally, addressing the challenges and needs in a comprehensive manner	3
Monitor developments in mandatory firm rotation in South Africa and implications for Exxaro, as well as tenure of current external auditors	4
Provide support to and challenge management in its endeavours to refinance Exxaro's debt from time to time on acceptable terms	4

[1] *Scored out of 5.*

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

CONCLUSION

The committee, in carrying out its duties has due regard to the principles and recommended practices of King IV™. The committee is satisfied it has considered and discharged its responsibilities in accordance with its terms of reference.

On behalf of the committee

Mr V Nkonyeni
Chairman

Pretoria
12 April 2019

3.5 INDEPENDENT EXTERNAL AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EXXARO RESOURCES LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Exxaro Resources Limited (the company) and its subsidiaries (together the group) as at 31 December 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Exxaro Resources Limited's consolidated and separate financial statements set out on pages 29 to 183 comprise:

- the group and company statements of financial position as at 31 December 2018;
- the group and company statements of comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

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

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

Independence

We are independent of the group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

OUR AUDIT APPROACH

Overview

Key audit matters

- Accounting for the remeasurement of the Tronox Limited investment; and
- Environmental rehabilitation provision.

Group audit scope

- We conducted full scope audit procedures at eight business units and specified audit procedures at four business units.

Overall group materiality

- Overall group materiality: R418 million, which represents 5% of group profit before tax from continuing operations, adjusted for once-off items.

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

Materiality

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

3.5 INDEPENDENT EXTERNAL AUDITOR'S REPORT (CONTINUED)

OUR AUDIT APPROACH (CONTINUED)

Materiality (CONTINUED)

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

Overall group materiality	R418 million
How we determined it	5% of group profit before tax from continuing operations, adjusted for once-off items.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. The profit before tax was adjusted to exclude items that are not reflective of the ongoing operations of the business. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

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

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

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

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Accounting for the remeasurement and classification of the Tronox Limited investment *This key audit matter relates to the consolidated and separate financial statements.* Refer notes 7.1.4 and 9.4. Included in the financial statements is an investment in Tronox Limited (the investment) classified as a non-current asset held-for-sale in terms of IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* (IFRS 5). In terms of IFRS 5, this investment is required to be measured at the lower of the carrying amount and fair value less costs of disposal at the reporting date. At 31 December 2018, Tronox Limited's share price weakened to US$7.78 per share. Management then determined that the carrying amount of R6 110 million exceeded the fair value less costs of disposal of R3 226 million and recognised a loss on remeasurement amounting to R2 884 million. We considered the accounting for the remeasurement of the investment in Tronox Limited to be a matter of most significance to our current year audit because of the magnitude of the remeasurement and the significance thereof to the company's financial statements.	We assessed the remeasurement of the investment in Tronox Limited at 31 December 2018 against the requirements set out in IFRS 5. We independently obtained the Tronox Limited listed share price, number of shares held by the company and the closing exchange rate and recalculated the fair value of the investment as at 31 December 2018. No material differences were noted. We compared the results of our recalculation to the carrying amount of the investment in order to determine the remeasurement loss. We found the remeasurement loss recognised by management to be reasonable.

3.5 INDEPENDENT EXTERNAL AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Provision for environmental rehabilitation *This key audit matter relates to the consolidated financial statements.* Refer notes 13.1, 13.2 and 13.3 to the financial statements. At 31 December 2018, the group's environmental rehabilitation provision amounted to R 3 942 million. In determining the environmental rehabilitation provision, management applies significant judgement and assumptions to estimate the closure costs (estimated future costs) and discount rates. We considered the provision for environmental rehabilitation to be a matter of most significance to our current year audit due to the following: ● The significant judgement and estimates applied by management ● The magnitude of the provision for environmental rehabilitation.	We obtained an understanding of management's process of calculating the environmental rehabilitation provision. We made use of our sustainability and climate change expertise to perform the following procedures: ● On a business unit sample basis, we assessed the reasonableness of the process followed by management to determine the closure costs. We found the process followed by management to be in line with industry practise. ● We assessed the objectivity, competence and experience of the experts used by management by assessing their qualifications and past experience, and in doing so, we considered whether: – the professional staff, where applicable, involved in the valuation process were in good standing with relevant professional bodies – the experts were free from any financial interest in the group which could have affected their independence – the group had placed any restrictions on the determination of the provision. ● We assessed whether the closure costs used by management's expert took into account the requirements of the relevant laws and regulations, such as water treatment costs, in order to identify potential environmental liabilities that were not provided for and process-related omissions on the closure cost estimation that could be of material significance. We found the estimated closure costs to be reasonable. We made use of our valuations expertise to test the reasonableness of the discount rates applied by management by independently modelling bond curves over the range of discounting periods utilised by management, taking into account market-related information. We found the discounting rates to be within a reasonable range.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the *Exxaro Resources Limited group and company annual financial statements for the year ended 31 December 2018*, which includes the certificate by the group company secretary, the report of the directors and the audit committee report as required by the Companies Act of South Africa, and the *Exxaro Resources Limited integrated report 2018*. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

3.5 INDEPENDENT EXTERNAL AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: TD Shango
Registered Auditor

Waterfall City
12 April 2019

CHAPTER 4: SEGMENTAL REPORTING

CHAPTER 4:
Segmental reporting

4.1 ACCOUNTING POLICY RELATING TO SEGMENTAL REPORTING

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

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

In applying IFRS 8 *Operating Segments* judgements have been made by management with regards to the identification of reportable segments of the group.

4.3 OPERATING SEGMENTS

During the current financial year, the chief operating decision maker revised the manner in which the coal operations are reported on. The coal operations have been disaggregated based on the nature of the operations (commercial, tied and other) as well as geographical location, between the Waterberg and Mpumalanga regions. The key changes to the coal reportable operating segment are:

- The commercial coal operations have been split by region into Waterberg and Mpumalanga
- The tied coal operation includes the Matla mine
- Coal other operations have been added which include the remaining coal operations not reported on under the commercial or tied coal operations as well as Arnot and Tshikondeni (tied mines in closure).

The export revenue and related export cost items have been allocated between the coal operating segments based on the origin of the initial coal production. The comparative segmental information has been represented to reflect these changes.

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

COAL

The coal reportable operating segment is split between commercial (Waterberg and Mpumalanga), tied and other coal operations. Mpumalanga commercial operations include a 50% (2017: 50%) investment in Mafube (a joint venture with Anglo). The 10.82% (2017: 10.82%) effective equity interest in RBCT is included in the other coal operations. The coal operations produce thermal coal, metallurgical coal and SSCC.

FERROUS

The ferrous segment mainly comprises the 20.62% (2017: 20.62%) equity interest in SIOC (located in the Northern Cape) reported within the other ferrous operating segment as well as the FerroAlloys operation (referred to as Alloys). The Alloys operation manufactures ferrosilicon.

TiO_2

This segment has been renamed to TiO_2 as the Alkali chemicals business was disposed of in 2017. Exxaro holds a 23.35% (2017: 23.66%) equity interest in Tronox Limited. The investment in Tronox Limited was classified as a non-current asset held-for-sale on 30 September 2017 (refer note 9.4). Exxaro holds a 26% (2017: 26%) equity interest in Tronox SA (both South African-based operations), as well as a 26% (2017: 26%) member's interest in Tronox UK. The member's interest in Tronox UK has been classified as a non-current asset held-for-sale on 30 November 2018 (refer note 9.4).

ENERGY

The energy segment comprises a 50% (2017: 50%) investment in Cennergi (a South African joint venture with Tata Power), which operates two wind-farms, as well as an equity interest of 28.98% in LightApp, which was acquired in 2018.

OTHER

This reportable segment comprises the 26% (2017: 26%) equity interest in Black Mountain (located in the Northern Cape), an effective investment of 11.7% (2017: 11.7%) in Chifeng (located in the PRC), an equity interest in Curapipe of 10.53% (2017: 13.7%), a 26.37% equity interest in AgriProtein (acquired in 2018) as well as the corporate office which renders services to operations and other customers. The Ferroland agricultural operation is also included in this segment.

4.3 OPERATING SEGMENTS (CONTINUED)

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

		Coal			
		Commercial			
For the year ended 31 December 2018	Note	**Waterberg Rm**	**Mpumalanga Rm**	**Tied Rm**	**Other Rm**
External revenue	7.1.2	13 289	7 984	3 665	364
Segment net operating profit/(loss)		5 738	1 429	250	(966)
– *Continuing operations*		5 738	1 429	250	(966)
External finance income	12.1.2	48	33		19
External finance costs	12.1.2	(47)	(164)		(47)
Income tax (expense)/benefit	8.3	(1 572)	(302)	(48)	378
Depreciation and amortisation	7.1.3	(1 204)	(299)	(13)	
Gain on disposal of subsidiaries	9.3		69		
Gain on disposal of operation	9.3		102		
Cash generated by/(utilised in) operations	7.1.5	6 955	1 490	99	(1 366)
Share of income/(loss) of equity-accounted investments	10.3		114		(36)
– *Continuing operations*			114		(36)
Capital expenditure		(3 890)	(1 832)		
At 31 December 2018					
Segment assets and liabilities					
Deferred tax[1]	8.5		6	(53)	164
Investments in associates	10.4.1				2 157
Investments in joint ventures	10.4.2		1 237		
Loans to joint ventures	11.2.2				259
External other assets		26 514	8 059	1 062	4 192
Assets		26 514	9 302	1 009	6 772
Non-current assets held-for-sale	9.4				
Total assets per statement of financial position		26 514	9 302	1 009	6 772
External other liabilities		2 463	2 631	757	2 348
Deferred tax[1]	8.5	6 009	866		39
Current tax payable[1]		104	5	(32)	99
Liabilities		8 576	3 502	725	2 486
Non-current liabilities held-for-sale	9.4		1 337		
Total liabilities per statement of financial position		8 576	4 839	725	2 486

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

Ferrous				Other		
Alloys Rm	Other ferrous Rm	TiO_2 Rm	Energy Rm	Base metals Rm	Other Rm	Total Rm
169					20	25 491
17	(3)				(762)	5 703
17	(3)				(762)	5 703
					183	283
					(347)	(605)
(4)					(105)	(1 653)
					(66)	(1 582)
						69
						102
60	(2)				(212)	7 024
	2 592	492	61	70	(34)	3 259
	2 592	492	61	70	(34)	3 259
					(68)	(5 790)
8	1				397	523
	9 511	2 185	141	818	665	15 477
			332			1 569
						259
265	25				1 922	42 039
273	9 537	2 185	473	818	2 984	59 867
		5 183				5 183
273	9 537	7 368	473	818	2 984	65 050
23	5				7 258	15 485
					(40)	6 874
					33	209
23	5				7 251	22 568
						1 337
23	5				7 251	23 905

4.3 OPERATING SEGMENTS (CONTINUED)

		Coal			
		Commercial			
For the year ended 31 December 2017 (Re-presented)	Note	**Waterberg Rm**	**Mpumalanga Rm**	**Tied Rm**	**Other Rm**
External revenue	7.1.2	11 328	7 970	2 837	418
Segment net operating profit/(loss)		5 438	1 046	128	(603)
– *Continuing operations*		5 438	1 046	128	(603)
– *Discontinued operations*					
External finance income	12.1.2	12	28		6
External finance costs	12.1.2	(50)	(168)		(36)
Income tax (expense)/benefit	8.3	(1 401)	(155)	(40)	246
Depreciation and amortisation	7.1.3	(970)	(326)	(12)	
Gain on partial disposal of associate					
Cash generated by/(utilised in) operations	7.1.5	6 389	1 138	182	(804)
Share of income/(loss) of equity-accounted investments	10.3		259		(24)
– *Continuing operations*			259		(24)
– *Discontinued operations*					
Capital expenditure		(3 127)	(677)		
At 31 December 2017 (Re-presented)					
Segment assets and liabilities					
Deferred tax[1]	8.5		39	6	91
Investments in associates	10.4.1				2 193
Investments in joint ventures	10.4.2		1 105		
Loans to joint ventures	11.2.2				
External other assets		23 202	6 068	971	3 364
Assets		23 202	7 212	977	5 648
Non-current assets held-for-sale	9.4		385		
Total assets per statement of financial position		23 202	7 597	977	5 648
External other liabilities		2 394	1 838	649	2 468
Deferred tax[1]	8.5	5 225	757		49
Current tax payable[1]		217	25		50
Liabilities		7 836	2 620	649	2 567
Non-current liabilities held-for-sale	9.4		1 651		
Total liabilities per statement of financial position		7 836	4 271	649	2 567

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

Ferrous				Other		
Alloys Rm	Other ferrous Rm	TiO_2 Rm	Energy Rm	Base metals Rm	Other Rm	Total Rm
243					17	22 813
54	(1)	5 085			(5 087)	6 060
54	(1)				(5 087)	975
		5 085				5 085
1					170	217
					(574)	(828)
(13)					(179)	(1 542)
					(85)	(1 393)
		3 860				3 860
(54)	(2)				(23)	6 826
	3 303	(1 643)	2	226		2 123
	3 303	186	2	226		3 952
		(1 829)				(1 829)
(6)					(111)	(3 921)
11	1				423	571
	9 367	3 477		747	26	15 810
			374			1 479
			126			126
309	25				6 579	40 518
320	9 393	3 477	500	747	7 028	58 504
		3 396			129	3 910
320	9 393	6 873	500	747	7 157	62 414
27	4				7 662	15 042
					(43)	5 988
					76	368
27	4				7 695	21 398
						1 651
27	4				7 695	23 049

4.4 GEOGRAPHIC LOCATION OF SEGMENT ASSETS

	At 31 December	
	Carrying amount of non-current assets[1]	
Geographical areas	2018 Rm	(Re-presented) 2017 Rm
Country of domicile		
– RSA	48 222	42 995
Foreign countries		
– Rest of Africa	2	3
– Europe	643	1 677
– Asia	163	26
– Australia	39	37
Total segment	49 069	44 738

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

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

CHAPTER 5: FINANCIAL STATEMENTS

CHAPTER 5:
Financial statements

5.1 STATEMENTS OF COMPREHENSIVE INCOME

		Group		Company	
					(Restated)
For the year ended 31 December	Note	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Revenue	7.1.2	25 491	22 813	1 777	1 350
Operating expenses	7.1.3	(19 788)	(17 593)	(2 496)	(1 375)
Operating profit/(loss)		5 703	5 220	(719)	(25)
BEE credentials			(4 245)		(5 272)
Net operating profit/(loss)		5 703	975	(719)	(5 297)
Finance income	12.1.2	283	217	1 327	1 338
Finance costs	12.1.2	(605)	(828)	(1 114)	(1 137)
Income from financial assets		6	2	5	
Share of income of equity-accounted investments	10.3	3 259	3 952		
Dividend and other income from equity-accounted investments	10.3			2 627	1 488
Dividend income from investments in subsidiaries	17.3			382	1 328
Profit/(loss) before tax		8 646	4 318	2 508	(2 280)
Income tax (expense)/benefit	8.3	(1 653)	(1 542)	231	(139)
Profit/(loss) for the year from continuing operations		6 993	2 776	2 739	(2 419)
Profit/(loss) for the year from discontinued operations	7.1.4	69	3 256	(2 815)	1 865
Profit/(loss) for the year		7 062	6 032	(76)	(554)
Other comprehensive income/(loss), net of tax		246	(1 352)		
Items that will not be reclassified to profit or loss:		66	13		
– Remeasurement of post-retirement employee obligations		39	(29)		
– Changes in fair value of equity investments at fair value through other comprehensive income		21			
– Share of other comprehensive income of equity-accounted investments		6	42		
Items that may be subsequently reclassified to profit or loss:		194	(92)		
– Unrealised gains/(losses) on translation of foreign operations		67	(62)		
– Revaluation of financial assets available-for-sale			(14)		
– Share of other comprehensive income/(loss) of equity-accounted investments		127	(16)		
Items that have subsequently been reclassified to profit or loss:		(14)	(1 273)		
– Recycling of exchange differences on translation of foreign operations		(14)	58		
– Share of recycling of other comprehensive income of equity-accounted investments			(1 331)		
Total comprehensive income/(loss) for the year		7 308	4 680	(76)	(554)

5.1 STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

		Group	
For the year ended 31 December	Note	**2018 Rm**	**2017 Rm**
Profit attributable to:			
Owners of the parent		7 030	5 982
– Continuing operations		6 961	2 726
– Discontinued operations		69	3 256
Non-controlling interests	17.9	32	50
– Continuing operations		32	50
Profit for the year		7 062	6 032
Total comprehensive income attributable to:			
Owners of the parent		7 276	4 630
– Continuing operations		7 207	2 487
– Discontinued operations		69	2 143
Non-controlling interests		32	50
– Continuing operations		32	50
Total comprehensive income for the year		7 308	4 680

		Group	
	Note	**2018 cents**	**2017 cents**
Attributable earnings per share	6.2		
Aggregate			
– Basic		2 801	1 923
– Diluted		2 156	1 724
Continuing operations			
– Basic		2 774	876
– Diluted		2 135	786
Discontinued operations			
– Basic		27	1 047
– Diluted		21	938

5.2 STATEMENTS OF FINANCIAL POSITION

		Group		Company		
At 31 December	Note	2018 Rm	(Re-presented) 2017 Rm	2018 Rm	(Restated) 2017 Rm	(Restated) 2016 Rm
ASSETS						
Non-current assets		52 226	47 660	16 407	17 522	24 846
Property, plant and equipment	11.1.3	28 825	24 362	451	462	460
Biological assets		30	34			
Intangible assets		15	17	8	12	25
Investments in associates	10.4.1	15 477	15 810	2 025	2 298	13 152
Investments in joint ventures	10.4.2	1 569	1 479	696	696	696
Investments in subsidiaries	17.5			9 246	9 245	3 764
Financial assets	11.2.2	2 634	2 351	3 606	4 642	6 539
– Financial assets at fair value through other comprehensive income		185				
– Financial assets at fair value through profit or loss		1 432		26		
– Loans to associates and joint ventures		250				
– Interest-bearing loans to subsidiaries				3 500		
– Enterprise and supplier development loans		80		80		
– Other financial assets at amortised cost		687				
Lease receivables	11.3.2	66	72			
Deferred tax	8.5	523	571	374	165	210
Other non-current assets	11.4.1	3 087	2 964	1	2	
Current assets		7 641	10 844	3 489	7 056	9 599
Inventories	7.2.2	1 604	1 055			
Financial assets	11.2.2	134	48	2 583	25	959
– Loans to associates and joint ventures		9				
– Enterprise and supplier development loans		45		45		
– Interest-bearing loans to subsidiaries				586		
– Non-interest-bearing loans to subsidiaries				341		
– Treasury facilities with subsidiaries at amortised cost				1 611		
– Other financial assets at amortised cost		80				
Trade and other receivables	7.2.3	3 140	2 613	213	1 458	4 401
Lease receivables	11.3.2	5	4			
Current tax receivable		23	28			
Cash and cash equivalents		2 080	6 657	676	5 555	4 198
Other current assets	11.4.1	655	439	17	18	41
Non-current assets held-for-sale	9.4	5 183	3 910	4 725	6 192	82
Total assets		65 050	62 414	24 621	30 770	34 527

5.2 STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		Group		Company		
At 31 December	Note	2018 Rm	(Re-presented) 2017 Rm	2018 Rm	(Restated) 2017 Rm	(Restated) 2016 Rm
EQUITY AND LIABILITIES						
Capital and other components of equity						
Share capital	12.2.2	1 021	1 021	11 265	11 265	2 975
Other components of equity		8 028	8 120	939	(773)	(2 164)
Retained earnings/(accumulated deficit)		32 797	30 962	(4 903)	3 040	10 093
Equity attributable to owners of the parent		41 846	40 103	7 301	13 532	10 904
Non-controlling interests	17.9	(701)	(738)			
Total equity		41 145	39 365	7 301	13 532	10 904
Non-current liabilities		15 745	17 442	4 566	6 819	6 425
Interest-bearing borrowings	12.1.3	3 843	6 480	3 233	3 994	5 985
Other payables	7.2.4	152	89			
Provisions	13.3	3 952	3 864	36	34	32
Post-retirement employee obligations	14.4	193	227			
Financial liabilities	12.1.7	713	414	1 297	2 791	408
– Financial liabilities at fair value through profit or loss		488		1 072		
– Financial liabilities at amortised cost		225		225		
Deferred tax	8.5	6 874	5 988			
Other non-current liabilities	12.1.8	18	380			
Current liabilities		6 823	3 956	12 754	10 419	17 198
Interest-bearing borrowings	12.1.3	573	68	572	57	540
Trade and other payables	7.2.4	2 960	2 245	176	9 782	12 856
Provisions	13.3	70	95	2	11	11
Financial liabilities	12.1.8	757	309	10 839	309	3 599
– Financial liabilities at fair value through profit or loss		361		361		
– Financial liabilities at amortised cost		395		395		
– Derivative financial instruments		1				
– Non-interest-bearing loans from subsidiaries				8 197		
– Treasury facilities with subsidiaries at amortised cost				1 886		
Current tax payable		209	368		20	
Overdraft		1 531	54	1 046	37	7
Other current liabilities	12.1.8	723	817	119	203	185
Non-current liabilities held-for-sale	9.4	1 337	1 651			
Total liabilities		23 905	23 049	17 320	17 238	23 623
Total equity and liabilities		65 050	62 414	24 621	30 770	34 527

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	Post-retirement employee obligations Rm
At 31 December 2016	2 509	4 010	23	1 898	(262)
Profit for the year					
Other comprehensive loss for the year		(62)			(29)
Share of other comprehensive (loss)/income of equity-accounted investments		(154)	(65)	203	42
Issue of share capital[1]	10 705				
Share-based payments movement[2]				4 057	
Dividends paid					
Share repurchase[3]	(1 951)				
Treasury shares[4]	(10 242)				
Disposal of an associate[5]		(1 332)	1	(286)	91
Liquidation of subsidiary[6]		58			
Reclassification within equity					
At 31 December 2017	1 021	2 520	(41)	5 872	(158)
Adjustment on initial application of IFRS 9 (net of tax)[7]					
Adjustment on initial application of IFRS 15 (net of tax)[7]					
Adjusted balance at 1 January 2018	1 021	2 520	(41)	5 872	(158)
Profit for the year					
Other comprehensive income for the year		67			39
Share of other comprehensive income of equity-accounted investments		118	9		6
Adjustment to NCI[8]					
Share-based payments movement[2]				(338)	
Dividends paid					
Disposal of subsidiaries[9]					
Liquidation of subsidiary[6]		(14)			
At 31 December 2018	1 021	2 691	(32)	5 534	(113)

[1] *For 2017, the issue of share capital comprises the vesting of Mpower 2012 treasury shares to good leavers and beneficiaries upon final vesting of the share-based payment scheme on 31 May 2017 amounting to R463 million and an issue of 67 221 565 ordinary shares to Eyesizwe at a discounted share price of R73.92 per share which had a market share price of R152.35 on 11 December 2017.*

[2] *For 2018, the share-based payment movements include an amount of R247 million paid to the BEE Parties as a dividend. For 2017, comprises the final vesting of Mpower 2012 shares as well as the potential benefit to be obtained by the BEE Parties amounting to R4 245 million.*

[3] *Exxaro executed two repurchases during 2017. Exxaro repurchased 43 943 744 ordinary shares from Main Street 333 for a purchase consideration of R3 524 million during January 2017 and 22 686 572 ordinary shares from Main Street 333 for a purchase consideration of R2 695 million during December 2017.*

[4] *For 2017, 107 612 026 ordinary shares held by Eyesizwe in Exxaro were accounted for as treasury shares on consolidation of Eyesizwe.*

[5] *During October 2017, Exxaro disposed of 22 425 000 Class A Tronox Limited ordinary shares which resulted in a gain on translation differences being recycled to profit or loss, the release of a loss from the financial instruments revaluation reserve to profit or loss, a net reclassification within equity from post-retirement employee obligations reserve and equity-settled reserve to retained earnings.*

[6] *For 2018, recognised a gain on translation difference recycled to profit or loss on the liquidation of a foreign subsidiary (Exxaro Coal Botswana Holding Company Proprietary Limited). For 2017, recognised a loss on translation difference recycled to profit or loss on the liquidation of a foreign subsidiary (Exxaro Mineral Sands BV).*

[7] *Refer note 5.6 for details of the adjustments on initial application of IFRS 9 and IFRS 15.*

[8] *NCI's share of an error which was identified at a subsidiary company level. Interest on the environmental rehabilitation trust fund was erroneously omitted in the subsidiary accounting records. This was considered material for the subsidiary companies which were impacted however this was not considered a material error for group and therefore there was no restatement for the Exxaro group.*

[9] *For 2018, derecognised the NCI reserve which relates to Eloff which was disposed of as part of the Manyeka disposal.*

Available-for-sale revaluation Rm	Financial asset FVOCI revaluation Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
(60)		(3 524)	31 281	35 875	(788)	35 087
			5 982	5 982	50	6 032
(14)				(105)		(105)
				26		26
				10 705		10 705
				4 057		4 057
			(2 227)	(2 227)		(2 227)
		3 524	(4 268)	(2 695)		(2 695)
				(10 242)		(10 242)
			195	(1 331)		(1 331)
				58		58
		1	(1)			
(74)		1	30 962	40 103	(738)	39 365
74	(74)		(11)	(11)		(11)
			314	314		314
	(74)	1	31 265	40 406	(738)	39 668
			7 030	7 030	32	7 062
	21			127		127
				133		133
			(15)	(15)	15	
				(338)		(338)
			(5 483)	(5 483)		(5 483)
					(10)	(10)
				(14)		(14)
	(53)	1	32 797	41 846	(701)	41 145

5.3 GROUP STATEMENT OF CHANGES IN EQUITY (CONTINUED)

DIVIDEND DISTRIBUTION

	cents
Dividend per share paid in respect of a special dividend declared during 2018	1 255
Final dividend per share paid in respect of the 2017 financial year	400
Dividend per share paid in respect of the 2018 interim period	530
Final dividend per share payable in respect of the 2018 financial year	555

FOREIGN CURRENCY TRANSLATION

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

FINANCIAL INSTRUMENTS REVALUATION

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

EQUITY-SETTLED

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

POST-RETIREMENT EMPLOYEE OBLIGATIONS

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

AVAILABLE-FOR-SALE REVALUATION

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

FINANCIAL ASSET FVOCI REVALUATION

Comprises the fair value adjustments, net of tax, on the financial assets classified at FVOCI.

5.4 COMPANY STATEMENT OF CHANGES IN EQUITY

		Other components of equity				
	Share capital Rm	Foreign currency translation Rm	Equity-settled Rm	Other Rm	Retained earnings/ (accumulated deficit) Rm	Total equity Rm
At 31 December 2016 (Restated)[1]	2 975	(2)	1 362	(3 524)	10 093	10 904
Loss for the year					(554)	(554)
Issue of share capital[2]	10 241					10 241
Share-based payments movement			233			233
Dividends paid					(2 231)	(2 231)
Share repurchase[3]	(1 951)			1 158	(4 268)	(5 061)
At 31 December 2017 (Restated)	11 265	(2)	1 595	(2 366)	3 040	13 532
Adjustment on initial application of IFRS 9 (net of tax)[4]					(29)	(29)
Adjusted balance at 1 January 2018	11 265	(2)	1 595	(2 366)	3 011	13 503
Profit for the year					(76)	(76)
Share repurchase[3]				1 794		1 794
Share-based payments movement			(82)			(82)
Dividends paid					(7 838)	(7 838)
At 31 December 2018	11 265	(2)	1 513	(572)	(4 903)	7 301

[1] *Refer note 5.7 for details of the restatement.*

[2] *Exxaro issued 67 221 565 ordinary shares to Eyesizwe at a discounted share price of R73.92 per share which had a market share price of R152.35 on 11 December 2017.*

[3] *For 2018, Exxaro derecognised a portion of the obligation to buy back its shares in terms of the put option issued to Eyesizwe. For 2017, Exxaro executed two repurchases. Exxaro repurchased 43 943 744 ordinary shares from Main Street 333 for a purchase consideration of R3 524 million during January 2017 and 22 686 572 ordinary shares from Main Street 333 for a purchase consideration of R2 695 million during December 2017. In addition, Exxaro recognised an obligation amounting to R2 366 million to buy-back its shares as a result of the put option issued to Eyesizwe.*

[4] *Refer note 5.6 for details of the adjustments on initial application of IFRS 9.*

5.5 STATEMENTS OF CASH FLOWS

		Group		Company	
			(Re-presented)		(Restated)
For the year ended 31 December	Note	**2018 Rm**	**2017 Rm**	**2018 Rm**	**2017 Rm**
Cash flows from operating activities		(54)	3 326	(8 312)	(4 135)
Cash generated by/(utilised in) operations	7.1.5	7 024	6 826	(379)	(2 017)
Settlement of contingent consideration[1]		(299)	(74)	(299)	(74)
Interest paid	12.1.6	(518)	(597)	(1 107)	(1 132)
Interest received	12.1.6	229	188	1 327	1 319
Tax paid	8.6	(1 007)	(790)	(16)	
Dividends paid	6.6	(5 483)	(2 227)	(7 838)	(2 231)
Cash flows from investing activities		(3 195)	4 451	2 983	9 243
Property, plant and equipment acquired to maintain operations		(2 847)	(2 977)	(66)	(83)
Property, plant and equipment acquired to expand operations		(2 943)	(944)		
Increase in investment in intangible assets		(1)	(1)		(1)
Proceeds from disposal of property, plant and equipment		268	11	131	1
Decrease in loans to Main Street 333			400		400
Interest received on loans to Main Street 333			84		84
Decrease in other financial assets at amortised cost		82			
Increase in enterprise and supplier development loans		(125)		(125)	
Decrease in loan to joint venture		186		186	
Increase in loan to joint venture		(250)			
Increase in loans to associate			(1)		(1)
Decrease in lease receivables		14			
Decrease in non-current financial assets			14		
Increase in non-current financial assets			(4)		
Increase in environmental rehabilitation funds		(135)	(130)		
Proceeds from disposal of operation	9.3.1	17			
Proceeds from disposal of equity-accounted investments			6 525		6 525
Proceeds from disposal of subsidiaries	9.3.1	75			
Proceeds from disposal of financial asset		24			
Acquisition of associates	10.5.1	(263)	(26)	(263)	(26)
Acquisition of subsidiaries					(2 481)
Increase in non-interest-bearing loans to subsidiaries				(66)	
Increase in non-interest-bearing loans from subsidiaries				144	
Increase in interest-bearing loans to subsidiaries				(41)	
Decrease in indebtedness by subsidiaries					1 999
Dividend income from investments in associates and joint ventures	10.4	2 627	1 499	2 627	1 499
Dividend income from financial assets and non-current assets classified as held-for-sale		76	1	74	
Dividend income from subsidiaries				382	1 327
Cash flows from financing activities		(2 861)	(6 361)	(574)	(3 799)
Interest-bearing borrowings raised	12.1.5	14	2 491		
Interest-bearing borrowings repaid	12.1.5	(2 161)	(2 534)	(250)	(2 480)
Shares acquired in the market to settle share-based payments		(467)	(99)	(324)	(69)
Dividends paid to BEE Parties		(247)			
Repurchase of share capital			(6 219)		(6 219)
Share capital issued					4 969
Net (decrease)/increase in cash and cash equivalents		(6 110)	1 416	(5 903)	1 309
Cash and cash equivalents at beginning of the year		6 617	5 183	5 518	4 191
Reclassification of cash and cash equivalents			51		
Translation difference on movement in cash and cash equivalents		42	(33)	15	18
Cash and cash equivalents/(overdraft) at end of the year	16.4	549	6 617	(370)	5 518

[1] *The settlement of contingent consideration has been reclassified from investing activities to operating activities as this relates to post-acquisition changes in fair value of the contingent consideration that has been paid but is not recognised as an adjustment in the investment value as previously acquired.*

5.6 CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION

This note explains the items which were reclassified as well as the impact of the adoption of IFRS 9 and IFRS 15 on the group and company annual financial statements.

5.6.1 IMPACT ON THE FINANCIAL STATEMENTS

As part of the implementation of IFRS 9 a detailed analysis was performed on the classification of items in the statement of financial position. It was concluded that certain items needed to be reclassified in the prior year financial statements, as these reclassifications provide more relevant information on the nature of these assets and liabilities and results in more appropriate classifications. The reclassified items are discussed in detail below the table. Although the reclassifications to cash and cash equivalents, lease receivables, trade and other payables as well as interest-bearing borrowings are corrections to the incorrect classification applied previously it was not considered material for group and therefore the prior year financial statements have not been restated but only represented. The prior year company financial statements have been restated for the reclassified items as it was considered material. Refer note 5.7.

Prior year group and company financial statements did not have to be restated as a result of the changes in the accounting policies due to the adoption of IFRS 9 and IFRS 15. As explained in note 5.6.2, IFRS 9 was adopted without restating comparative information. The adjustments arising from the new impairment rules are therefore not reflected in a restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018. As explained in note 5.6.3, IFRS 15 was also adopted without restating comparative information.

The following table shows the reclassifications and adjustments recognised for each individual line item as per the statement of financial position. The reclassifications and adjustments are explained in more detail by standard below.

GROUP	31 December 2017		31 December 2017			1 January 2018
Statement of financial position (extract)	**Previously presented Rm**	**Reclassifications Rm**	**Re-presented Rm**	**IFRS 9 Rm**	**IFRS 15 Rm**	**Restated Rm**
ASSETS						
Non-current assets	47 706	(46)	47 660			47 660
Property, plant and equipment	24 362		24 362			24 362
Biological assets	34		34			34
Intangible assets	17		17			17
Investments in associates	15 810		15 810			15 810
Investments in joint ventures	1 479		1 479			1 479
Financial assets	5 433	(3 082)	2 351	(2 351)		
– Financial assets at fair value through other comprehensive income				152		152
– Financial assets at fair value through profit or loss				1 391		1 391
– Loans to associates and joint ventures				128		128
– Other financial assets at amortised cost				678		678
Lease receivables[1]		72	72			72
Deferred tax	571		571	2		573
Other non-current assets[2]		2 964	2 964			2 964
Current assets	10 936	(92)	10 844	(11)		10 833
Inventories	1 055		1 055			1 055
Financial assets	48		48	(48)		
– Other current financial assets at amortised cost				48		48
– Derivative financial instruments				4		4
Trade and other receivables	3 199	(586)	2 613	(15)		2 598
Lease receivables[3]		4	4			4
Current tax receivable	28		28			28
Cash and cash equivalents[4]	6 606	51	6 657			6 657
Other current assets[5]		439	439			439
Non-current assets held-for-sale	3 910		3 910			3 910
Total assets	62 552	(138)	62 414	(11)		62 403

5.6 CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION (CONTINUED)

5.6.1 IMPACT ON THE FINANCIAL STATEMENTS (CONTINUED)

GROUP

Statement of financial position (extract)	31 December 2017 Previously presented Rm	Reclassifi-cations Rm	31 December 2017 Re-presented Rm	IFRS 9 Rm	IFRS 15 Rm	1 January 2018 Restated Rm
EQUITY AND LIABILITIES						
Capital and other components of equity						
Share capital	1 021		1 021			1 021
Other components of equity	8 120		8 120			8 120
Retained earnings	30 962		30 962	(11)	314	31 265
Equity attributable to owners of the parent	40 103		40 103	(11)	314	40 406
Non-controlling interests	(738)		(738)			(738)
Total equity	39 365		39 365	(11)	314	39 668
Non-current liabilities	17 409	33	17 442	(2)	(252)	17 188
Interest-bearing borrowings	6 480		6 480			6 480
Non-current other payables[6]		89	89			89
Provisions	3 864		3 864			3 864
Post-retirement employee obligations	227		227			227
Financial liabilities	850	(436)	414	(414)		
– Financial liabilities at fair value through profit or loss				414		414
Deferred tax	5 988		5 988	(2)	122	6 108
Other non-current liabilities[7]		380	380		(374)	6
Current liabilities	4 127	(171)	3 956	2	(62)	3 896
Interest-bearing borrowings[8]	2	66	68			68
Trade and other payables	3 237	(992)	2 245	(4)		2 241
Provisions	95		95			95
Financial liabilities	371	(62)	309	(309)		
– Financial liabilities at fair value through profit or loss				309		309
– Derivative financial instruments				6		6
Current tax payable	368		368			368
Overdraft	54		54			54
Other current liabilities[9]		817	817		(62)	755
Non-current liabilities held-for-sale	1 651		1 651			1 651
Total liabilities	23 187	(138)	23 049		(314)	22 735
Total equity and liabilities	62 552	(138)	62 414	(11)		62 403

[1] *Lease receivables of R118 million were reclassified from non-current financial assets to non-current lease receivables so as to improve the presentation of the item according to the nature of the asset. In addition, unearned finance income of R46 million was reclassified from non-current financial liabilities – finance leases to non-current lease receivables as the finance lease was previously presented on a gross basis instead of a net basis.*

[2] *An amount of R2 964 million was reclassified from non-current financial assets to other non-current assets so as to improve the presentation of the items according to the nature of the assets. Included in this amount is R1 268 million for an indemnification asset which arose on the acquisition of ECC, which is within the scope of IFRS 3 Business Combinations, as well as an amount of R1 692 million for an asset which relates to the reimbursement of the environmental rehabilitation provisions and the post-retirement employee obligations, which is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The remaining R4 million relates to a non-current prepayment.*

[3] *Lease receivables of R14 million were reclassified from trade and other receivables to current lease receivables so as to improve the presentation of the item according to the nature of the asset. In addition, unearned finance income of R10 million was reclassified from non-current financial liabilities – finance leases to current lease receivables as the finance lease was previously presented on a gross basis instead of a net basis and the current portion was incorrectly included as non-current.*

[4] *An amount of R51 million was reclassified from trade and other receivables to cash and cash equivalents as this is the interest accrued on bank balances and bank accounts that were incorrectly classified.*

[5] *An amount of R521 million was reclassified from trade and other receivables to other current assets so as to improve the presentation of the items (such as VAT refundable, prepayments and royalties) according to the nature of the assets. In addition, an amount of R82 million was reclassified from trade and other payables to other current assets so as to correctly eliminate the intercompany insurance prepayment, the elimination entry was previously incorrectly classified as part of other payables.*

[6] *An amount of R89 million was reclassified from current trade and other payables to non-current other payables as the balance should have been presented as non-current due to it being payable after 12 months.*

[7] *An amount of R380 million was reclassified from non-current financial liabilities to other non-current liabilities so as to improve the presentation of the item (such as deferred revenue) according to the nature of the liability.*

[8] *An amount of R66 million was reclassified from trade and other payables to current interest-bearing borrowings as the balance relates to the interest accrued on the loans and bonds.*

[9] *An amount of R62 million was reclassified from current financial liabilities to other current liabilities and an amount of R755 million was reclassified from trade and other payables to other current liabilities so as to improve the presentation of the items (such as deferred revenue, payroll related accruals and VAT payable) according to the nature of the liabilities.*

5.6 CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION (CONTINUED)

5.6.1 IMPACT ON THE FINANCIAL STATEMENTS (CONTINUED)

COMPANY

	31 December 2017		1 January 2018
Statement of financial position (extract)	Restated[1] Rm	IFRS 9 Rm	Restated Rm
ASSETS			
Non-current assets	17 522	2	17 524
Property, plant and equipment	462		462
Intangible assets	12		12
Investments in associates	2 298		2 298
Investments in joint ventures	696		696
Investments in subsidiaries	9 245		9 245
Financial assets	4 642	(4 642)	
– Financial assets at fair value through profit or loss		26	26
– Loans to associates and joint ventures		188	188
– Interest-bearing loans to subsidiaries		4 020	4 020
– Other financial assets at amortised cost		408	408
Deferred tax	165	2	167
Other non-current assets	2		2
Current assets	7 056	(31)	7 025
Financial assets	25	(25)	
– Interest-bearing loans to subsidiaries		25	25
– Non-interest-bearing loans to subsidiaries		277	277
– Treasury facilities with subsidiaries at amortised cost		641	641
– Other current financial assets at amortised cost			
Trade and other receivables	1 458	(949)	509
Cash and cash equivalents	5 555		5 555
Other current assets	18		18
Non-current assets held-for-sale	6 192		6 192
Total assets	30 770	(29)	30 741
EQUITY AND LIABILITIES			
Capital and other components of equity			
Share capital	11 265		11 265
Other components of equity	(773)		(773)
Retained earnings	3 040	(29)	3 011
Equity attributable to owners of the parent	13 532	(29)	13 503
Non-controlling interests			
Total equity	13 532	(29)	13 503
Non-current liabilities	6 819		6 819
Interest-bearing borrowings	3 994		3 994
Provisions	34		34
Financial liabilities	2 791	(2 791)	
– Financial liabilities at fair value through profit or loss		2 791	2 791

5.6 CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION (CONTINUED)

5.6.1 IMPACT ON THE FINANCIAL STATEMENTS (CONTINUED)

COMPANY

Statement of financial position (extract)	31 December 2017 Restated[1] Rm	IFRS 9 Rm	1 January 2018 Restated Rm
Current liabilities	10 419		10 419
Interest-bearing borrowings	57		57
Trade and other payables	9 782	(9 590)	192
Provisions	11		11
Financial liabilities	309	(309)	
– Financial liabilities at fair value through profit or loss		309	309
– Non-interest-bearing loans from subsidiaries		8 052	8 052
– Treasury facilities with subsidiaries at amortised cost		1 538	1 538
Current tax payable	20		20
Overdraft	37		37
Other current liabilities	203		203
Total liabilities	17 238		17 238
Total equity and liabilities	30 770	(29)	30 741

[1] *Refer note 5.7 for details of the items which have been restated for company.*

5.6.2 IMPACT OF ADOPTING IFRS 9

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) for annual periods beginning on or after 1 January 2018. IFRS 9 brings together all aspects of accounting for financial instruments that relate to the recognition, classification and measurement, derecognition, impairment and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 16.1. Comparative information has not been restated in accordance with the transitional requirements of IFRS 9 which requires comparative information not to be restated (with an exception where it is possible to restate without the use of hindsight) but for disclosures to be made concerning the reclassifications and measurements as set out below.

The total impact on retained earnings as at 1 January 2018 is as follows:

GROUP

	Note	Rm
Closing balance at 31 December 2017 (IAS 39/IAS 18 *Revenue* (IAS 18))		30 962
Adjustments from the adoption of IFRS 9		(11)
Increase in impairment allowances for trade receivables	5.6.2.2	(7)
Increase in impairment allowances for financial assets at amortised cost	5.6.2.2	(8)
Increase in deferred tax assets relating to impairment allowances	5.6.2.2	2
Decrease in deferred tax liabilities relating to impairment allowances	5.6.2.2	2
Opening balance at 1 January 2018 (after IFRS 9 before IFRS 15 restatement)		30 951

COMPANY

	Note	Rm
Closing balance at 31 December 2017 (IAS 39/IAS 18) (*Restated*)		3 040
Adjustments from the adoption of IFRS 9		(29)
Increase in impairment allowances for indebtedness to subsidiaries	5.6.2.2	(1)
Increase in impairment allowances for non-interest-bearing loans to subsidiaries	5.6.2.2	(24)
Increase in impairment allowances for financial assets at amortised cost	5.6.2.2	(6)
Increase in deferred tax assets relating to impairment allowances	5.6.2.2	2
Opening balance at 1 January 2018 (after IFRS 9 before IFRS 15 restatement)		3 011

5.6 CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION (CONTINUED)

5.6.2 IMPACT OF ADOPTING IFRS 9 (CONTINUED)

5.6.2.1 CLASSIFICATION AND MEASUREMENT

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale financial assets.

The accounting for the group and company financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with changes in fair value recognised in profit or loss.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI) debt investment;
- FVOCI equity investment; or
- Fair value through profit or loss (FVPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

On 1 January 2018 (the date of initial application of IFRS 9), management assessed which business model applied to the financial assets held by the group and company and classified its financial instruments into the appropriate IFRS 9 categories. In addition, management assessed whether contractual cash flows on debt instruments were solely comprised of principal and interest based on the facts and circumstances at the initial recognition of the assets. The main effects resulting from this reclassification are as follows:

GROUP

		IAS 39 categories				IFRS 9 categories		
		At fair value through profit or loss						
Financial assets[1]	Note	Held-for-trading Rm	Designated Rm	Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	FVPL Rm	Amortised cost Rm	FVOCI equity instrument Rm
Closing balance at 31 December 2017 (IAS 39) (Re-presented)[2]		4	1 391	10 175	152			
Reclassify non-trading equities from available-for-sale to FVOCI	a				(152)			152
Reclassify held-for-trading FVPL financial assets to FVPL	b	(4)				4		
Reclassify designated FVPL financial assets to FVPL	b		(1 391)			1 391		
Reclassify loans and receivables financial assets to amortised cost	c			(10 175)			10 175	
Reclassify loans and receivables at amortised cost to a financial asset measured at FVPL	d							
Opening balance at 1 January 2018 (IFRS 9)						1 395	10 175	152

[1] *The closing balances as at 31 December 2017 are prior to any adjustments made in terms of IFRS 9 and IFRS 15. The opening balances as at 1 January 2018 differ from the amounts disclosed in note 5.6.1 as this table illustrates the reclassification adjustments only and not the impairment adjustments.*

[2] *Includes financial assets classified as non-current assets held-for-sale.*

5.6 CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION (CONTINUED)

5.6.2 IMPACT OF ADOPTING IFRS 9 (CONTINUED)

5.6.2.1 CLASSIFICATION AND MEASUREMENT (CONTINUED)

GROUP

		IAS 39 categories			IFRS 9 categories	
		At fair value through profit or loss				
Financial liabilities[1]	Note	**Held-for-trading Rm**	**Designated Rm**	**Loans and receivables at amortised cost Rm**	**FVPL Rm**	**Amortised cost Rm**
Closing balance at 31 December 2017 (IAS 39)[2] (Re-presented)		6	723	8 991		
Reclassify held-for-trading FVPL financial liabilities to FVPL	e	(6)			6	
Reclassify designated FVPL financial liabilities to FVPL	e		(723)		723	
Reclassify financial liabilities to amortised cost	f			(8 991)		8 991
Opening balance at 1 January 2018 (IFRS 9)					729	8 991

[1]The closing balances as at 31 December 2017 are prior to any adjustments made in terms of IFRS 9 and IFRS 15.
[2]Includes financial liabilities classified as non-current liabilities held-for-sale.

The impact of the changes on the group's equity is as follows:

		IAS 39	IFRS 9
Other components of equity[1]	Note	**Available-for-sale revaluation reserve Rm**	**Financial asset FVOCI revaluation reserve Rm**
Closing balance at 31 December 2017 (IAS 39)		(74)	
Reclassify non-trading equities from available-for-sale to FVOCI	a	74	(74)
Opening balance at 1 January 2018 (IFRS 9)			(74)

[1]Reserves which were impacted by IFRS 9.

(a) Reclassify non-trading equities from available-for-sale to FVOCI
The group elected to present in OCI changes in the fair value of the Chifeng equity investment, previously classified as available-for-sale, because the investment is not expected to be sold in the short to medium term. As a result, an asset with a fair value of R152 million was reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value losses of R74 million were reclassified from the available-for-sale revaluation reserve to the financial asset FVOCI revaluation reserve on 1 January 2018.

(b) Reclassify held-for-trading and designated FVPL financial assets to FVPL
These reclassifications have no impact on the measurement categories.

(c) Reclassify loans and receivables financial assets to amortised cost
These reclassifications have no impact on the measurement categories.

(d) Reclassify loans and receivables at amortised cost to a financial asset measured at FVPL
An other receivable with a gross amount of R70 million was reclassified to a financial asset at FVPL as a result of the contractual cash flows not meeting the solely payments of principal and interest (SPPI) criteria. The corresponding impairment allowance of R70 million was also reclassified. The fair value of the financial asset was determined to be nil.

(e) Reclassify held-for-trading and designated FVPL financial liabilities to FVPL
These reclassifications have no impact on the measurement categories.

(f) Reclassify financial liabilities to amortised cost
These reclassifications have no impact on the measurement categories.

5.6 CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION (CONTINUED)

5.6.2 IMPACT OF ADOPTING IFRS 9 (CONTINUED)

5.6.2.1 CLASSIFICATION AND MEASUREMENT (CONTINUED)

COMPANY

		IAS 39 categories		IFRS 9 categories	
Financial assets[1]	Note	Designated at fair value through profit or loss Rm	Loans and receivables at amortised cost Rm	FVPL Rm	Amortised cost Rm
Closing balance at 31 December 2017 (IAS 39) (Restated)		26	11 654		
Reclassify designated FVPL financial assets to FVPL	a	(26)		26	
Reclassify loans and receivables financial assets to amortised cost	b		(11 654)		11 654
Reclassify loans and receivables at amortised cost to a financial asset measured at FVPL	c				
Opening balance at 1 January 2018 (IFRS 9)				26	11 654

[1] *The closing balances as at 31 December 2017 are prior to any adjustments made in terms of IFRS 9 and IFRS 15. The opening balances as at 1 January 2018 differ from the amounts disclosed in note 5.6.1 as this table illustrates the reclassification adjustments only and not the impairment adjustments.*

		IAS 39 categories		IFRS 9 categories	
Financial liabilities[1]	Note	Designated at fair value through profit or loss Rm	Financial liabilities at amortised cost Rm	FVPL Rm	Amortised cost Rm
Closing balance at 31 December 2017 (IAS 39) (Restated)		3 100	13 870		
Reclassify designated FVPL financial liabilities to FVPL	d	(3 100)		3 100	
Reclassify financial liabilities to amortised cost	e		(13 870)		13 870
Opening balance at 1 January 2018 (IFRS 9)				3 100	13 870

[1] *The closing balances as at 31 December 2017 are prior to any adjustments made in terms of IFRS 9 and IFRS 15.*

(a) Reclassify designated FVPL financial assets to FVPL
These reclassifications have no impact on the measurement categories.

(b) Reclassify loans and receivables financial assets to amortised cost
These reclassifications have no impact on the measurement categories.

(c) Reclassify loans and receivables at amortised cost to a financial asset measured at FVPL
An other receivable with a gross amount of R70 million was reclassified to a financial asset at FVPL as a result of the contractual cash flows not meeting the SPPI criteria. The corresponding impairment allowance of R70 million was also reclassified. The fair value of the financial asset was determined to be nil.

(d) Reclassify designated FVPL financial liabilities to FVPL
These reclassifications have no impact on the measurement categories.

(e) Reclassify financial liabilities to amortised cost
These reclassifications have no impact on the measurement categories.

5.6 CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION (CONTINUED)

5.6.2 IMPACT OF ADOPTING IFRS 9 (CONTINUED)

5.6.2.2 IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses (impairments) are recognised earlier than under IAS 39.

Under IFRS 9, expected credit loss allowances are measured on either of the following basis:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The group has four types of financial assets that are subject to IFRS 9's new ECL model, namely:
- Trade receivables for the sale of goods and rendering of services;
- Other receivables;
- Loans to joint ventures and associates; and
- Financial assets carried at amortised cost.

The company has several types of financial assets that are subject to IFRS 9's new ECL model, namely:
- Trade receivables from the rendering of services;
- Other receivables;
- Loans to joint ventures and associates;
- Financial assets carried at amortised cost;
- Interest-bearing loans to subsidiaries;
- Non-interest-bearing loans to subsidiaries; and
- Treasury facilities with subsidiaries at amortised cost.

The group and company were required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the group and company retained earnings and equity is disclosed in the first tables of note 5.6.2.

While loans to joint ventures and associates as well as cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment losses were immaterial.

(a) Trade receivables

The group applies the IFRS 9 simplified approach to measure ECLs, which uses a lifetime expected credit loss allowance, for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics (corporate entities, small medium enterprises and public sector entities) and the days past due to assess significant increase in credit risk.

The impairment allowances as at 1 January 2018 for trade receivables are as follows:

GROUP

	Current Rm	More than 30 days past due Rm	More than 60 days past due Rm	More than 90 days past due Rm	Total Rm
Gross carrying amount	2 458	69	5	35	2 567
Impairment allowance	6	22	5	35	68

The impairment allowances for trade receivables as at 31 December 2017 reconcile to the opening expected credit loss allowances for trade receivables on 1 January 2018 is as follows:

Impairment allowances	Group Rm
Closing balance at 31 December 2017 (IAS 39)	61
Amounts restated through opening retained earnings	7
Opening balance at 1 January 2018 (IFRS 9)	68

The group's expected credit loss allowances increased by a further R13 million to R81 million for trade receivables during the year ended 31 December 2018. The increase would have been R1 million lower under the incurred loss model of IAS 39.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the group or company, and a failure to make contractual payments for a period of greater than 120 days past due.

5.6 CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION (CONTINUED)

5.6.2 IMPACT OF ADOPTING IFRS 9 (CONTINUED)

5.6.2.2 IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(b) Other receivables and other financial assets at amortised cost

The group and company other receivables and other financial assets at amortised cost are considered to have low credit risk, and the expected credit loss allowance recognised during the period was therefore limited to 12 months' expected losses. These instruments are considered to be of low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Applying the expected credit risk model for the group resulted in the recognition of an expected credit loss allowance of R8 million on 1 January 2018 (the previous impairment allowance was R70 million which was reclassified on 1 January 2018). The expected credit loss allowances increased by a further R51 million to R59 million for other receivables and other financial assets at amortised cost during the year ended 31 December 2018. The significant increase in the expected credit loss allowances for other receivables is due to one of the parties defaulting on payments and there being a high probability that the outstanding amounts will not be settled.

Applying the expected credit risk model for the company resulted in the recognition of an expected credit loss allowance of R6 million on 1 January 2018 (the previous impairment allowance was R70 million which was reclassified on 1 January 2018). The expected credit loss allowances decreased by R2 million to R4 million for other receivables and other financial assets at amortised cost during the year ended 31 December 2018.

Impairment allowances	**Group** **Rm**	**Company** **Rm**
Closing balance at 31 December 2017 (IAS 39)	70	70
Amount reclassified on a financial asset classified as FVPL	(70)	(70)
Amounts restated through opening retained earnings	8	6
Opening balance at 1 January 2018 (IFRS 9)	8	6

(c) Indebtedness by subsidiaries

The company's indebtedness by subsidiaries is assessed per counterparty's credit risk. There are those which are considered to be of low credit risk as there is a low risk of default and the counterparty has strong capacity to meet its contractual cash flow obligations in the near term. Then there are those which have been fully provided for as the counterparty is considered to have a high credit risk as they have defaulted on payments and they do not have the capacity to meet their contractual obligations.

The expected credit loss allowance recognised during the period was limited to 12 months expected losses for those counterparties which were considered to have low credit risk. Applying the expected credit risk model resulted in the recognition of an expected credit loss allowance of an additional R25 million on 1 January 2018. The expected credit loss allowances increased by a further R1 million to R60 million for indebtedness by subsidiaries during the year ended 31 December 2018.

Impairment allowances	**Company** **Rm**
Closing balance at 31 December 2017 (IAS 39)	34
Amounts restated through opening retained earnings	25
Opening balance at 1 January 2018 (IFRS 9)	59

5.6.2.3 ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018

Refer note 16.1 for the accounting policies applied from 1 January 2018.

5.6 CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION (CONTINUED)

5.6.2 IMPACT OF ADOPTING IFRS 9 (CONTINUED)

5.6.2.4 TRANSITION

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The group and company have taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL
  - The designation of certain investments in equity instruments not held for trading as at FVOCI
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the group and company have assumed that the credit risk on the asset had not increased significantly since its initial recognition.

5.6.3 IMPACT OF ADOPTING IFRS 15

The revenue accounting policy has changed with effect from 1 January 2018 as a result of adopting IFRS 15.

IFRS 15 supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations for annual periods beginning on or after 1 January 2018. IFRS 15 applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised, providing additional guidance in many areas not covered in detail under the previous revenue standards and interpretations. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying the framework to the contracts with customers. This standard also specifies the accounting treatment for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. IFRS 15 further includes extensive new disclosure requirements.

Refer note 7.1.1.1 for the revised revenue accounting policy and note 7.1.2 for the disaggregated revenue disclosure required by IFRS 15.

In accordance with the transition provisions, IFRS 15 was adopted by applying the cumulative effect method. In terms of this method:

(a) the new rules were applied retrospectively, only to contracts with customers that were not completed by 1 January 2018 (the date of initial application); and

(b) the opening balance of retained earnings as at 1 January 2018 was adjusted with the cumulative effect of the retrospective application (per (a) above).

Accordingly the comparative information presented for 2017 has not been restated, but presented as previously reported applying the previous revenue standards and interpretations.

The cumulative effect of the retrospective application on the group's retained earnings as at 1 January 2018 is as follows:

GROUP

	Note	**Rm**
Opening balance at 1 January 2018 (after IFRS 9 before IFRS 15 restatement) (Refer note 5.6.2)		30 951
Adjustment from the adoption of IFRS 15		314
Decrease in deferred revenue liability due to earlier recognition of revenue from a pricing adjustment	5.6.3.2(a)	436
Increase in deferred tax liability relating to earlier recognition of revenue from a pricing adjustment	5.6.3.2(a)	(122)
Opening balance at 1 January 2018 (after IFRS 9 and IFRS 15 restatements)		31 265

For the company, the adoption of IFRS 15 did not require an adjustment to opening retained earnings as at 1 January 2018.

5.6.3.1 FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018 HAD IAS 18 BEEN APPLIED

The following tables present a comparison of the group financial results as reported under IFRS 15 to what the financial results would have been in terms of IAS 18.

5.6 CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION (CONTINUED)

5.6.3 IMPACT OF ADOPTING IFRS 15 (CONTINUED)

5.6.3.1 FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018 HAD IAS 18 BEEN APPLIED (CONTINUED)

Impact on the statement of comprehensive income

		Group		
For the year ended 31 December 2018	Note	As reported Rm	Adjustments[1] Rm	IAS 18[2] Rm
Revenue	5.6.3.2	25 491	(162)	25 329
Operating expenses	5.6.3.2	(19 788)	224	(19 564)
Net operating profit		5 703	62	5 765
Finance income		283		283
Finance costs		(605)		(605)
Income from financial assets		6		6
Share of income of equity-accounted investments		3 259		3 259
Profit before tax		8 646	62	8 708
Income tax expense		(1 653)	(17)	(1 670)
Profit for the year from continuing operations		6 993	45	7 038
Profit for the year from discontinued operations		69		69
Profit for the year		7 062	45	7 107
Other comprehensive income, net of tax		246		246
Total comprehensive income for the year		7 308	45	7 353
Profit attributable to:				
Owners of the parent		7 030	45	7 075
Non-controlling interests		32		32
Profit for the year		7 062	45	7 107
Total comprehensive income attributable to:				
Owners of the parent		7 276	45	7 321
Non-controlling interests		32		32
Total comprehensive income for the year		7 308	45	7 353

	cents	cents	cents
Attributable earnings per share			
Aggregate			
– Basic	2 801	18	2 819
– Diluted	2 156	14	2 170

[1] *Adjustments comprise:*
- *a contract modification consideration that would be recognised as revenue over seven years under the previous revenue standards and interpretations (R62 million and tax of R17 million).*
- *a reclassification of stock yard management service fee that would be recognised as a cost recovery in operating expenses under the previous revenue standards and interpretations (R224 million).*

Refer 5.6.3.2 for details of the assessment.

[2] *Amounts without the adoption of IFRS 15.*

5.6 CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION (CONTINUED)

5.6.3 IMPACT OF ADOPTING IFRS 15 (CONTINUED)

5.6.3.1 FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018 HAD IAS 18 BEEN APPLIED (CONTINUED)

Impact on the statement of financial position

		Group		
At 31 December 2018	Note	As reported Rm	Adjustments[1] Rm	IAS 18[2] Rm
ASSETS				
Non-current assets		52 226		52 226
Current assets		7 641		7 641
Non-current assets held-for-sale		5 183		5 183
Total assets		65 050		65 050
EQUITY AND LIABILITIES				
Capital and other components of equity				
Share capital		1 021		1 021
Other components of equity		8 028		8 028
Retained earnings	5.6.3.2(a)	32 797	(269)	32 528
Equity attributable to owners of the parent	5.6.3.2(a)	41 846	(269)	41 577
Non-controlling interests		(701)		(701)
Total equity	5.6.3.2(a)	41 145	(269)	40 876
Non-current liabilities	5.6.3.2(a)	15 745	207	15 952
Interest-bearing borrowings		3 843		3 843
Other payables		152		152
Provisions		3 952		3 952
Post-retirement employee obligations		193		193
Financial liabilities		713		713
Deferred tax	5.6.3.2(a)	6 874	(105)	6 769
Other non-current liabilities	5.6.3.2(a)	18	312	330
Current liabilities	5.6.3.2(a)	6 823	62	6 885
Interest-bearing borrowings		573		573
Trade and other payables		2 960		2 960
Provisions		70		70
Financial liabilities		757		757
Current tax payable		209		209
Overdraft		1 531		1 531
Other current liabilities	5.6.3.2(a)	723	62	785
Non-current liabilities held-for-sale		1 337		1 337
Total liabilities	5.6.3.2(a)	23 905	269	24 174
Total equity and liabilities		65 050		65 050

[1] *Relates to the reversal of the IFRS 15 initial application adjustment amounting to R314 million, net of tax, (refer table in note 5.6.3) and the impact for the year ended 31 December 2018 arising from the contract modification consideration assessment of R45 million, net of tax, (refer note 5.6.3.2 (a)).*

[2] *Financial results without the adoption of IFRS 15.*

5.6 CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION (CONTINUED)

5.6.3 IMPACT OF ADOPTING IFRS 15 (CONTINUED)

5.6.3.2 IMPACT ASSESSMENT OF CUSTOMER CONTRACT TERMS AND CONDITIONS

The standard terms and conditions of contracts with customers result in the same revenue recognition under IFRS 15, as compared to IAS 18, except for the following specific contractual arrangements that had an impact on initial application of the group:

(a) Contract modification consideration
A contract with a customer for the sale of goods had two distinct phases of delivery of the underlying goods. The contract was modified to include additional consideration over a period of seven years (referred to as the contract modification consideration).

Under IAS 18, the contract modification consideration was determined as a standalone revenue arrangement and would have been recognised as revenue over the seven-year period. Under IFRS 15, the contract modification consideration is assessed as a pricing adjustment that relates only to the goods delivered under the first phase of the contract, which was concluded at the end of the 2017 financial year, and is therefore required to be allocated to the goods delivered under this phase. Accordingly, the revenue recognition of the contract modification consideration is recognised earlier under IFRS 15 than IAS 18. This adjustment has been made on the cumulative effect basis, with the adoption of IFRS 15, to opening retained earnings as at 1 January 2018.

(b) Stock yard management services
On certain contracts, the group was compensated in the form of a cost recovery for the rendering of stock yard management services.

Under IAS 18, up to 31 December 2017, these cost recoveries were accounted for in operating expenses as a cost recovery, as it was not seen as the main operation or revenue stream of the group. Under IFRS 15, however, the rendering of these services is seen as a separate performance obligation and forms part of the revenue of the group. Accordingly the income from the rendering of stock yard management services is presented as revenue separately from the corresponding cost. There is no impact on the profit or loss of the group as the accounting is similar to a reclassification.

5.6.3.3 ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018

Refer 17.1.1.1 for the accounting policies applied from 1 January 2018.

5.7 RESTATEMENT OF COMPANY COMPARATIVE INFORMATION

The statement of comprehensive income, the statement of financial position, the statement of changes in equity and the statement of cash flows have been restated to show the impact of errors and reclassifications which have been identified.

Deferred tax asset (error)
The fair value adjustment on the contingent consideration was incorrectly included as a tax deduction in the current tax calculation for 2017 and 2016, instead of as an increase in the base cost of the investment held in ECC. The 2017 and 2016 current tax calculations resulted in a tax loss and a deferred tax asset was recognised on this tax loss. The deferred tax asset was therefore overstated as the tax loss would have been a smaller amount had the fair value adjustment been correctly accounted for. When correcting the error, no deferred tax is recognised on the difference between the carrying amount of the investment in ECC and the revised tax base as the investment will be recovered through dividends which are not taxable.

The deferred tax impact for 2017 and 2016 amounts to R102 million and R125 million, respectively. The statement of comprehensive income, statement of financial position and statement of changes in equity have been restated for this error.

Contingent consideration (reclassification)
For 2017, an amount of R74 million which relates to the settlement of contingent consideration has been reclassified from investing activities to operating activities as this relates to post-acquisition changes in fair value of the contingent consideration that has been paid, but is not recognised as an adjustment in the investment value as previously acquired. The statement of cash flows was re-presented.

Finance income and finance costs (reclassification)
Net finance income arising on indebtedness with subsidiaries amounting to R654 million has been reclassified from the income from investments in subsidiaries line item to the finance income and finance costs line items, totalling R1 197 million and R543 million, respectively. This reclassification results in a more appropriate presentation of interest income and interest expense. The statement of comprehensive income and statement of cash flows were represented.

IFRS 9 implementation
As part of the implementation of IFRS 9, a detailed analysis was performed on the classification of items in the statement of financial position. It was concluded that certain items needed to be reclassified in the prior year financial statements, as these were previously incorrectly classified. The statement of financial position and statement of cash flows have been restated and/or re-presented for the following items:

(a) Share-based payment (error)
Balances which represent group equity-settled share-based payment transactions where the company is responsible for settling the share-based payment transaction with subsidiaries employees were incorrectly recognised as part of trade and other receivables instead of investments in subsidiaries. An amount of R707 million and R617 million has been reclassified from trade and other receivables to investments in subsidiaries for 2017 and 2016, respectively.

5.7 RESTATEMENT OF COMPANY COMPARATIVE INFORMATION (CONTINUED)

IFRS 9 implementation (continued)

(b) Indebtedness by subsidiaries (error)

Certain subsidiaries' indebtedness was incorrectly set-off and presented on a net basis instead of a gross basis. An amount of R227 million for 2017 and an amount of R4 350 million for 2016 was reclassified from trade and other payables to trade and other receivables resulting in the amount receivable and amount payable being presented as part of trade and other receivables and trade and other payables respectively.

(c) Indebtedness by subsidiaries (reclassification)

Non-current interest-bearing loans to subsidiaries have been reclassified from the investment in subsidiaries line item to non-current financial assets to improve the presentation of these balances according to their nature. An amount of R4 020 million has been reclassified for 2017 and an amount of R6 019 million has been reclassified for 2016.

Current interest-bearing loans to subsidiaries have been reclassified from the trade and other receivables line item to current financial assets to improve the presentation of these balances according to their nature. An amount of R25 million has been reclassified for 2017 and an amount of R479 million has been reclassified for 2016.

(d) Other assets (reclassifications)

An amount of R2 million for 2017 was reclassified from non-current financial assets to other non-current assets so as to improve the presentation of the item according to the nature of the asset.

An amount of R18 million for 2017 and an amount of R41 million for 2016 was reclassified from trade and other receivables to other current assets so as to improve the presentation of the items (such as prepayments) according to the nature of the assets.

(e) Cash and cash equivalents (error)

A bank account and interest accrued on bank accounts were incorrectly classified as other receivables instead of cash and cash equivalents. An amount of R47 million and R44 million has been reclassified for 2017 and 2016, respectively.

(f) Interest-bearing borrowings (error)

Interest accrued on the loans and bonds was incorrectly classified as trade and other payables instead of current interest-bearing borrowings. An amount of R66 million and R69 million has been reclassified for 2017 and 2016, respectively.

(g) Other liabilities (reclassifications)

An amount of R203 million for 2017 and an amount of R185 million for 2016 was reclassified from trade and other payables to other current liabilities so as to improve the presentation of the items (such as payroll related accruals and VAT payable) according to the nature of the liabilities.

These errors had no material impact on the group.

The errors have been corrected by restating each of the impacted financial statement line items for the prior years.

Impact on the company statement of comprehensive income

For the year end 31 December 2017	Previously presented Rm	Adjustment Rm	Restated Rm
Revenue	1 350		1 350
Operating expenses	(1 375)		(1 375)
Operating loss	(25)		(25)
BEE credentials	(5 272)		(5 272)
Net operating loss	(5 297)		(5 297)
Finance income	141	1 197	1 338
Finance costs	(594)	(543)	(1 137)
Dividend and other income from associates and joint ventures	1 488		1 488
Income from investments in subsidiaries	1 982	(654)	1 328
Loss before tax	(2 280)		(2 280)
Income tax expense	(37)	(102)	(139)
Loss for the year from continuing operations	(2 317)	(102)	(2 419)
Profit for the year from discontinued operations	1 865		1 865
Loss for the year	(452)	(102)	(554)

5.7 RESTATEMENT OF COMPANY COMPARATIVE INFORMATION (CONTINUED)

Impact on the company statement of financial position

At 31 December 2017	Previously presented Rm	Adjustment Rm	Restated Rm
ASSETS			
Non-current assets	17 042	480	17 522
Property, plant and equipment	462		462
Intangible assets	12		12
Investments in associates	2 298		2 298
Investments in joint ventures	696		696
Investments in subsidiaries	12 558	(3 313)	9 245
Financial assets	624	4 018	4 642
Deferred tax	392	(227)	165
Other non-current assets		2	2
Current assets	7 536	(480)	7 056
Financial assets		25	25
Trade and other receivables	2 028	(570)	1 458
Cash and cash equivalents	5 508	47	5 555
Other current assets		18	18
Non-current assets held-for-sale	6 192		6 192
Total assets	30 770		30 770
EQUITY AND LIABILITIES			
Capital and other components of equity			
Share capital	11 265		11 265
Other components of equity	(773)		(773)
Retained earnings	3 267	(227)	3 040
Total equity	13 759	(227)	13 532
Non-current liabilities	6 819		6 819
Interest-bearing borrowings	3 994		3 994
Provisions	34		34
Financial liabilities	2 791		2 791
Current liabilities	10 192	227	10 419
Interest-bearing borrowings	(9)	66	57
Trade and other payables	9 824	(42)	9 782
Provisions	11		11
Financial liabilities	309		309
Current tax payable	20		20
Overdraft	37		37
Other current liabilities		203	203
Total liabilities	17 011	227	17 238
Total equity and liabilities	30 770		30 770

5.7 RESTATEMENT OF COMPANY COMPARATIVE INFORMATION (CONTINUED)

At 31 December 2016	Previously presented Rm	Adjustment Rm	Restated Rm
ASSETS			
Non-current assets	24 354	492	24 846
Property, plant and equipment	460		460
Intangible assets	25		25
Investments in associates	13 152		13 152
Investments in joint ventures	696		696
Investments in subsidiaries	9 166	(5 402)	3 764
Financial assets	520	6 019	6 539
Deferred tax	335	(125)	210
Current assets	5 866	3 733	9 599
Financial assets	480	479	959
Trade and other receivables	1 232	3 169	4 401
Cash and cash equivalents	4 154	44	4 198
Other current assets		41	41
Non-current assets held-for-sale	82		82
Total assets	30 302	4 225	34 527
EQUITY AND LIABILITIES			
Capital and other components of equity			
Share capital	2 975		2 975
Other components of equity	(2 164)		(2 164)
Retained earnings	10 218	(125)	10 093
Total equity	11 029	(125)	10 904
Non-current liabilities	6 425		6 425
Interest-bearing borrowings	5 985		5 985
Provisions	32		32
Financial liabilities	408		408
Current liabilities	12 848	4 350	17 198
Interest-bearing borrowings	471	69	540
Trade and other payables	8 760	4 096	12 856
Provisions	11		11
Financial liabilities	3 599		3 599
Overdraft	7		7
Other current liabilities		185	185
Total liabilities	19 273	4 350	23 623
Total equity and liabilities	30 302	4 225	34 527

5.7 RESTATEMENT OF COMPANY COMPARATIVE INFORMATION (CONTINUED)

Impact on the company statement of changes in equity

	Previously presented Rm	Adjustment Rm	Restated Rm
At 31 December 2017			
Retained earnings			
At 31 December 2016	10 218	(125)	10 093
Loss for the year	(452)	(102)	(554)
At 31 December 2017	3 267	(227)	3 040
Total equity			
At 31 December 2016	11 029	(125)	10 904
At 31 December 2017	13 759	(227)	13 532
At 31 December 2016			
Retained earnings			
At 31 December 2015	7 976		7 976
Profit for the year	2 869	(125)	2 744
At 31 December 2016	10 218	(125)	10 093
Total equity			
At 31 December 2015	12 042		12 042
At 31 December 2016	11 029	(125)	10 904

Impact on the company statement of cash flows[1]

	Previously presented Rm	Adjustment Rm	Restated Rm
For the year ended 31 December 2017			
Cash flows from operating activities	(4 718)	583	(4 135)
Cash flows from investing activities	9 823	(580)	9 243
Cash flows from financing activities	(3 799)		(3 799)
Net increase in cash and cash equivalents	1 306	3	1 309
Cash and cash equivalents at beginning of the year	4 147	44	4 191
Translation difference on movement in cash and cash equivalents	18		18
Cash and cash equivalents at end of the year	5 471	47	5 518

[1] *The statement of cash flows has been restated for the items detailed on pages 56 to 59 with the exception of the deferred tax error.*

CHAPTER 6: EARNINGS

6.1 ACCOUNTING POLICY RELATING TO EARNINGS

6.1.1 DIVIDEND DISTRIBUTION

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

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

6.2 ATTRIBUTABLE EARNINGS PER SHARE

	Group	
For the year ended 31 December	**2018**	**2017**
Profit for the year attributable to equity holders of the parent (Rm)	7 030	5 982
– Continuing operations (Rm)	6 961	2 726
– Discontinued operations (Rm)	69	3 256
Weighted average number of ordinary shares in issue (million)	251	311
Basic earnings per share (cents)	2 801	1 923
– Continuing operations (cents)	2 774	876
– Discontinued operations (cents)	27	1 047
Diluted weighted average number of ordinary shares (million)	326	347
Weighted average number of ordinary shares in issue (million)	251	311
Adjusted for share-based payment instruments (million)[1]	75	36
Diluted earnings per share (cents)	2 156	1 724
– Continuing operations (cents)	2 135	786
– Discontinued operations (cents)	21	938

[1] *The treasury shares held by Eyesizwe are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The dilutive impact arises on the assumption that these potential ordinary shares will vest to the BEE Parties.*

Exxaro did not issue any ordinary shares during 2018. Exxaro repurchased and issued ordinary shares during 2017, refer note 12.2.

6.3 RECONCILIATION OF HEADLINE EARNINGS

	Group		
For the year ended 31 December 2018	**Gross Rm**	**Tax Rm**	**Net Rm**
Profit attributable to owners of the parent			7 030
Adjusted for:	(348)	25	(323)
– IFRS 10 Gain on disposal of subsidiaries	(69)		(69)
– IAS 16 Gain on disposal of operation	(102)		(102)
– IAS 16 Net gains on disposal of property, plant and equipment	(122)	13	(109)
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(57)	16	(41)
– IAS 21 Net gains on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary	(14)		(14)
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	16	(4)	12
Headline earnings			6 707
– Continuing operations			6 638
– Discontinued operations			69

6.3 RECONCILIATION OF HEADLINE EARNINGS (CONTINUED)

For the year ended 31 December 2017	Group Gross Rm	 Tax Rm	 Net Rm
Profit attributable to owners of the parent			5 982
Adjusted for:	(4 674)	252	(4 422)
– IAS 16 Net losses on disposal of property, plant and equipment	61	(18)	43
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(3)	1	(2)
– IAS 21 Net gains on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary and partial disposal of investment in foreign associate	(1 274)		(1 274)
– IAS 28 Loss on dilution of investment in associate	106		106
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	12	(2)	10
– IAS 28 Share of equity-accounted investments' impairment reversal of property, plant and equipment	(987)	271	(716)
– IAS 28 Share of equity-accounted investments' loss on disposal of a subsidiary	1 271		1 271
– IAS 28 Gain on disposal of an associate	(3 860)		(3 860)
Headline earnings/(loss)			1 560
– Continuing operations			2 120
– Discontinued operations			(560)

6.4 HEADLINE EARNINGS/(LOSS) PER SHARE

For the year ended 31 December	Note	Group 2018	 2017
Headline earnings/(loss) (Rm)	6.3	6 707	1 560
– Continuing operations (Rm)		6 638	2 120
– Discontinued operations (Rm)		69	(560)
Weighted average number of ordinary shares in issue (million)		251	311
Headline earnings/(loss) per share (cents)		2 672	502
– Continuing operations (cents)		2 645	682
– Discontinued operations (cents)		27	(180)
Diluted weighted average number of ordinary shares (million)	6.2	326	347
Diluted headline earnings/(loss) per share (cents)		2 057	450
– Continuing operations (cents)		2 036	611
– Discontinued operations (cents)		21	(161)

6.5 DIVIDEND DISTRIBUTIONS

For the year ended 31 December	2018 cents	2017 cents
Dividend per share in respect of the interim period	530	300
Dividend per share in respect of the special dividend	1 255	
Final dividend per share in respect of the financial year	555	400
Total dividend for the financial year	2 340	700

6.5 DIVIDEND DISTRIBUTIONS (CONTINUED)

Total dividends paid in 2017 amounted to R2 227 million, made up of a final dividend of R1 284 million which related to the year ended 31 December 2016, paid in April 2017, as well as an interim dividend of R943 million, paid in September 2017.

A special dividend of 1 255 cents per share (R3 149 million to external shareholders) was paid in March 2018, following the partial disposal of the shareholding in Tronox Limited. A final dividend relating to the 2017 financial year of 400 cents per share (R1 004 million to external shareholders) was paid in April 2018. An interim dividend of 530 cents per share (R1 330 million to external shareholders) was paid in September 2018.

A final cash dividend, number 32, for 2018 of 555 cents per share, was approved by the board of directors on 12 March 2019. The dividend is payable on 13 May 2019 to shareholders who will be on the register on 10 May 2019. This final dividend, amounting to approximately R1 393 million (to external shareholders), has not been recognised as a liability in 2018. It will be recognised in shareholders' equity in the year ending 31 December 2019.

The final dividend declared will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 444 cents per share. The number of ordinary shares in issue at the date of this declaration is 358 706 754. Exxaro company's tax reference number is 9218/098/14/4.

THE SALIENT DATES RELATING TO THE PAYMENT OF THE DIVIDEND:

Last day to trade cum dividend on the JSE	Monday, 6 May 2019
First trading day ex dividend on the JSE	Tuesday, 7 May 2019
Record date	Friday, 10 May 2019
Payment date	Monday, 13 May 2019

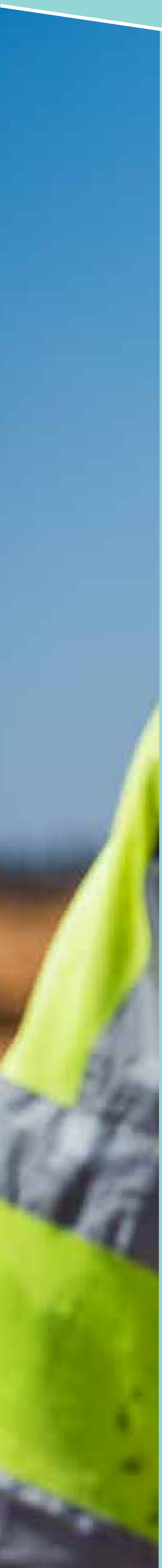
No share certificate may be dematerialised or re-materialised between Tuesday, 7 May 2019 and Friday, 10 May 2019, both days inclusive. Dividends for certificated shareholders will be transferred electronically to their bank accounts on payment date. Shareholders who hold dematerialised shares will have their accounts at their central securities depository participant or broker credited on Monday, 13 May 2019.

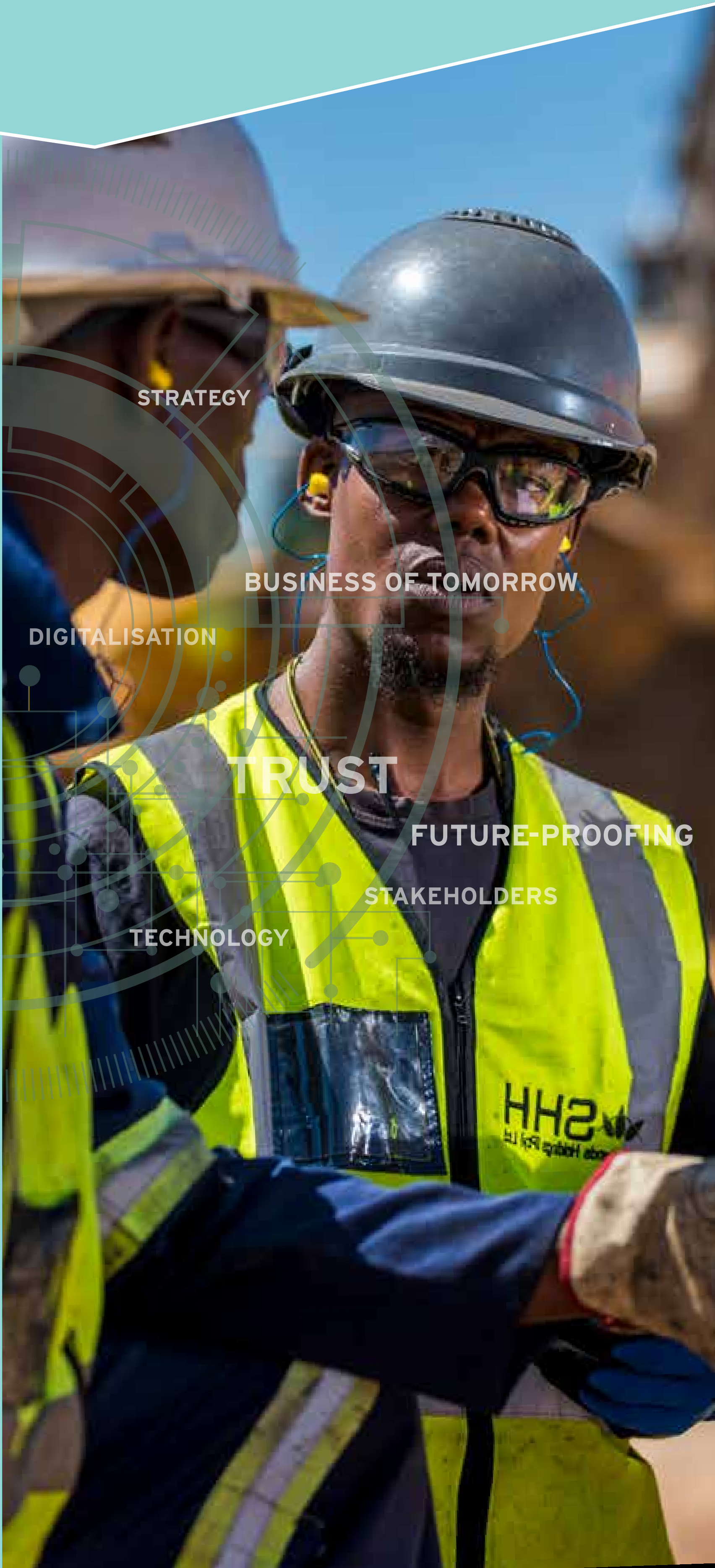
6.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO EARNINGS

	Group		Company	
For the year ended 31 December	**2018 Rm**	**2017 Rm**	**2018 Rm**	**2017 Rm**
Dividends paid	(5 483)	(2 227)	(7 838)	(2 231)
– Final dividend (relating to prior year)	(1 004)	(1 284)	(1 435)	(1 288)
– Special dividend	(3 149)		(4 502)	
– Interim dividend (current year)	(1 330)	(943)	(1 901)	(943)

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

CHAPTER 7: OPERATIONAL PERFORMANCE AND WORKING CAPITAL





CHAPTER 7:

Operational performance and working capital

7.1 OPERATIONAL PERFORMANCE

7.1.1 ACCOUNTING POLICIES RELATING TO OPERATIONAL PERFORMANCE

7.1.1.1 Revenue

IFRS 15 was adopted on 1 January 2018 (refer note 5.6.3). The following accounting policy has been applied since.

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

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected where Exxaro acts as an agent. If Exxaro is an agent, then revenue is recognised on a net basis – corresponding to any fee or commission to which Exxaro expects to be entitled to. Revenue is recognised when control of the goods or services is transferred to a customer.

The total consideration in service contracts is allocated to all services per the contract based on their standalone selling prices. The standalone selling prices are determined based on the listed prices at which the services are sold in separate transactions.

The practical expedient in IFRS 15.63 has been applied (which states that an entity is not required to reflect the time value of money in its estimate of the transaction price if it expects at contract inception that the period between customer payment and the transfer of goods or services will not exceed 12 months). The period of time between delivery of goods or services and receipt of payment ranges between two weeks and 60 days which is less than 12 months. Accordingly, no adjustment is made to the promised amount of consideration for the effects of a significant financing component.

Nature of goods and services

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

Revenue type	Performance obligation	Timing of when performance obligation is satisfied	Payment terms
Coal (domestic supply)	Delivery of coal at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Coal (export supply)	Delivery of coal at a contractually agreed upon delivery point (FOB)	On delivery (point in time)	Range: 15 to 60 days
Ferrosilicon	Delivery of ferrosilicon at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Biological goods	Delivery of biological goods at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Stock yard management services	Rendering of stock yard management services over time	As services are performed (over time)	Within 30 days
Other mine management services	Rendering of other mine management services over time	As services are performed (over time)	Within 30 days
Corporate management services (company)	Rendering of corporate services over time	As services are performed (over time)	Within 30 days
Other services	Mainly rendering of storage services over time	As services are performed (over time)	Within 30 days

7.1.1.2 DISCONTINUED OPERATIONS

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

7.1 OPERATIONAL PERFORMANCE (CONTINUED)

7.1.2 REVENUE

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

GROUP	Coal				Ferrous	Other	
	Commercial						
For the year ended 31 December 2018	**Waterberg Rm**	**Mpumalanga Rm**	**Tied Rm**	**Other Rm**	**Alloys Rm**	**Other Rm**	**Total Rm**
Segment revenue reconciliation							
Segment revenue based on origin of coal production	13 289	7 984	3 665	364	169	20	25 491
Export sales allocated to selling entity	(1 796)	(6 254)		8 050			
Total revenue from contracts with customers	11 493	1 730	3 665	8 414	169	20	25 491
By timing and major type of goods and services							
Sale of goods at a point in time	11 493	1 730	3 441	8 050	163	16	24 893
Coal	11 493	1 730	3 441	8 050			24 714
Ferrosilicon					163		163
Biological goods						16	16
Rendering of services over time			224	364	6	4	598
Stock yard management services			224				224
Other mine management services				364			364
Other services					6	4	10
Total revenue from contracts with customers	11 493	1 730	3 665	8 414	169	20	25 491
By major geographic area of customer[1]							
Domestic	11 493	1 730	3 665	364	169	15	17 436
Export				8 050		5	8 055
Europe				4 920		2	4 922
Asia				2 455		3	2 458
Other				675			675
Total revenue from contracts with customers	11 493	1 730	3 665	8 414	169	20	25 491
By major customer industries							
Public utilities	9 101	301	3 665	701			13 768
Merchants	141	835		6 458			7 434
Steel	1 557	165		36			1 758
Mining	88	43		747	144		1 022
Manufacturing	291	33		101	22		447
Cement	156	202					358
Other	159	151		371	3	20	704
Total revenue from contracts with customers	11 493	1 730	3 665	8 414	169	20	25 491

[1] *Geographic area is determined based on the customer supplied by Exxaro.*

7.1 OPERATIONAL PERFORMANCE (CONTINUED)

7.1.2 REVENUE (CONTINUED)

GROUP

	Coal				Ferrous	Other	
	Commercial						
For the year ended 31 December 2017	**Waterberg Rm**	**Mpumalanga Rm**	**Tied Rm**	**Other Rm**	**Alloys Rm**	**Other Rm**	**Total Rm**
Segment revenue reconciliation							
Segment revenue based on origin of coal production	11 328	7 970	2 837	418	243	17	22 813
Export sales allocated to selling entity	(1 330)	(5 688)		7 018			
Total revenue from contracts with customers	9 998	2 282	2 837	7 436	243	17	22 813
By timing and major type of goods and services							
Sale of goods at a point in time	9 998	2 282	2 837	7 018	243	10	22 388
Coal	9 998	2 282	2 837	7 018			22 135
Ferrosilicon					243		243
Biological goods						10	10
Rendering of services over time				418		7	425
Other mine management services[1]				418			418
Other services						7	7
Total revenue from contracts with customers	9 998	2 282	2 837	7 436	243	17	22 813
By major geographic area of customer[2]							
Domestic	9 998	2 282	2 837	418	243	17	15 795
Export				7 018			7 018
Europe				3 670			3 670
Asia				2 629			2 629
Other				719			719
Total revenue from contracts with customers	9 998	2 282	2 837	7 436	243	17	22 813
By major customer industries							
Public utilities	8 086	950	2 837	1 209			13 082
Merchants	74	652		4 911			5 637
Steel	1 135	143		44			1 322
Mining	137	31		685	243		1 096
Manufacturing	325	46		97			468
Cement	153	187					340
Other	88	273		490		17	868
Total revenue from contracts with customers	9 998	2 282	2 837	7 436	243	17	22 813

[1] *Reclassification of service revenue previously included as part of revenue from goods sold.*
[2] *Geographic area is determined based on the customer supplied by Exxaro.*

The group derives revenue from an external customer which accounts for at least 10% or more of the group's revenues, namely 53% or R13 394 million (2017: 55% or R12 591 million). The revenue from this customer was included in the tied coal and commercial coal (both Waterberg and Mpumalanga) operations.

7.1 OPERATIONAL PERFORMANCE (CONTINUED)

7.1.2 REVENUE (CONTINUED)

		Company	
For the year ended 31 December	Note	**2018 Rm**	**2017 Rm**
Rendering of services over time			
Corporate management services[1]:			
– Rendered to associates			6
– Rendered to subsidiaries	17.7	1 777	1 344
Total revenue from contracts with customers		1 777	1 350

[1] *Services rendered from South Africa.*

7.1.3 OPERATING EXPENSES

	Group		Company	
For the year ended 31 December	**2018 Rm**	**2017 Rm**	**2018 Rm**	**2017 Rm**
Cost by nature				
Operational expense items				
Raw materials and consumables	3 175	3 058	19	12
Depreciation and amortisation	1 582	1 393	77	95
Movement in inventories	226	283		
Staff costs	4 622	4 086	831	706
Other employee-related costs	165	144	24	20
Contract mining	1 818	1 451		
Repairs and maintenance	2 213	1 749	7	3
Railage and transport	1 787	2 065	1	
Insurance	161	128	2	1
Exploration expenditure	9	9		
Royalties	427	143		
Water	138	145	1	1
Energy	632	597	8	9
Information management costs	373	291	327	248
Legal and professional fees	776	510	483	360
Movement in provisions	(175)	(242)	(1)	(1)
Travel and subsistence	88	64	36	25
Security and office cleaning services	117	97	3	2
Licences	4	4		
Stock yard management services	224			
Financial gains and losses				
Currency exchange differences	83	117	142	(47)
Loss on disposal of financial asset at fair value through profit or loss	2			
Write-off and impairment charges/(reversals) of trade and other receivables and indebtedness by subsidiaries	7	61	2	(722)
Expected credit losses on financial assets at amortised cost	64			
Fair value losses/(gains) on financial assets at fair value through profit or loss	71	(171)		(2)
Fair value losses on financial liabilities at fair value through profit or loss	357	498	358	499

7.1 OPERATIONAL PERFORMANCE (CONTINUED)

7.1.3 OPERATING EXPENSES (CONTINUED)

For the year ended 31 December	**Group** **2018** **Rm**	**Group** **2017** **Rm**	**Company** **2018** **Rm**	**Company** **2017** **Rm**
General items and expenses				
Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(57)	(3)		
Net (gains)/losses on disposal or scrapping of property, plant and equipment	(122)	61	(47)	1
Gain on the disposal of operation[1]	(102)			
Inventories write-down to net realisable value		14		
Loss on liquidation of subsidiaries[2]				70
Gain on disposal of subsidiaries[3]	(69)			
Operating lease rental expenses	232	111	33	17
Sublease rental income	(37)	(39)		
Research and development costs	1		1	
Own work capitalised[4]	(155)	(216)	(1)	
General charges	1 151	1 185	190	78
Total operating expenses	19 788	17 593	2 496	1 375

[1] Relates to the disposal of certain assets and liabilities of the NBC operation. Refer note 9.3.
[2] Relates to the liquidation of Exxaro Holdings Congo Proprietary Limited and AlloyStream Holdings Proprietary Limited.
[3] Relates to the sale of Manyeka. Refer note 9.3.
[4] Relates to operating expenses incurred that are capitalised to projects where qualifying criteria are met.

For the year ended 31 December	**Group** **2018** **Rm**	**Group** **2017** **Rm**	**Company** **2018** **Rm**	**Company** **2017** **Rm**
Further disaggregation of certain operating expense items:				
Staff costs	4 622	4 086	831	706
– Salaries and wages	3 785	3 460	529	547
– Share-based payment expense	405	260	268	138
– Termination benefits	45	21		(12)
– Pension and medical costs	387	345	34	33
Consultancy fees[1]	680	424	431	313
Auditor's remuneration[1]	32	36	17	19
– Audit fees	26	26	13	13
– Other services	6	10	4	6
Depreciation and amortisation	1 582	1 393	77	95
– Depreciation of property, plant and equipment	1 579	1 378	75	81
– Amortisation of intangible assets	3	15	2	14
Write-off and impairment charges/(reversals) of trade and other receivables and indebtedness by subsidiaries		61		(722)
– Impairment of trade and other receivables		61		29
– Impairment reversals of indebtedness by subsidiaries				(751)
– Non-current[2]				(1 104)
– Current				353

7.1 OPERATIONAL PERFORMANCE (CONTINUED)

7.1.3 OPERATING EXPENSES (CONTINUED)

	Group		Company	
For the year ended 31 December	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Further disaggregation of certain operating expense items (continued):				
Expected credit losses on financial assets at amortised cost (impairment losses/(reversal of impairment losses):	64			
Non-current				
Other financial assets at amortised cost	(2)			
– Non-performing	(2)			
Non-interest-bearing loans to subsidiaries			3	
– Non-performing			3	
Current				
Trade and other receivables	67			
Trade receivables	13			
– Performing	1			
– Non-performing	12			
Other receivables	54			
– Non-performing	54			
Indebtedness by subsidiaries			(1)	
– Non-performing			(1)	
Other financial assets at amortised cost	(2)		(2)	
– Non-performing	(2)		(2)	
Other financial assets at amortised cost	1			
– Performing	1			
Fair value losses/(gains) recognised on financial assets at FVPL	71	(171)		(2)
– Designated on initial recognition		(135)		(2)
– Held-for-trading		(36)		
– Equity investments at fair value though profit or loss	8			
– Derivative financial asset at fair value through profit or loss	62			
– Debt investments at fair value though profit or loss	1			
Fair value losses recognised on financial liabilities at FVPL	357	498	358	499
– Held-for-trading		144		134
– Designated on initial recognition[3]		354		365
– Put option at fair value through profit or loss			1	
– Contingent consideration at fair value though profit or loss[3]	357		357	
Currency exchange differences	83	117	142	(47)
– Net realised (gains)/losses	(42)	89	22	10
– Net (gain)/loss on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary	(14)	58		
– Net unrealised losses/(gains)	139	(30)	120	(57)
Operating lease rental expenses	232	111	33	17
– Property	25	11	20	7
– Equipment	207	100	13	10

[1] *Disclosed as part of legal and professional fees.*

[2] *During 2017 the ECC loan impairment raised in 2015 was reversed based on the increased net asset value of the subsidiary and subsequently capitalised to the investment.*

[3] *Fair value adjustment on contingent consideration which arose on the ECC acquisition.*

7.1 OPERATIONAL PERFORMANCE (CONTINUED)

7.1.4 DISCONTINUED OPERATIONS

On 30 September 2017, Exxaro classified the Tronox Limited investment as a non-current asset held-for-sale (refer note 9.4). It was concluded that the related performance and cash flow information be presented as a discontinued operation as the Tronox Limited investment represents a major geographical area of operation as well as the majority of the TiO_2 reportable operating segment.

Financial information relating to the discontinued operation is set out below:

	Group		Company	
For the year ended 31 December	**2018 Rm**	**2017 Rm**	**2018 Rm**	**2017 Rm**
Financial performance				
Losses on financial instruments revaluations recycled to profit or loss		(1)		
Gains on translation differences recycled to profit or loss on partial disposal of investment in foreign associate		1 332		
Loss on dilution of investment in associate		(106)		
Loss on remeasurement to fair value less costs of disposal[1]			(2 884)	
Operating profit/(loss)		1 225	(2 884)	
Gain on partial disposal of associate		3 860		1 756
Net operating profit/(loss)		5 085	(2 884)	1 756
Share of loss of equity-accounted investment[2]		(1 829)		
Dividend income	69		69	109
Profit/(loss) for the year from discontinued operations	69	3 256	(2 815)	1 865
Cash flow information				
Cash flow attributable to investing activities	69	6 634	69	6 634
Cash flow attributable to discontinued operation	69	6 634	69	6 634

[1] *In terms of IFRS 5, the investment in associate which is classified as held-for-sale is required to be remeasured to fair value less costs of disposal at reporting date. At 31 December 2018, Tronox Limited's share price weakened to US$7.78 per share. The carrying amount of R6 110 million exceeded the fair value less costs of disposal of R3 226 million, resulting in the recognition of a loss amounting to R2 884 million.*

[2] *Exxaro's effective share of Tronox Limited's financial performance is as follows:*

Revenue		*10 289*
Operating expenses		*(11 343)*
Net operating loss		*(1 054)*
Finance income		*26*
Finance costs		*(837)*
Income from investments		*2*
Loss before tax		*(1 863)*
Income tax benefit		*34*
Loss for the year		*(1 829)*

7.1 OPERATIONAL PERFORMANCE (CONTINUED)

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

7.1.5.1 Cash generated by/(utilised in) operations

		Group		Company	
For the year ended 31 December	Note	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Net operating profit/(loss)		5 703	6 060	(3 603)	(3 541)
Adjusted for non-cash movements					
– Depreciation and amortisation	7.1.3	1 582	1 393	77	95
– Loss on remeasurement to fair value less costs of disposal				2 884	
– Expected credit losses on financial assets at amortised costs	7.1.3	64			
– Write-off and impairment charges/(reversals) of trade and other receivables and indebtedness by subsidiaries	7.1.3	7	61	2	(722)
– Provisions	7.1.3	(175)	(242)	(1)	(1)
– Foreign exchange revaluations and fair value adjustments		489	(1 107)	479	305
– Reconditionable spares usage		9	6		
– Net (gain)/loss on disposal or scrapping of property, plant and equipment	7.1.3	(131)	55	(47)	1
– Net loss on liquidation of subsidiaries	7.1.3				70
– Net gain on disposal of operation and subsidiaries	9.3	(171)			
– Loss on disposal of financial asset at fair value through profit or loss	7.1.3	2			
– Gain on disposal of associate	7.1.4		(3 860)		(1 756)
– Loss on dilution of investment in associate	10.4.1		106		
– Indemnification asset movement		(69)	(168)		
– Share-based payment expense		405	260	268	138
– BEE credentials			4 245		5 272
– Translation of net investment in foreign operations		(1)	5		
– Translation of foreign currency items		(154)	39		
– Amortisation of transaction costs		5	5	5	5
– Non-cash recoveries		120	239		
– Other non-cash movements		(9)	(7)	(1)	
Cash/(overdraft) before working capital movements		7 676	7 090	63	(134)
Working capital movements					
– Increase in inventories		(466)	(175)		
– (Increase)/decrease in trade and other receivables		(661)	(306)	289	372
– Increase in treasury facilities with subsidiaries at amortised cost (receivable)				(970)	
– Increase/(decrease) in trade and other payables		533	271	(101)	(2 255)
– Increase in treasury facilities with subsidiaries at amortised cost (payable)				349	
– Utilisation of provisions	13.3	(58)	(54)	(9)	
Cash generated by/(utilised in) operations		7 024	6 826	(379)	(2 017)

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 goods and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Also refer 16.1.

Trade payables

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

7.2.2 INVENTORIES

		Group	
At 31 December	Note	**2018 Rm**	**2017 Rm**
Finished products[1]		1 080	546
Work-in-progress		30	25
Raw materials		14	10
Plant spares and stores		474	466
Merchandise		6	8
Per statement of financial position		1 604	1 055
Included in non-current assets held-for-sale	9.4		133
Total inventories		1 604	1 188
[1]Includes inventory carried at net realisable value amounting to:			*92*

Included in merchandise are biological assets classified as inventories. No inventories were pledged as security for liabilities in 2018 nor 2017.

7.2.3 TRADE AND OTHER RECEIVABLES

		Group		Company	
At 31 December	Note	**2018 Rm**	**(Re-presented) 2017 Rm**	**2018 Rm**	**(Restated) 2017 Rm**
Trade receivables		2 971	2 506		
– Trade receivables: gross		3 052	2 567		
– Impairment allowances of trade receivables		(81)	(61)		
Other receivables		169	103	19	20
– Other receivables: gross[1]		223	173	19	90
– Impairment allowances of other receivables		(54)	(70)		(70)
Indebtedness by subsidiaries	17.6			194	1 438
– Indebtedness by subsidiaries: gross				194	1 472
– Impairment allowances of indebtedness by subsidiaries					(34)
Derivative instruments			4		
Per statement of financial position		3 140	2 613	213	1 458
Included in non-current assets held-for-sale	9.4		39		
Total trade and other receivables		3 140	2 652	213	1 458

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

7.2 WORKING CAPITAL (CONTINUED)

7.2.3 TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
		(Re-presented)		(Restated)
At 31 December	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Trade and other receivables are stated after the following allowances for impairment:				
Impairment allowances				
Trade receivables				
Closing balance at 31 December 2017 (IAS 39)	(61)			
Amounts restated through opening retained earnings	(7)			
Opening balance at 1 January 2018 (IFRS 9)	(68)			
– Performing	(7)			
– Non-performing	(61)			
Movement in impairment allowances	(13)			
– Performing	(1)			
– Non-performing	(12)			
At end of the year	(81)			
– Performing	(8)			
– Non-performing	(73)			
Other receivables				
Closing balance at 31 December 2017 (IAS 39)	(70)		(70)	
Amount reclassified in terms of IFRS 9	70		70	
Opening balance at 1 January 2018 (IFRS 9)				
Movement in impairment allowances	(54)			
– Non-performing	(54)			
At end of the year	(54)			
– Non-performing	(54)			
Indebtedness by subsidiaries				
Closing balance at 31 December 2017 (IAS 39)			(34)	
Amount reclassified in terms of IFRS 9[1]			34	
Amounts restated through opening retained earnings			(1)	
Opening balance at 1 January 2018 (IFRS 9)			(1)	
– Non-performing			(1)	
Movement in impairment allowance			1	
– Non-performing			1	
At end of the year				
[1] Reclassified to non-interest-bearing loans to subsidiaries.				
Specific allowances for impairment (IAS 39)				
At beginning of year		(185)		(186)
– Trade receivables		(77)		
– Other receivables		(108)		(108)
– Indebtedness by subsidiaries				(78)
Impairment loss recognised		(39)		(14)
Impairment loss reversals		93		52
Indebtedness by subsidiaries' impairments				(34)
Indebtedness by subsidiaries' reversals				78
At end of the year		(131)		(104)
Of which relates to:				
Trade receivables		(61)		
Other receivables		(70)		(70)
Indebtedness by subsidiaries				(34)
Trade and other receivables are stated after the following write-offs recognised in profit or loss:	(7)	(115)	(2)	(464)
Trade receivables	(5)	(36)		
Other receivables	(2)	(79)	(2)	(67)
Indebtedness by subsidiaries (loan forgiveness)				(397)

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

7.2 WORKING CAPITAL (CONTINUED)

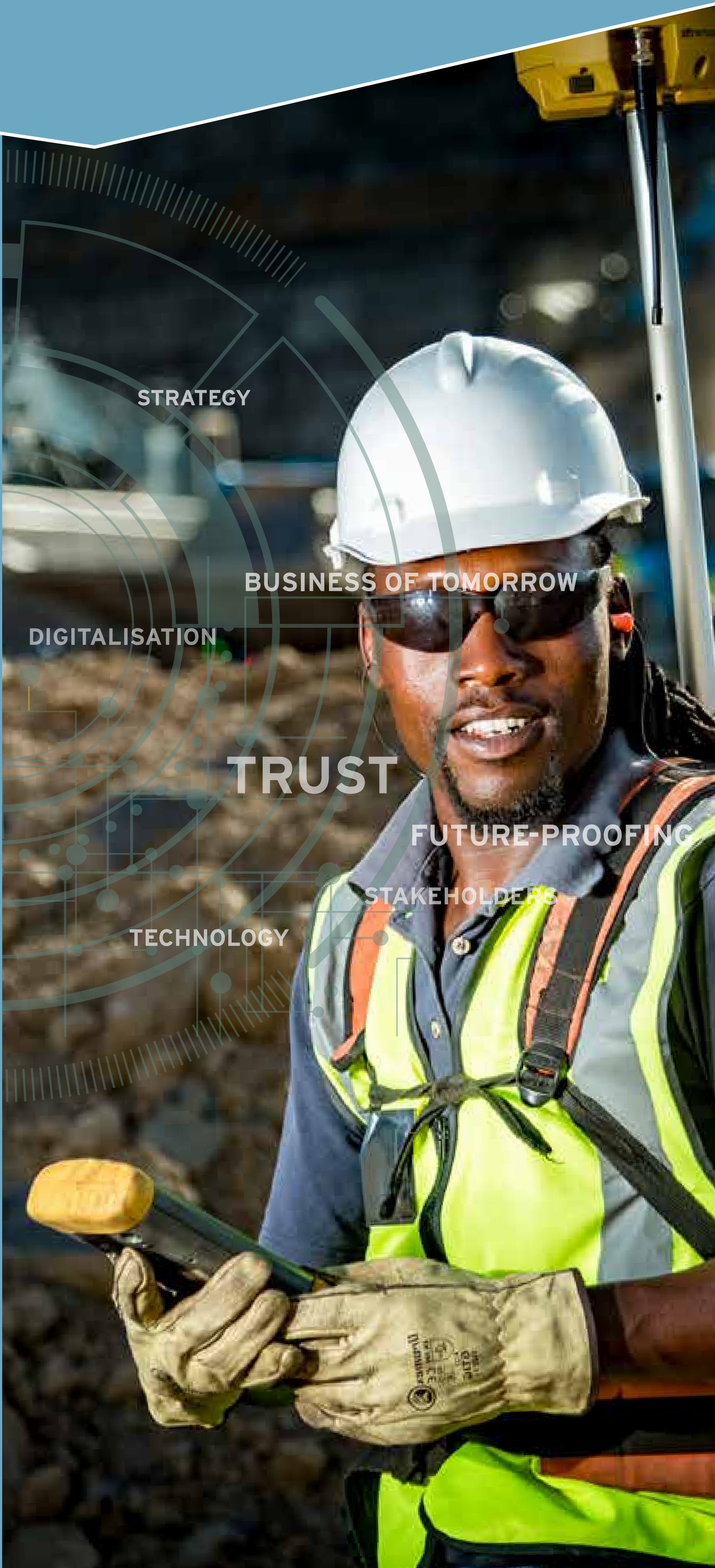
7.2.4 TRADE AND OTHER PAYABLES

		Group		Company	
			(Re-presented)		(Restated)
At 31 December	Note	**2018 Rm**	**2017 Rm**	**2018 Rm**	**2017 Rm**
Non-current					
Other payables[1]		152	89		
Total non-current other payables		152	89		
Current					
Trade payables		1 456	1 085	36	50
Other payables[2]		1 504	1 154	135	142
Indebtedness to subsidiaries	17.6			5	9 590
Derivative instruments			6		
Total current trade and other payables		2 960	2 245	176	9 782
Included in non-current liabilities held-for-sale	9.4		62		
Total trade and other payables		2 960	2 307	176	9 782

[1] *Relates to retention creditors.*

[2] *Includes sundry payables and reclassification of receivables with credit balances.*

CHAPTER 8: TAXATION



CHAPTER 8:

Taxation

8.1 ACCOUNTING POLICIES RELATING TO TAXATION

8.1.1 INCOME TAX EXPENSE

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

The current tax payable or receivable is based on taxable profit for the year. Taxable profit or loss differs from profit or loss as reported in the 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.

8.1.2 DEFERRED TAX

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

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

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

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

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

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

8.3 INCOME TAX (EXPENSE)/BENEFIT

	Group		Company	
For the year ended 31 December	**2018 Rm**	**2017 Rm**	**2018 Rm**	**(Restated) 2017 Rm**
South African normal tax				
Current	(841)	(955)	4	(21)
– Current year	(810)	(852)		
– Prior year	(31)	(103)	4	(21)
Deferred	(777)	(562)	227	(118)
– Current year	(772)	(505)	258	(67)
– Prior year	(5)	(57)	(31)	(51)
Foreign normal tax				
Current	(25)	(17)		
– Current year	(25)	(23)		
– Prior year		6		
Dividend withholding tax	(10)	(8)		
– Non-resident	(9)	(6)		
– Resident	(1)	(2)		
Total income tax (expense)/benefit through profit or loss	(1 653)	(1 542)	231	(139)
– Continuing operations	(1 653)	(1 542)	231	(139)

8.4 RECONCILIATION OF TAX RATES

	Group		Company	
	2018 %	2017 %	2018 %	(Restated) 2017 %
Tax as percentage of profit/(loss) before tax	19.1	35.7	(9.2)	(6.1)
Tax effect of:				
– Net capital gains/(losses)[1]	0.2	(1.6)	9.5	(7.4)
– Expenses not deductible for tax purposes[2]	(1.6)	(28.2)	(4.8)	69.3
– Exempt income (not subject to tax)[3]	0.1	0.4	4.3	(16.3)
– Special tax allowances	0.1	0.1		
– Post-tax equity-accounted income and investment income	10.6	25.6	29.3	(17.1)
– Remeasurements of foreign tax rate differences	0.6	1.1		
– Prior year tax adjustments	(0.4)	(3.5)	(1.1)	3.0
– Deferred tax assets not recognised	(0.1)	0.9		
– Imputed income from controlled foreign companies and investments	(0.6)	(2.5)		2.6
Standard tax rate	28.0	28.0	28.0	28.0
Effective tax rate for operations, excluding income from equity-accounted investments, impairment charges and share of tax thereon	30.3	28.3		
[1]In 2018, recognised a deferred tax asset in company on the accumulated capital losses due to the expected disposal of Tronox Limited.				
[2]Expenses not deductible for tax purposes:	*(1.6)*	*(28.2)*	*(4.8)*	*69.3*
- Consulting, legal and other professional fees	*(0.4)*	*(0.6)*	*(1.4)*	*1.1*
- BEE credentials		*(34.2)*		*64.7*
- ESD grants	*(0.1)*		*(0.5)*	
- Share-based payment expenses	*0.5*	*(0.7)*	*1.2*	*0.8*
- Penalties and interest on taxes	*(0.1)*	*(0.1)*	*0.1*	*0.1*
- Contingent consideration fair value adjustment	*(1.2)*	*(2.4)*	*(4.2)*	*4.5*
- Other	*(0.3)*	*9.8*		*(1.9)*

[3]The company received a dividend from ECC of R300 million which is eliminated on consolidation.

8.5 DEFERRED TAX

	Group		Company	
At 31 December	2018 Rm	2017 Rm	2018 Rm	(Restated) 2017 Rm
The movements on deferred tax are as follows:				
At beginning of the year	(5 417)	(4 985)	165	210
Statement of comprehensive income (expense)/benefit	(777)	(562)	227	(118)
– Current year	(772)	(505)	258	(67)
– Prior year	(5)	(57)	(31)	(51)
Items charged directly to equity	(147)	116	(18)	73
– Share-based payments movement	(29)	116	(20)	73
– Adjustments on initial application of IFRS 9	4		2	
– Adjustments on initial application of IFRS 15	(122)			
Items charged directly to other comprehensive income	(27)	23		
– Revaluation of financial asset FVOCI[1]	(12)	12		
– Post-retirement employee obligations	(15)	11		
Reclassification from/(to) non-current assets held-for-sale	17	(9)		
At end of the year	(6 351)	(5 417)	374	165
– Deferred tax asset	523	571	374	165
– Deferred tax liability	(6 874)	(5 988)		

[1]For 2017 this was classified as available-for-sale.

8.5 DEFERRED TAX (CONTINUED)

Comprising the following items:

At 31 December 2017

	Assets Rm	Liabilities Rm	Total net liability Rm
Property, plant and equipment[1]	488	(5 983)	(5 495)
Share-based payments	167	57	224
Other accruals and provisions	182	80	262
Bad debt reassessment	27		27
Restoration provisions	480	204	684
Decommissioning provisions	61	65	126
Leave pay accrual	24	20	44
Retention payables	2	87	89
Prepayments	(24)	(18)	(42)
Environmental rehabilitation funds	(133)	(202)	(335)
Income received in advance		108	108
Inventories	(10)	10	
Unrealised foreign currency gains/(losses)	1		1
Finance lease receivables	5	(21)	(16)
Local tax losses carried forward	580	18	598
Revaluation of financial assets FVOCI[2]	42	(112)	(70)
Post-retirement employee benefit obligation	68		68
Deferred tax assets not recognised or derecognised	(1 381)	(104)	(1 485)
Investment in RBCT	(11)	(197)	(208)
Unclaimed donations	3		3
Finance lease payable			
Total	571	(5 988)	(5 417)

[1] *Includes borrowing costs capitalised.*

[2] *For 2017 this was classified as available-for-sale.*

Group

Movement during the year				At 31 December 2018		
Recognised in profit or loss Rm	Recognised in other comprehensive income Rm	Reclassification from/(to) non-current assets held-for-sale Rm	Recognised directly in equity Rm	Assets Rm	Liabilities Rm	Total net liability Rm
(666)		(27)		131	(6 319)	(6 188)
23		5	(29)	165	58	223
(18)		44	4	(197)	489	292
27				16	38	54
(36)		56		348	356	704
(3)		3		58	68	126
2		2		24	24	48
(1)				2	86	88
7				(6)	(29)	(35)
(58)		(86)		(192)	(287)	(479)
19		1	(122)	5	1	6
25				(9)	34	25
				1		1
(4)					(20)	(20)
(26)		(14)		334	224	558
	(12)			27	(109)	(82)
5	(15)	1		54	5	59
(77)		30		(235)	(1 297)	(1 532)
				(11)	(197)	(208)
3		2		8		8
1					1	1
(777)	(27)	17	(147)	523	(6 874)	(6 351)

8.5 DEFERRED TAX (CONTINUED)

	Company			
	At 31 December 2017 (Restated)	Movement during the year		At 31 December 2018
	Asset Rm	Recognised in profit or loss Rm	Recognised directly in equity Rm	Asset[1] Rm
Property, plant and equipment	(57)	1		(56)
Share-based payments	148	14	(20)	142
Other accruals and provisions	54	(27)	2	29
Restoration provision	10			10
Leave pay accrual	4			4
Environmental rehabilitation funds	(7)			(7)
Unrealised foreign currency gains/(losses)	1			1
Bad debt reassessment	(5)	5		
Capital losses		227		227
Assessed losses	17	7		24
Total	165	227	(18)	374

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

Calculated tax losses

	Group		Company	
At 31 December	2018 Rm	2017 Rm	2018 Rm	(Restated) 2017 Rm
Tax losses available for set-off against future taxable income on which deferred tax was raised				
– Local	(1 993)	(2 136)	(86)	(61)
Current year tax losses on which no deferred tax assets were raised	52	299		

8.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO TAXATION

8.6.1 TAX PAID

	Group		Company	
For the year ended 31 December	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Amounts payable at beginning of the year	(340)	(129)	(20)	
Amounts receivable at the beginning of year: non-current assets held-for-sale	27			
Amounts charged to the statement of comprehensive income	(876)	(980)	4	(20)
Arising on translation of foreign operations	(4)	3		
Interest income on tax receivable not yet received		3		
Reclassification to non-current assets held-for-sale		(27)		
Amounts payable at end of the year	186	340		20
Tax paid	(1 007)	(790)	(16)	

8.7 TAX EFFECT OF OTHER COMPREHENSIVE INCOME

	Group					
	2018			2017		
For the year ended 31 December	**Before tax Rm**	**Tax Rm**	**Net of tax Rm**	**Before tax Rm**	**Tax Rm**	**Net of tax Rm**
Unrealised exchange gains/(losses) on translation of foreign operations	67		67	(62)		(62)
Share of other comprehensive income of equity-accounted investments	136	(3)	133	26		26
Revaluation of financial assets FVOCI (previously available-for-sale)	33	(12)	21	(26)	12	(14)
Remeasurement of post-retirement employee benefit obligation	54	(15)	39	(40)	11	(29)
Recycling of (gains)/losses on translation of foreign operations	(14)		(14)	58		58
Share of recycling of other comprehensive income of equity-accounted investments				(1 331)		(1 331)
Total	276	(30)	246	(1 375)	23	(1 352)

CHAPTER 9:
BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES

9.1 ACCOUNTING POLICIES RELATING TO BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES

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

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

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

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 meet the criteria to be reclassified and measured in terms of IFRS 5 (refer notes 9.4 and 7.1.4).

9.3 GAINS ON THE DISPOSAL OF AN OPERATION AND SUBSIDIARIES

	Group	
For the year ended 31 December 2018	**NBC Operation[1] Rm**	**Manyeka[2] Rm**
Consideration received:		
– Cash received	17	90
– Cash disposed		(15)
Net disposal consideration	17	75
Carrying amount of net liabilities/(assets) sold	85	(6)
– Property, plant and equipment	(112)	(41)
– Inventories	(93)	
– Trade and other receivables		(30)
– Other current assets		(1)
– Trade and other payables	14	30
– Shareholder loan		18
– Provisions	273	
– Deferred tax		8
– Post-retirement employee obligations	3	
– Non-controlling interests		10
Gain on disposal[3]	102	69

[1] *On 2 March 2018, Exxaro concluded a sale of asset agreement with North Block Complex Proprietary Limited (a subsidiary of Universal Coal plc) to dispose of certain assets and liabilities of NBC. Although the section 11 for the Paardeplaats right has not been granted yet, it was agreed with the buyer to conclude and close the transaction on 31 October 2018, on which date the proceeds of R17 million, relating to the Glisa and Eerstelingsfontein reserves, were received.*

[2] *During 2018 Exxaro concluded a sale of share agreement with Universal Coal for ECC's 100% shareholding in Manyeka, which includes a 51% interest in Eloff.*

[3] *After tax of nil.*

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

TRONOX LIMITED

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

Subsequent to the classification as a non-current asset held-for-sale, Exxaro sold 22 425 000 Class A Tronox Limited ordinary shares during October 2017. On 24 May 2018, Exxaro obtained shareholder approval to sell the remainder of its shares in Tronox Limited. On 31 December 2018, management concluded that the investment continues to meet the criteria to be classified as a non-current asset held-for-sale in terms of IFRS 5. Exxaro continues to assess market conditions for further possible sell downs of the remaining 28 729 280 Class B Tronox Limited ordinary shares.

The Tronox Limited investment is presented within the total assets of the TiO_2 reportable operating segment and is presented as a discontinued operation (refer note 7.1.4).

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

TRONOX UK

During November 2018, Exxaro and Tronox Limited reached an agreement in relation to the disposal of Exxaro's 26% members interest in Tronox UK. It was concluded that Exxaro's investment in Tronox UK should be classified as a non-current asset held-for-sale as all the requirements in terms of IFRS 5 have been met. As of 30 November 2018, Exxaro's 26% investment in Tronox UK was classified a non-current asset held-for-sale and the application of the equity method ceased.

The Tronox UK investment is presented within the total assets of the TiO_2 reportable operating segment. Tronox UK does not meet the criteria to be classified as a discontinued operation since it does not represent a separate line of business nor does it represent a major geographical area of operation.

EMJV

As part of the ECC acquisition in 2015, Exxaro acquired non-current liabilities held-for-sale relating to the EMJV. The sale of the EMJV 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 Energy Proprietary Limited, 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 on 31 December 2018, as the required approvals are still pending. 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.

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

	Group		Company	
At 31 December	**2018 Rm**	**2017 Rm**	**2018 Rm**	**2017 Rm**
Assets				
Property, plant and equipment		282		82
Investment in associates	5 183	3 396	4 317	6 110
– Tronox Limited	3 396	3 396	3 226	6 110
– Tronox UK	1 787		1 091	
Non-current other financial asset at amortised cost			408	
Deferred tax		9		
Inventories		133		
Trade receivables		39		
Current tax receivable		27		
Cash and cash equivalents		14		
Other current assets		10		
Non-current assets held-for-sale	5 183	3 910	4 725	6 192
Liabilities				
Non-current provisions	(1 320)	(1 494)		
Post-retirement employee obligations	(17)	(22)		
Trade and other payables		(62)		
– Trade payables		(54)		
– Other payables		(8)		
Shareholder loans		(18)		
Current provisions		(18)		
Other current liabilities		(37)		
Non-current liabilities held-for-sale	(1 337)	(1 651)		
Net non-current assets held-for-sale	3 846	2 259	4 725	6 192

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

	Group	
	2018 Rm	**2017 Rm**
Cumulative share of comprehensive income/(losses) of equity-accounted investments		
– Unrealised gains on translation of foreign operations	1 708	1 708
– Losses on financial instrument revaluations	(1)	(1)

CHAPTER 10: INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

CHAPTER 10:

Investments in associates and joint arrangements

10.1 ACCOUNTING POLICIES RELATING TO INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

10.1.1 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. Joint arrangements are classified and accounted for as follows:

- Joint operation: when the group has rights to the assets and obligations for the liabilities relating to an arrangement, each of its assets and liabilities, including its share of those held or incurred jointly, are 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.

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

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

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

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

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

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

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

In applying IAS 28 *Investments in Associates*, management has assessed the level of influence that the group has:

- RBCT: management concluded that significant influence exists on its 10.82% effective investment in RBCT as a result of Exxaro's representation on the board of directors of RBCT.
- Curapipe: management concluded that significant influence exists on its 10.53% investment in Curapipe as a result of Exxaro's representation on the board of directors of Curapipe.

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

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

	Group		Company	
	Share of income/(loss) of equity-accounted investments		Dividend and other income from equity-accounted investments	
For the year ended 31 December	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Continuing operations:				
Associates				
Unlisted investments	3 079	3 691	2 569	1 488
– SIOC	2 592	3 303	2 569	1 390
– Tronox SA	382	67		
– Tronox UK[1]	110	119		98
– RBCT	(36)	(24)		
– Black Mountain	70	226		
– Curapipe	(3)			
– AgriProtein	(31)			
– LightApp	(5)			
Joint ventures				
Unlisted investments	180	261	58	
– Mafube	114	259		
– Cennergi	66	2	58	
Income from investments in associates and joint ventures	3 259	3 952	2 627	1 488
Discontinued operations:				
Associates				
Listed investments				
– Tronox Limited[2]		(1 829)	69	109
Total income from investments in associates and joint ventures	3 259	2 123	2 696	1 597

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

[2] *Application of the equity method ceased on 30 September 2017 when the investment was classified as a non-current asset held-for-sale.*

10.4 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

10.4.1 INVESTMENTS IN ASSOCIATES

		Group		
	Note	Investments Rm	Preference dividend receivable Rm	Total Rm
At 31 December 2018				
At beginning of the year		15 810	2	15 812
Interests acquired[1]		818		818
Reclassification to non-current assets held-for-sale[2]		(1 787)		(1 787)
Net share of results		3 081		3 081
– Share of income		3 079		3 079
– Elimination of intergroup profits		2		2
Dividends received		(2 569)		(2 569)
Share of reserve movements		124		124
Movement in indebtedness from associates			(2)	(2)
At end of the year	10.5	15 477		15 477
At 31 December 2017				
At beginning of the year		21 518		21 518
Interests acquired[1]		26	2	28
Loss on dilution of investment		(106)		(106)
Reclassification to non-current assets held-for-sale[2]		(6 061)		(6 061)
Net share of results		1 860		1 860
– Share income (continuing operations)		3 691		3 691
– Share loss (discontinued operations)[2]		(1 829)		(1 829)
– Elimination of intergroup profits		(2)		(2)
Dividends received		(1 499)		(1 499)
Share of reserve movements		72		72
At end of the year	10.5	15 810	2	15 812

[1] *Refer note 10.5.*

[2] *The reclassification to non-current assets held-for-sale relates to Tronox UK (from 30 November 2018) and Tronox Limited (from 30 September 2017).*

		Company		
	Note	Investments Rm	Preference dividend receivable Rm	Total Rm
At 31 December 2018				
At beginning of the year		2 298	2	2 300
Interests acquired[1]		818		818
Reclassification to non-current assets held-for-sale[2]		(1 091)		(1 091)
Movement in indebtedness from associates			(2)	(2)
At end of the year	10.5	2 025		2 025
At 31 December 2017				
At beginning of the year		13 152		13 152
Interests acquired[1]		26	2	28
Reclassification to non-current assets held-for-sale[2]		(10 880)		(10 880)
At end of the year	10.5	2 298	2	2 300

[1] *Refer note 10.5.*

[2] *The reclassification to non-current assets held-for-sale relates to Tronox UK (from 30 November 2018) and Tronox Limited (from 30 September 2017).*

10.4 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.4.2 INVESTMENTS IN JOINT VENTURES

		Group		
	Note	Investments Rm	Loans Rm	Total Rm
At 31 December 2018				
At beginning of the year		1 479	126	1 605
Net share of results		199		199
– Share of income		180		180
– Elimination of intergroup profits		19		19
Dividends received		(58)		(58)
Share of reserve movements		9		9
Settlement of loan receivable[1]		(60)	(126)	(186)
Loan granted[2]			250	250
Interest raised on loan[2]			9	9
At end of the year	10.5	1 569	259	1 828
At 31 December 2017				
At beginning of the year		1 258	126	1 384
Net share of results		267		267
– Share of income		261		261
– Elimination of intergroup profits		6		6
Share of reserve movements		(46)		(46)
At end of the year	10.5	1 479	126	1 605

[1] *The loan to Cennergi of R186 million has been settled.*

[2] *A loan of R250 million was granted to Mafube. Interest of R9 million has accrued on this loan balance in accordance with the terms and conditions of the loan. Refer note 11.2.2.*

		Company		
	Note	Investments Rm	Loans Rm	Total Rm
At 31 December 2018				
At beginning of the year		696	186	882
Settlement of loan receivable[1]			(186)	(186)
At end of the year	10.5	696		696
At 31 December 2017				
At beginning of the year		696	186	882
At end of the year	10.5	696	186	882

[1] *The loan to Cennergi of R186 million has been settled.*

10.5 DETAILED ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

10.5.1 SUMMARY OF INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

At 31 December	Note	Nature of business[1]	Country of incorporation	Percentage holding (legal) 2018 %	2017 %
Associated companies					
Listed					
Tronox Limited[3]		M	USA	23.35	23.66
Unlisted					
SIOC[4]		M	RSA	20.62	20.62
Tronox SA		M	RSA	26.00	26.00
Tronox UK[5]		F	UK	26.00	26.00
RBCT		T	RSA	12.56	12.56
Black Mountain[6]		M	RSA	26.00	26.00
Curapipe[7]		R&D	Israel	10.53	13.70
– Investment					
– Preference dividend receivable	11.2.2				
AgriProtein[8]		WC	UK	26.37	
LightApp[9]		EN	Israel	28.98	
Total associate companies					
Incorporated joint ventures					
Unlisted					
Mafube		M	RSA	50.00	50.00
– Investment					
– Loan[10]	11.2.2				
Cennergi		EN	RSA	50.00	50.00
– Investment					
– Loan[11]	11.2.2				
Unincorporated joint operations					
Moranbah coal project		M	AUS	50.00	50.00
Total joint arrangements					
Total investments in associates and joint arrangements					

[1] *M – Mining, F – Financing, EN – Energy, T – Export terminal, R&D – Research and Development, WC – Waste Conversion*

[2] *Fair value represents the directors' value for unlisted investments at reporting date and market value for listed investments at reporting date.*

[3] *Tronox Limited was classified as a non-current asset held-for-sale since 30 September 2017.*

[4] *The fair value of SIOC is determined by applying an adjusted equity valuation technique, based on the share price of KIO on 31 December 2018 of R283.05 per share (31 December 2017: R379.13 per share), adjusted for a liquidity discount rate of 20% (2017: 20%).*

[5] *Tronox UK was classified as a non-current asset held-for-sale on 30 November 2018 (refer note 9.4).*

[6] *Black Mountain's financial year end is 31 March and therefore not co-terminous with that of Exxaro. Financial information has been obtained from published information or management accounts as appropriate.*

[7] *Curapipe was acquired on 3 August 2017.*

[8] *On 31 May 2018 Exxaro acquired an equity interest in AgriProtein. The purchase price amounted to US$52.5 million, comprising an initial cash consideration of US$14.5 million (R184.2 million) paid on 1 June 2018 and deferred consideration amounting to US$38 million (R482.8 million) which will be paid over the next two years. The timing of the deferred consideration is dependent on AgriProtein's capital expenditure requirements. Transaction costs of R6.6 million were capitalised to the cost of the investment. AgriProtein develops municipal organic water-conversion plants to generate high quality, natural protein sold for use in animal feed and agriculture.*

[9] *On 18 September 2018 Exxaro acquired an equity interest in the shareholding of LightApp. The purchase price amounted to US$10 million, comprising an initial cash consideration of US$5 million (R71.9 million) paid on 27 September 2018 and deferred consideration amounting to US$5 million (R70.7 million) which will be paid over the next two years. Transaction costs of R0.6 million were capitalised to the cost of the investment. LightApp is one of the leading start-ups in industrial energy analytics.*

[10] *A loan was granted to Mafube.*

[11] *The loan to Cennergi of R186 million has been settled in full.*

Group carrying value		Company carrying value		Fair value[2]		Fair value hierarchy level	Valuation technique
2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm		
				3 226	7 290	1	Listed market price
9 511	9 367			19 705	26 394	2	Adjusted equity value
2 185	1 800	1 181	1 181				
	1 677		1 091				
2 157	2 193						
818	747						
22	28	27	28				
22	26	27	26				
	2		2				
643		674					
141		143					
15 477	15 812	2 025	2 300				
1 496	1 105						
1 237	1 105						
259							
332	500	696	882				
332	374	696	696				
	126		186				
1 828	1 605	696	882				
17 305	17 417	2 721	3 182				

10.5 DETAILED ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

10.5.1 SUMMARY OF INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

Restrictions

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

Risks

Refer note 13.4 for details with regard to contingent liabilities relating to associates and joint ventures.
Refer note 11.1.4 for details with regard to capital commitments relating to associates and joint ventures.
Refer note 16.3.4 for details with regard to loan commitments relating to associates and joint ventures.

10.5.2 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES

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

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

10.5 DETAILED ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

10.5.2 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES (CONTINUED)

	Associates			Joint ventures	
	Tronox SA Rm	SIOC Rm	RBCT Rm	Mafube Rm	Cennergi Rm
Statements of comprehensive income					
For the year ended 31 December 2017					
Revenue	7 400	46 379	1 033	2 006	1 036
Operating expenses	(6 628)	(29 905)	(1 265)	(1 255)	(419)
Impairment reversals		4 789			
Net operating profit/(loss)	772	21 263	(232)	751	617
Finance income	106	627		35	40
Finance costs	(532)	(378)	(35)	(24)	(626)
Profit/(loss) before tax	346	21 512	(267)	762	31
Income tax (expense)/benefit	(86)	(5 418)	43	(230)	(27)
Profit/(loss) for the year from continuing operations	260	16 094	(224)	532	4
Loss for the year from discontinued operations		(74)			
Profit/(loss) for the year	260	16 020	(224)	532	4
Other comprehensive income/(loss)	18	(454)	7		
Total comprehensive income/(loss) for the year	278	15 566	(217)	532	4
Dividends paid to Exxaro		1 390			
Statements of financial position					
At 31 December 2017					
Non-current assets	11 493	41 006	22 762	2 843	5 794
Current assets	7 526	20 430	225	564	769
Non-current assets held-for-sale		1 235			
Total assets	19 019	62 671	22 987	3 407	6 563
Equity and liabilities					
Total equity	6 923	45 452	20 272	2 210	695
Non-current liabilities	8 640	11 197	1 695	870	5 401
Current liabilities	3 456	4 973	1 020	327	467
Non-current liabilities held-for-sale		1 049			
Total equity and liabilities	19 019	62 671	22 987	3 407	6 563
Included above in joint ventures:					
Cash and cash equivalents				313	553
Financial liabilities (excluding trade and other payables and provisions)					5 589
– Non-current					5 216
– Current					373
Depreciation and amortisation				187	188

10.5 DETAILED ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

10.5.3 RECONCILIATION OF CARRYING AMOUNTS OF INVESTMENTS

Set out below is a reconciliation of the equity attributable to owners of the parent (closing net assets) in 10.5.2, to the carrying value of the investment.

	Associates			Joint ventures	
	Tronox SA Rm	SIOC Rm	RBCT Rm	Mafube Rm	Cennergi Rm
At 31 December 2018					
Closing net assets	8 403	46 145	19 937	2 473	730
Interest in equity-accounted investment (%)	26.00	20.62	10.82	50.00	50.00
Interest in equity-accounted investment	2 185	9 515	2 157	1 237	365
Unrealised profit in closing balances		(4)			(33)
Loans to equity-accounted investments				259	
Carrying value	2 185	9 511	2 157	1 496	332
At 31 December 2017					
Closing net assets	6 923	45 452	20 272	2 210	695
Interest in equity-accounted investment (%)	26.00	20.62	10.82	50.00	50.00
Interest in equity-accounted investment	1 800	9 372	2 193	1 105	347
Unrealised profit in closing balances		(5)			(33)
Loans to equity-accounted investments					186
Carrying value	1 800	9 367	2 193	1 105	500

CHAPTER 11: ASSETS

CHAPTER 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. The group's cherry trees qualify as bearer plants under the definition of IAS 41 *Agriculture* and are therefore accounted for under the rules for plant and equipment. The cherry trees are classified as immature until the produce can be commercially harvested. At that point depreciation commences. Immature cherry trees are measured at accumulated cost.

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

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

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

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

	2018			2017		
	Coal	Ferrous	Other	Coal	Ferrous	Other
Mineral properties	5 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A	1 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A
Residential buildings	1 to 40 years	N/A	N/A	1 to 40 years	N/A	N/A
Buildings and infrastructure	1 to 40 years	10 to 20 years	25 years	1 to 40 years	10 to 20 years	25 years
Machinery, plant and equipment	13 000 to 50 000 hours or 1 to 40 years or 6.7Mt to 72.7Mt	5 to 25 years	1 to 20 years	13 000 to 50 000 hours or 1 to 40 years or 6.7Mt to 72.7Mt	5 to 25 years	1 to 15 years
Site preparation, mining development and rehabilitation	1 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A	1 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A
Bearer plants (mature)	N/A	N/A	7 years	N/A	N/A	N/A

Exploration costs

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

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 do not qualify as 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.

11.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

11.1.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES (CONTINUED)

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

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

11.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS

		Group								
At 31 December 2018	Note	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation, mining develop-ment and rehabilitation Rm	Bearer plants Rm	Assets under construction Rm	Total Rm
Gross carrying amount										
At beginning of the year (Restated)		446	2 223	660	4 137	20 429	252	20	3 322	31 489
Additions					311	965	205		4 456	5 937
Changes in decommissioning assets	13.3				(5)	(11)			4	(12)
Re-measurement		(4)			4			(18)		(18)
Borrowing costs capitalised	12.1.2								187	187
Disposals of items of property, plant and equipment			(12)	(2)	(103)	(659)	(5)			(781)
Net reclassification to non-current assets held-for-sale			(60)							(60)
Transfer between classes				3	589	693	15		(1 300)	
Exchange differences on translation		2								2
At end of the year		444	2 151	661	4 933	21 417	467	2	6 669	36 744
Accumulated depreciation										
At beginning of the year (Restated)			(683)	(152)	(777)	(5 045)	(145)			(6 802)
Charges for the year	7.1.3		(47)	(22)	(163)	(1 336)	(11)			(1 579)
Disposal of subsidiaries and operations										
Disposals of items of property, plant and equipment			6	1	31	490	2			530
Net reclassification to non-current assets held-for-sale			60							60
Transfer between classes				(2)	2					
At end of the year			(664)	(175)	(907)	(5 891)	(154)			(7 791)
Accumulated impairment										
At beginning of the year (Restated)					(89)	(230)	(4)		(2)	(325)
Disposals of items of property, plant and equipment					71	122	4			197
At end of the year					(18)	(108)			(2)	(128)
Net carrying amount at end of the year		444	1 487	486	4 008	15 418	313	2	6 667	28 825

11.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

11.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS (CONTINUED)

		Group								
At 31 December 2017	Note	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation, mining develop-ment and rehabilitation Rm	Bearer plants Rm	Assets under construction Rm	Total Rm
Gross carrying amount										
At beginning of the year (Previously presented)		375	2 775	664	3 326	18 618	325		2 911	28 994
Restatement[1]			(521)							(521)
At beginning of the year (Restated)		375	2 254	664	3 326	18 618	325		2 911	28 473
Additions		7			610	1 613	48	20	1 710	4 008
Changes in decommissioning assets	13.3				(12)	(33)				(45)
Borrowing costs capitalised	12.1.2								31	31
Disposals of items of property, plant and equipment					(14)	(457)				(471)
Net reclassification to non-current assets held-for-sale		(22)	(31)	(4)	(32)	(296)	(121)			(506)
Transfer between classes		87			259	984			(1 330)	
Exchange differences on translation		(1)								(1)
At end of the year (Restated)		446	2 223	660	4 137	20 429	252	20	3 322	31 489
Accumulated depreciation										
At beginning of the year (Previously presented)			(1 121)	(134)	(702)	(4 488)	(213)			(6 658)
Restatement[1]			482							482
At beginning of the year (Restated)			(639)	(134)	(702)	(4 488)	(213)			(6 176)
Charges for the year	7.1.3		(47)	(22)	(127)	(1 151)	(31)			(1 378)
Disposals of items of property, plant and equipment					13	386				399
Net reclassification to non-current assets held-for-sale			3	4	32	215	99			353
Transfer between classes					7	(7)				
At end of the year (Restated)			(683)	(152)	(777)	(5 045)	(145)			(6 802)
Accumulated impairment										
At beginning of the year (Previously presented)			(39)		(89)	(230)	(4)		(2)	(364)
Restatement[1]			39							39
At beginning of the year (Restated)					(89)	(230)	(4)		(2)	(325)
At end of the year (Restated)					(89)	(230)	(4)		(2)	(325)
Net carrying amount at end of the year (Restated)		446	1 540	508	3 271	15 154	103	20	3 320	24 362

[1] *The gross carrying amount, accumulated depreciation and accumulated impairment of assets has been restated to reflect disposals that took place prior to 2016. The net carrying amount impact is nil.*

11.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

11.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS (CONTINUED)

Leased assets

Machinery, plant and equipment include the following amounts where the group is a lessee under a finance lease (refer note 12.1.3 for further details):

	Group	
	2018 Rm	2017 Rm
Gross carrying amount	16	58
Accumulated depreciation	(1)	(33)
Net carrying amount at end of the year[1]	15	25

[1] In 2018 a finance lease was cancelled before the lease term expired and the assets returned. The carrying value of the assets returned was R6 million (cost of R34 million and accumulated depreciation of R28 million).

	Company			
	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	Total Rm
At 31 December 2018				
Gross carrying amount				
At beginning of the year		789	91	880
Additions		6	60	66
Disposals of items of property, plant and equipment		(26)		(26)
Transfer between classes		19	(19)	
At end of the year		788	132	920
Accumulated depreciation				
At beginning of the year		(418)		(418)
Charges for the year		(75)		(75)
Disposals of items of property, plant and equipment		24		24
At end of the year		(469)		(469)
Net carrying amount at end of the year		319	132	451
At 31 December 2017				
Gross carrying amount				
At beginning of the year	12	797	88	897
Additions		6	78	84
Disposals of items of property, plant and equipment	(11)	(90)		(101)
Transfer between classes	(1)	76	(75)	
At end of the year		789	91	880
Accumulated depreciation				
At beginning of the year	(11)	(426)		(437)
Charges for the year	(1)	(80)		(81)
Disposal of items of property, plant and equipment	11	89		100
Transfer between classes	1	(1)		
At end of the year		(418)		(418)
Net carrying amount at end of the year		371	91	462

11.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

11.1.4 CAPITAL COMMITMENTS

	Group		Company	
At 31 December	**2018 Rm**	**2017 Rm**	**2018 Rm**	**2017 Rm**
Capital expenditure contracted for property, plant and equipment	4 508	5 409	24	23
Capital expenditure authorised for property, plant and equipment but not yet contracted for	2 914	2 838	46	97
Capital commitments include the group's share of capital commitments of associates and joint ventures	975	1 096		

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

11.2 FINANCIAL ASSETS

11.2.1 ACCOUNTING POLICIES RELATING TO FINANCIAL ASSETS

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

11.2.2 FINANCIAL ASSETS COMPOSITION

		Group		Company	
At 31 December	Note	**2018 Rm**	**(Re-presented) 2017 Rm**	**2018 Rm**	**(Restated) 2017 Rm**
Non-current financial assets					
Financial assets at fair value through other comprehensive income		185	152		
Equity: unlisted		185	152		
– Chifeng (previously classified as available-for-sale financial asset at fair value)		185	152		
Financial assets at fair value through profit or loss		1 432	1 391	26	26
Equity: listed			34		
– KIO (previously classified as designated at fair value through profit or loss)[1]			34		
Debt: unlisted		1 432	1 357	26	26
– Environmental rehabilitation funds (previously classified as designated at fair value through profit or loss)		1 432	1 357	26	26
Loans to associates and joint ventures		250	128		188
Associates			2		2
– Curapipe (previously classified as loans and receivables at amortised cost)			2		2
Joint ventures		250	126		186
– Cennergi (previously classified as loans and receivables at amortised cost)			126		186
– Mafube[2]		250			
ESD loans[3]		80		80	
Interest-bearing loans to subsidiaries[4]	17.7			3 500	4 020

11.2 FINANCIAL ASSETS (CONTINUED)

11.2.2 FINANCIAL ASSETS COMPOSITION (CONTINUED)

		Group		Company	
At 31 December	Note	2018 Rm	(Re-presented) 2017 Rm	2018 Rm	(Restated) 2017 Rm
Other financial assets at amortised cost		687	680		408
Environmental rehabilitation funds (previously classified as loans and receivables at amortised cost)		351	291		
Deferred pricing receivable (previously classified as loans and receivables at amortised cost)[5]		336	389		
Other long-term receivables					408
Total non-current financial assets	16.3	2 634	2 351	3 606	4 642
Current financial assets					
Loans to associates and joint ventures		9			
– Mafube[2]		9			
ESD loans[3]		45		45	
Interest-bearing loans to subsidiaries[4]	17.7			586	25
Non-interest-bearing loans to subsidiaries[6]	17.7			341	
Treasury facilities with subsidiaries at amortised cost[7]	17.7			1 611	
Other current financial assets at amortised cost		80	48		
Deferred pricing receivable (previously classified as loans and receivables at amortised cost)[5]		52	48		
Deferred consideration receivable[8]		29			
Employee receivables		4		4	
Impairment allowances of other current financial assets at amortised cost		(5)		(4)	
Total current financial assets	16.3	134	48	2 583	25
Total financial assets		2 768	2 399	6 189	4 667

[1] *During 2018, the KIO shares were sold.*

[2] *Loan granted to Mafube in 2018. The loan bears interest at JIBAR plus a margin of 4%, is unsecured and repayable within five years, unless otherwise agreed by the parties.*

[3] *Interest free loans advanced to applicants in terms of the Exxaro ESD programme.*

[4] *Back-to-back loans which have similar terms as agreed with external lenders except for interest, which is charged based on JIBAR plus a margin.*

[5] *An amount receivable in relation to a deferred pricing adjustment which arose during 2017. The amount receivable will be settled over seven years and bears interest at prime rate less 2%.*

[6] *Loans granted to subsidiary companies are interest free, unsecured and repayable on demand.*

[7] *Treasury facilities with subsidiaries have no repayments terms and are repayable on demand. Interest is charged at money market rates.*

[8] *Relates to deferred consideration receivable which arose on the disposal of a mining right.*

11.3 LEASE RECEIVABLES

11.3.1 ACCOUNTING POLICIES RELATING TO LEASED ASSETS

Leases of property, plant and equipment, where the group has substantially all the risks and rewards of ownership, are classified as finance leases. All other leases are classified as operating leases.

Group as lessee

Assets acquired in terms of finance leases are capitalised at the lower of fair value of the leased asset and the present value of the minimum lease payments at inception of the lease and depreciated over the useful life of the asset. The corresponding rental obligations, net of finance charges, are recorded as a liability. Each lease payment is allocated between the liability and finance charges. The interest element of the finance charge is charged over the lease period using the effective interest rate method.

Payments made under operating leases are charged against profit or loss on the straight-line basis over the period of the lease.

Group as lessor

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. The respective leased asset is included in property, plant and equipment.

The group recognises 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. On conclusion of the lease agreement the leased asset is derecognised and depreciation ceases. Each lease payment received is allocated between the receivable and finance income. The interest element is recognised in profit or loss over the lease period.

11.3.2 LEASE RECEIVABLES ANALYSIS

	Group					
	Gross investment		Unearned finance income		Net investment[1]	
	2018 Rm	(Re-presented) 2017 Rm	2018 Rm	(Re-presented) 2017 Rm	2018 Rm	(Re-presented) 2017 Rm
Non-current	104	118	(38)	(46)	66	72
Current	14	14	(9)	(10)	5	4
Total[1]	118	132	(47)	(56)	71	76
Non-cancellable lease payments receivable are as follows:						
– Not later than one year	14	14	(9)	(10)	5	4
– Later than one year but not later than five years	56	56	(29)	(31)	27	25
– Later than five years	48	62	(9)	(15)	39	47
Total[1]	118	132	(47)	(56)	71	76

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

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

11.4 OTHER ASSETS

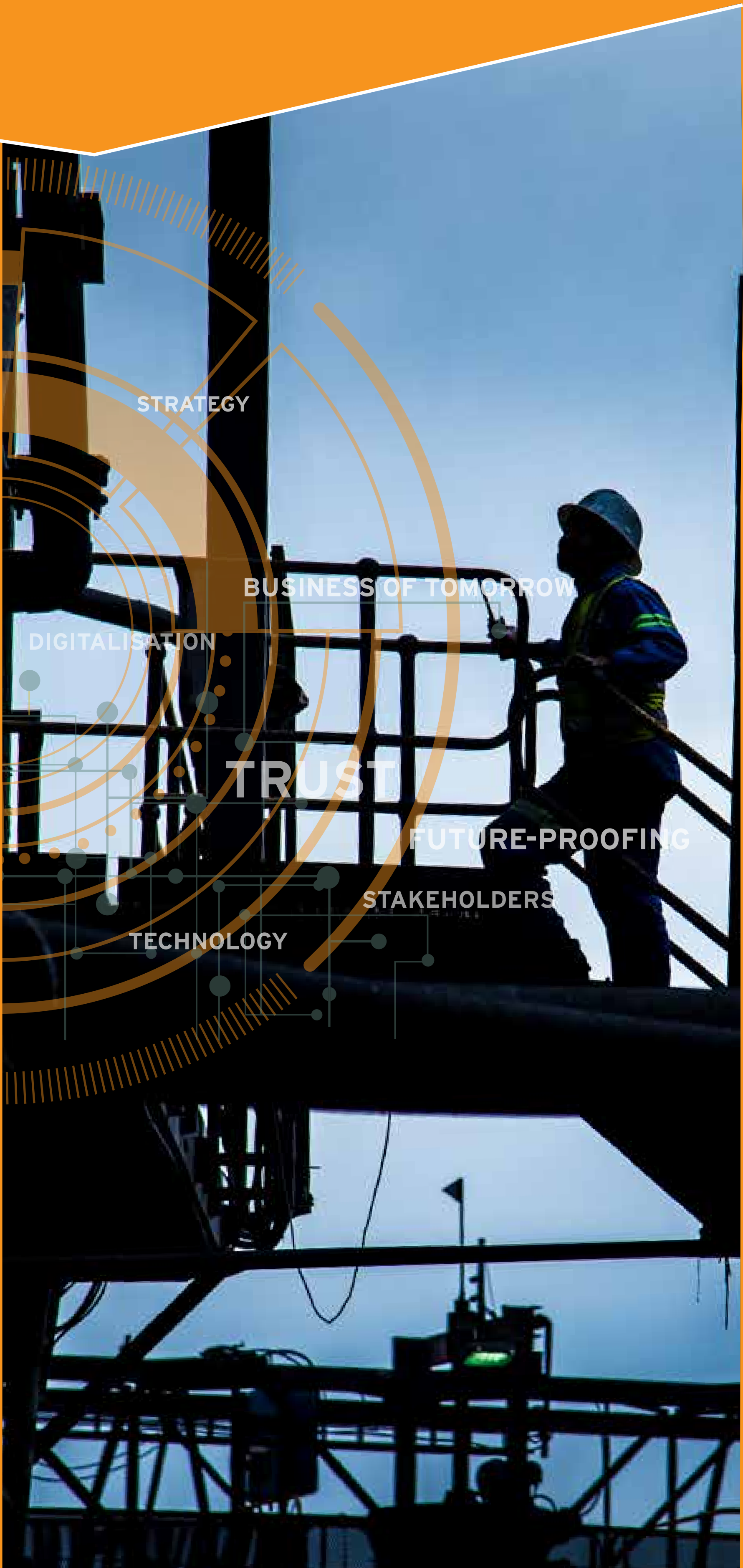
11.4.1 OTHER ASSETS COMPOSITION

	Group		Company	
At 31 December	**2018 Rm**	**(Re-presented) 2017 Rm**	**2018 Rm**	**(Restated) 2017 Rm**
Non-current other assets				
Reimbursements[1]	1 723	1 692		
Indemnification asset[2]	1 337	1 268		
Other non-current assets	27	4	1	2
Total non-current other assets	3 087	2 964	1	2
Current other assets				
VAT	480	293	1	
Royalties	46	39		
Prepayments	110	88	13	17
Other current assets	19	19	3	1
Total current other assets	655	439	17	18
Total other assets	3 742	3 403	18	20

[1] *Amounts recoverable from Eskom in respect of the rehabilitation, environmental expenditure and post-retirement employee obligations of the Matla and Arnot mines at the end of life of these mines.*

[2] *Upon the acquisition of ECC in 2015, Total SA indemnified Exxaro from any obligations relating to the EMJV.*

CHAPTER 12: FUNDING



12.1 DEBT

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

Borrowing costs, finance income and other financing expenses

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

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

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

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

Finance expense comprises interest expense on borrowings, agreements for the use of assets (classified as finance leases), unwinding of the discount rate on provisions, indebtedness to subsidiaries, recovery of unwinding of discount rate on rehabilitation costs and amortisation of transaction costs.

Fees and commission

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

Loans and borrowings

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

12.1.2 NET FINANCING (COSTS)/INCOME

		Group		Company	
For the year ended 31 December	Note	**2018 Rm**	**2017 Rm**	**2018 Rm**	**(Restated) 2017 Rm**
Finance income		283	217	1 327	1 338
– Interest income		256	207	151	141
– Finance lease interest income		10	10		
– Commitment fee income		1			
– Interest income from indebtedness by subsidiaries	17.4			1 176	1 197
– Interest income from loans to joint ventures		16			
Finance costs		(605)	(828)	(1 114)	(1 137)
– Interest expense		(514)	(600)	(398)	(582)
– Interest expense from indebtedness to subsidiaries	17.4			(704)	(543)
– Unwinding of discount rate on rehabilitation costs	13.3	(408)	(410)	(3)	(3)
– Recovery of unwinding of discount rate on rehabilitation costs		158	163		
– Finance lease interest expense		(1)	(3)		
– Amortisation of transaction costs		(27)	(9)	(9)	(9)
– Borrowing costs capitalised[1]	11.1.3	187	31		
Total net financing costs		(322)	(611)	213	201
[1]Borrowing costs capitalisation rate:		*10.13%*	*8.98%*		

12.1 DEBT (CONTINUED)

12.1.2 NET FINANCING (COSTS)/INCOME (CONTINUED)

	Group		Company	
For the year ended 31 December	**2018 Rm**	**2017 Rm**	**2018 Rm**	**(Restated) 2017 Rm**
Included in interest income:				
– Interest income on financial assets at amortised costs	65	11		5
– Interest income on cash and cash equivalents	188	166	151	136
– Interest income on financial assets at fair value through profit or loss	3	25		
– Interest income on non-financial assets		5		
Total interest income	256	207	151	141
Included in interest expense:				
– Interest expense on financial liabilities measured at amortised cost	(505)	(578)	(395)	(561)
– Interest expense on bank overdrafts	(3)	(21)	(3)	(21)
– Interest on non-financial liabilities	(6)	(1)		
Total interest expense	(514)	(600)	(398)	(582)

12.1.3 INTEREST-BEARING BORROWINGS

	Group		Company	
At 31 December	**2018 Rm**	**(Re-presented) 2017 Rm**	**2018 Rm**	**(Restated) 2017 Rm**
Interest-bearing borrowings				
Non-current interest-bearing borrowings[1]	3 843	6 480	3 233	3 994
Loan facility	3 233	3 474	3 233	3 474
Bond issue		520		520
Preference share liability[2]	610	2 483		
Finance leases		3		
Current interest-bearing borrowings[3]	573	68	572	57
Loan facility	47	52	47	52
Bond issue	525	5	525	5
Preference share liability	(1)	(5)		
Finance leases	2	16		
Total interest-bearing borrowings	4 416	6 548	3 805	4 051
Summary by financial period of redemption				
– Less than six months	578	67	576	57
– Six to 12 months	(5)	1	(4)	
– Between one and two years	(10)	509	(9)	511
– Between two and three years	3 242	(13)	3 244	(9)
– Between three and four years	611	3 239	(2)	3 244
– Between four and five years		2 620		123
– Over five years		125		125
Total interest-bearing borrowings	4 416	6 548	3 805	4 051
[1]The non-current portion represents:	*3 843*	*6 480*	*3 233*	*3 994*
– Capital repayments	*3 863*	*6 524*	*3 250*	*4 020*
– Transaction costs	*(20)*	*(44)*	*(17)*	*(26)*
[2]Capital redemption on preference share liability	*1 889*			
[3]The current portion represents:	*573*	*68*	*572*	*57*
– Capital repayments	*522*	*16*	*520*	
– Interest capitalised	*61*	*66*	*61*	*66*
– Transaction costs	*(10)*	*(14)*	*(9)*	*(9)*

12.1 DEBT (CONTINUED)

12.1.3 INTEREST-BEARING BORROWINGS (CONTINUED)

At 31 December	Group 2018 Rm	Group 2017 Rm
Finance leases		
Included in the above interest-bearing borrowings are obligations relating to finance leases.[1]		
Minimum finance lease payments payable:		
– Not later than one year	2	17
– Later than one year but not later than five years		3
Total minimum finance lease payments payable	2	20
Less: future finance charges		(1)
Present value of finance lease liabilities	2	19
– Non-current		3
– Current	2	16

[1] *In 2018 a finance lease was cancelled before the lease term expired and the assets returned. The outstanding lease commitment was R8 million when it was cancelled.*

At 31 December	Group 2018 Rm	Group 2017 Rm	Company 2018 Rm	Company 2017 Rm
Overdraft				
Bank overdraft	1 531	54	1 046	37

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

12.1.4 DETAILED ANALYSIS OF INTEREST-BEARING BORROWINGS

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

	Year	Loan facility Bullet term loan	Loan facility Amortised term loan	Loan facility Revolving facility	Preference share liability
Aggregate nominal amount (Rm)	2018	3 250	1 750	2 750	2 491
	2017	3 250	2 000	2 750	2 491
Issue date or draw down date		29 July 2016	29 July 2016	29 July 2016	11 December 2017
Maturity date		29 July 2021	29 July 2023	29 July 2021	9 December 2022
Capital payments		The total outstanding amount is payable on final maturity date	Four consecutive semi-annual instalments commencing on the date occurring 18 months prior to the final maturity date	The total outstanding amount is payable on final maturity date	The total outstanding amount is payable on final maturity date
Duration (months)		60	84	60	60
Secured or unsecured		Unsecured	Unsecured	Unsecured	Secured
Undrawn portion (Rm)	2018	nil	1 750	2 750	nil
	2017	nil	1 750	2 750	nil

12.1 DEBT (CONTINUED)

12.1.4 DETAILED ANALYSIS OF INTEREST-BEARING BORROWINGS (CONTINUED)

		Loan facility			
	Year	**Bullet term loan**	**Amortised term loan**	**Revolving facility**	**Preference share liability**
Interest					
Interest payment basis		Floating rate	Floating rate	Floating rate	Floating rate
Interest payment period		Three months	Three months	Monthly	Dependent on Eyesizwe receiving dividends from Exxaro
Interest rate		JIBAR plus a margin of 325 basis points (3.25%)	JIBAR plus a margin of 360 basis points (3.60%)	JIBAR plus a margin of 325 basis points (3.25%)	80% of prime rate
Effective interest rates for the transaction costs	2018	0.17%	1.17%	N/A	0.2%
	2017	0.17%	1.17%	N/A	0.2%
Rate of interest per year	2018	10.26%	10.60%	nil	8.2%
	2017	10.46%	10.81%	10.19%	8.2%

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

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

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

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

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

Exxaro is required to comply with the following financial covenants in terms of the preference share liability:

- Ratio of consolidated net debt to consolidated EBITDA[1] of the group for any measurement period must be less than 3.5:1

[1] *As defined per the agreement.*

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

		DMTN Programme (Bond issue)	
	Year	**R480 million senior unsecured floating rate note**	**R520 million senior unsecured floating rate note**
Aggregate nominal amount (Rm)		480	520
Issue date or draw down date		15 May 2014	15 May 2014
Maturity date		19 May 2017	19 May 2019
Capital payments		No fixed or determined payments, the total outstanding amount is payable on final maturity date	No fixed or determined payments, the total outstanding amount is payable on final maturity date
Duration (months)		36	60
Secured or unsecured		Unsecured	Unsecured
Interest			
Interest-payment basis		Floating rate	Floating rate
Interest-payment period		Three months	Three months
Interest rate		JIBAR plus a margin of 170 basis points (1.70%)	JIBAR plus a margin of 195 basis points (1.95%)
Effective interest rates for the transaction costs	2018		0.08%
	2017	0.13%	0.08%
Rate of interest per year	2018		9.17%
	2017	9.03%	9.17%

12.1 DEBT (CONTINUED)

12.1.5 NET (DEBT)/CASH

	Group	
At 31 December	**2018** **Rm**	**2017** **Rm**
Net (debt)/cash is presented by the following items on the statement of financial position:		
Total net (debt)/cash	(3 867)	69
Non-current interest-bearing borrowings	(3 843)	(6 480)
Current interest-bearing borrowings	(573)	(68)
Net cash	549	6 617
– Cash and cash equivalents	2 080	6 657
– Cash and cash equivalents classified as held-for-sale		14
– Overdraft	(1 531)	(54)

Analysis of movement in net (debt)/cash:

	Group			
		Liabilities from financing activities		
	Cash and cash equivalents/ (overdraft) **Rm**	**Non-current interest-bearing borrowings** **Rm**	**Current interest-bearing borrowings** **Rm**	**Total** **Rm**
Net debt at 31 December 2016	5 183	(6 002)	(503)	(1 322)
Cash flows	1 416	(472)	515	1 459
Operating activities	3 326			3 326
Investing activities	4 451			4 451
Financing activities	(6 361)	(472)	515	(6 318)
– Interest-bearing borrowings raised	2 491	(2 491)		
– Interest-bearing borrowings repaid	(2 534)	2 019	515	
– Shares acquired in the market to settle share-based payments	(99)			(99)
– Repurchase of share capital	(6 219)			(6 219)
Non-cash movements	(47)	(6)	(14)	(67)
Amortisation of transaction costs			(9)	(9)
Preference dividend accrued		(11)		(11)
Reclassification to non-current assets held-for-sale	(14)			(14)
Transfers between non-current and current liabilities		5	(5)	
Translation difference on movement in cash and cash equivalents	(33)			(33)

12.1 DEBT (CONTINUED)

12.1.5 NET (DEBT)/CASH (CONTINUED)

Analysis of movement in net (debt)/cash (continued):

	Group			
		Liabilities from financing activities		
	Cash and cash equivalents/ (overdraft) Rm	Non-current interest-bearing borrowings Rm	Current interest-bearing borrowings Rm	Total Rm
Net cash at 31 December 2017 (previously presented)	6 552	(6 480)	(2)	70
Reclassifications[1]	65		(66)	(1)
Net cash at 31 December 2017 (Re-presented)	6 617	(6 480)	(68)	69
Cash flows	(6 110)	2 139	8	(3 963)
Operating activities	(54)			(54)
Investing activities	(3 195)			(3 195)
Financing activities	(2 861)	2 139	8	(714)
– Interest-bearing borrowings raised	14		(14)	
– Interest-bearing borrowings repaid	(2 161)	2 139	22	
– Shares acquired in the market to settle share-based payments	(467)			(467)
– Dividend paid to BEE Parties	(247)			(247)
Non-cash movements	42	498	(513)	27
Amortisation of transaction costs			(27)	(27)
Preference dividend accrued		(1)		(1)
Interest accrued			5	5
Lease payable cancelled		5	3	8
Transfers between non-current and current liabilities		494	(494)	
Translation difference on movement in cash and cash equivalents	42			42
Net debt at 31 December 2018	549	(3 843)	(573)	(3 867)

[1] *The reclassification to cash and cash equivalents and overdrafts consists of a R51 million reclassification adjustment for interest accrued on bank accounts and bank accounts that were incorrectly classified as well as a R14 million adjustment for the bank balance which was classified as a non-current asset held-for-sale. The reclassification to current interest-bearing borrowings relates to the R66 million reclassification adjustment for interest accrued on the loans and bonds.*

	Company	
At 31 December	2018 Rm	(Restated) 2017 Rm
Net (debt)/cash is presented by the following items on the statement of financial position:		
Total net (debt)/cash	(4 175)	1 467
Non-current interest-bearing borrowings	(3 233)	(3 994)
Current interest-bearing borrowings	(572)	(57)
Net (overdraft)/ cash	(370)	5 518
– Cash and cash equivalents	676	5 555
– Overdraft	(1 046)	(37)

12.1 DEBT (CONTINUED)

12.1.5 NET (DEBT)/CASH (CONTINUED)

Analysis of movement in net (debt)/cash (continued):

	Company			
		Liabilities from financing activities		
	Cash and cash equivalents/ Overdraft Rm	Non-current interest-bearing borrowings Rm	Current interest-bearing borrowings Rm	Total Rm
Net debt at 31 December 2016 (Restated)	4 191	(5 985)	(540)	(2 334)
Cash flows	1 309	2 000	480	3 789
Operating activities	(4 135)			(4 135)
Investing activities	9 243			9 243
Financing activities	(3 799)	2 000	480	(1 319)
– Interest-bearing borrowings repaid	(2 480)	2 000	480	
– Shares acquired in the market to settle share-based payments	(69)			(69)
– Repurchase of share capital	(6 219)			(6 219)
– Share capital issued	4 969			4 969
Non-cash movements	18	(9)	3	12
Amortisation of transaction costs			(9)	(9)
Interest accrued			3	3
Transfers between non-current and current liabilities		(9)	9	
Translation difference on movement in cash and cash equivalents	18			18
Net cash at 31 December 2017 (Restated)	5 518	(3 994)	(57)	1 467
Cash flows	(5 903)	250		(5 653)
Operating activities	(8 312)			(8 312)
Investing activities	2 983			2 983
Financing activities	(574)	250		(324)
– Interest-bearing borrowings repaid	(250)	250		
– Shares acquired in the market to settle share-based payments	(324)			(324)
Non-cash movements	15	511	(515)	11
Amortisation of transaction costs			(9)	(9)
Interest accrued		5		5
Transfers between non-current and current liabilities		506	(506)	
Translation difference on movement in cash and cash equivalents	15			15
Net debt at 31 December 2018	(370)	(3 233)	(572)	(4 175)

12.1 DEBT (CONTINUED)

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

		Group		Company	
For the year ended 31 December	Note	**2018 Rm**	**2017 Rm**	**2018 Rm**	**(Restated) 2017 Rm**
Interest received		229	188	1 327	1 319
Finance income	12.1.2	283	217	1 327	1 338
Non-cash flow items					
– Interest income not yet received		(44)	(19)		(19)
– Finance lease interest income adjustment		(10)	(10)		
Interest paid		(518)	(597)	(1 107)	(1 132)
Finance costs	12.1.2	(605)	(828)	(1 114)	(1 137)
Non-cash flow items					
– Unwinding of discount rate on rehabilitation costs	13.3	408	410	3	3
– Recovery of unwinding of discount rate on rehabilitation costs		(158)	(163)		
– Amortisation of transaction costs		27	9	9	9
– Borrowing costs capitalised		(187)	(31)		
– Finance costs capitalised to loan less finance costs paid and interest accrued not yet paid		(3)	6	(5)	(7)
Net financing costs (paid)/received		(289)	(409)	220	187

12.1.7 FINANCIAL LIABILITIES COMPOSITION

		Group		Company	
At 31 December	Note	**2018 Rm**	**(Re-presented) 2017 Rm**	**2018 Rm**	**(Restated) 2017 Rm**
Non-current financial liabilities					
Financial liabilities at fair value through profit or loss		488	414	1 072	2 791
Contingent consideration (previously classified as designated at fair value through profit or loss)		488	414	488	414
Put option[1]				584	2 377
Financial liabilities at amortised cost		225		225	
Deferred consideration payable[2]		225		225	
Total non-current financial liabilities	16.3	713	414	1 297	2 791
Current financial liabilities					
Derivative financial liabilities		1			
Financial liabilities at fair value through profit or loss		361	309	361	309
Contingent consideration (previously classified as designated at fair value through profit or loss)		361	309	361	309
Financial liabilities at amortised cost		395		10 478	
Deferred consideration payable[2]		395		395	
Non-interest-bearing loans from subsidiary[3]	17.7			8 197	
Treasury facilities with subsidiaries at amortised cost[4]	17.7			1 886	
Total current financial liabilities	16.3	757	309	10 839	309
Total financial liabilities		1 470	723	12 136	3 100

[1] *Relates to Exxaro company's obligation to repurchase shares from Eyesizwe in terms of the Replacement BEE Transaction. During 2018, a portion of the put option lapsed as a portion of the preference share liability was redeemed.*

[2] *Deferred consideration payable in relation to the acquisition of the investment in AgriProtein and LightApp.*

[3] *Loans granted by subsidiary companies which are interest free, unsecured and repayable on demand.*

[4] *Treasury facilities with subsidiaries have no repayments terms and are repayable on demand. Interest is charged at money market rates.*

12.1 DEBT (CONTINUED)

12.1.8 OTHER LIABILITIES COMPOSITION

At 31 December	Group 2018 Rm	(Re-presented) 2017 Rm	Company 2018 Rm	(Restated) 2017 Rm
Non-current other liabilities				
Income received in advance	18	6		
Deferred revenue[1]		374		
Total non-current other liabilities	18	380		
Current other liabilities				
Deferred revenue[1]		62		
Leave pay	171	157	15	15
VAT	86	101		51
Royalties	50	29		
Bonuses	305	373	77	112
Other current liabilities	111	95	27	25
Total current other liabilities	723	817	119	203
Total other liabilities	741	1 197	119	203

[1] *During 2017, a deferred pricing adjustment was recognised in relation to a coal supply agreement which would be released to profit or loss over seven years. However, under IFRS 15 this was accelerated and recognised as part of the 1 January 2018 opening balances transition impact. Refer note 5.6.3.*

12.2 EQUITY

12.2.1 ACCOUNTING POLICY RELATING TO SHARE CAPITAL

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

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

12.2.2 SHARE CAPITAL

At 31 December	Group 2018 Rm	2017 Rm	Company 2018 Rm	2017 Rm
Authorised				
500 000 000 ordinary shares of R0.01 each	5	5	5	5
Issued and fully paid				
358 706 754 (2017: 358 706 754) ordinary shares of R0.01 each	4	4	4	4
Share premium	11 261	11 261	11 261	11 261
Treasury shares held by Eyesizwe[1]	(10 242)	(10 242)		
Treasury shares held by Kumba Resources Management Share Trust[1]	(2)	(2)		
Total	1 021	1 021	11 265	11 265

[1] *These entities have been consolidated.*

12.2 EQUITY (CONTINUED)

12.2.2 SHARE CAPITAL (CONTINUED)

	Company	
	Number of shares	
Reconciliation of authorised shares not issued	**2018**	**2017**
Authorised unissued ordinary shares at beginning of the year	141 293 246	141 884 495
Shares repurchased during the year		66 630 316
Shares issued during the year to Eyesizwe		(67 221 565)
Authorised unissued shares at end of the year	141 293 246	141 293 246

	Group	
	Number of shares	
Reconciliation of treasury shares in issue	**2018**	**2017**
At beginning of the year	107 770 244	2 552 232
– Held by Kumba Resources Management Share Trust	158 218	158 218
– Held by Mpower 2012		2 394 014
– Held by Eyesizwe	107 612 026	
Treasury shares distributed by Mpower 2012 to good leavers and on final vesting		(2 394 014)
Treasury shares issued to and held by Eyesizwe		107 612 026
Treasury shares in issue at end of the year	107 770 244	107 770 244

Exxaro's issued ordinary shares, net of treasury shares were 250 936 510 on 31 December 2018 (2017: 250 936 510).

Refer to the notice of the AGM in the summarised group annual financial statements and notice of the AGM 2018 for resolutions pertaining to the unissued ordinary shares under the control of the directors until the forthcoming AGM.

Exxaro has no unlisted securities.

12.2.3 SHARE REPURCHASES

Exxaro had no share repurchase transactions during 2018.
In 2017, Exxaro repurchased ordinary shares from Main Street 333 as follows:

- January 2017 repurchase: 43 943 744 shares for R3 524 million;
- December 2017 repurchase: 22 686 572 shares for R2 695 million.

CHAPTER 13: PROVISIONS, CONTINGENCIES AND OTHER COMMITMENTS

CHAPTER 13:

Provisions, contingencies and other commitments

13.1 ACCOUNTING POLICIES RELATING TO PROVISIONS, CONTINGENCIES AND OTHER COMMITMENTS

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

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

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

ENVIRONMENTAL REHABILITATION

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

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

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

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

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

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

OTHER SITE CLOSURE COSTS

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

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

13.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES (CONTINUED)

KEY ASSUMPTIONS

	At 31 December	
	2018 **%**	**2017** **%**
PPI	5	5.0 to 5.5
Discount rate		
– Period of discounting: 1 to 5 years	8.52	7.66 to 7.91
– Period of discounting: 6 to 15 years	9.80 to 9.92	8.75 to 8.95
– Period of discounting: 16 to 30 years	10.09 to 10.19	9.96 to 10.03

SENSITIVITIES

	At 31 December	
	2018 **Rm**	**2017** **Rm**
Decrease in total environmental rehabilitation provisions as a result of a 1% increase in discount rate	(338)	(339)
Increase in total environmental rehabilitation provisions as a result of a 1% decrease in discount rate	383	382

13.3 PROVISIONS

		Group				
		Environmental rehabilitation				
	Note	**Restoration Rm**	**Decommissioning Rm**	**Residual impact Rm**	**Other site closure costs Rm**	**Total Rm**
At 31 December 2018						
At beginning of the year		2 473	450	956	80	3 959
Charge to operating expenses		(133)	(29)	(32)		(194)
– Additional provision		35		45		80
– Unused amounts reversed		(168)	(29)	(77)		(274)
Unwinding of discount rate on rehabilitation costs	12.1.2	219	42	124	23	408
Provisions capitalised to property, plant and equipment	11.1.3		(12)			(12)
Utilised during the year		(35)			(23)	(58)
Reclassification to non-current liabilities held-for-sale		(8)		(73)		(81)
Total provisions at end of the year		2 516	451	975	80	4 022
– Current provision		46			24	70
– Non-current provision		2 470	451	975	56	3 952

CHAPTER 13:

Provisions, contingencies and other commitments

(CONTINUED)

13.3 PROVISIONS (CONTINUED)

		Group				
		Environmental rehabilitation				
	Note	Restoration Rm	Decommis-sioning Rm	Residual impact Rm	Other site closure cost Rm	Total Rm
At 31 December 2017						
At beginning of the year		3 690	506		75	4 271
Charge to operating expenses		(2 386)	(27)	2 218	1	(194)
– Additional provision		37	1	2 218	1	2 257
– Unused amounts reversed		(2 423)	(28)			(2 451)
Unwinding of discount rate on rehabilitation costs	12.1.2	344	47		19	410
Provisions capitalised to property, plant and equipment	11.1.3		(45)			(45)
Utilised during the year		(20)	(19)		(15)	(54)
Reclassification to non-current liabilities held-for-sale		845	(12)	(1 262)		(429)
Total provisions at end of the year		2 473	450	956	80	3 959
– Current provision		54	10		31	95
– Non-current provision		2 419	440	956	49	3 864

		Company		
		Environmental rehabilitation		
	Note	Restoration Rm	Other site closure cost Rm	Total Rm
At 31 December 2018				
At beginning of the year		34	11	45
Charge to operating expenses		(1)		(1)
– Unused amounts reversed		(1)		(1)
Unwinding of discount rate on rehabilitation costs	12.1.2	3		3
Utilised during the year			(9)	(9)
Total provisions at end of the year		36	2	38
– Current provisions			2	2
– Non-current provisions		36		36
At 31 December 2017				
At beginning of the year		32	11	43
Charge to operating expenses		(1)		(1)
– Unused amounts reversed		(1)		(1)
Unwinding of discount rate on rehabilitation costs	12.1.2	3		3
Total provisions at end of the year		34	11	45
– Current provisions			11	11
– Non-current provisions		34		34

13.3 PROVISIONS (CONTINUED)

FUNDING

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

		Group	
At 31 December	Note	**2018** **Rm**	**2017** **Rm**
Estimated unscheduled restoration and decommissioning closure costs		(6 536)	(6 207)
Estimated unscheduled post-closure residual impact costs		(2 666)	(2 596)
Total environmental provisions		(3 942)	(3 879)
– Present value of unscheduled restoration and decommissioning costs discounted over LOM		(2 967)	(2 923)
– Present value of unscheduled post-closure residual impact costs discounted over LOM and five years of rehabilitation		(975)	(956)
Environmental rehabilitation funds in trust	11.3.2	1 783	1 648
Financial guarantees ceded to the DMR	13.5	2 971	2 918
Current funding excess		812	687

13.4 CONTINGENT LIABILITIES

	Group		Company	
At 31 December	**2018** **Rm**	**2017** **Rm**	**2018** **Rm**	**2017** **Rm**
Pending litigation and other claims[1]	1 155	876		
Operational guarantees[2]	3 062	3 346	18	356
– Financial guarantees ceded to the DMR	2 971	2 918		
– Other financial guarantees	91	428	18	356
Share of contingent liabilities of equity-accounted investments[3]	726	1 084		
Total contingent liabilities	4 943	5 306	18	356

[1] *Consists of legal cases as well as tax disputes with Exxaro as defendant.*

[2] *Includes guarantees to banks and other institutions in the normal course of business from which it is anticipated that no material liabilities will arise.*

[3] *Mainly operational guarantees issued by financial institutions relating to environmental rehabilitation and closure costs. The decrease mainly relates to Cennergi guarantees cancelled after construction was finalised and the liabilities settled.*

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

SARS

On 18 January 2016, Exxaro received a letter of audit findings from SARS following an international income tax audit for the years of assessment 2009 to 2013. According to the letter, SARS proposed that certain international Exxaro companies would be subject to South African income tax under section 9D of the Income Tax Act. Assessments to the amount of R442 million (R199 million tax payable, R91 million interest and R152 million penalties) were issued on 30 March 2016 and Exxaro formally objected against these assessments. These assessments were subsequently reduced by SARS to R246 million (including interest and penalties). A resolution hearing with SARS was held on 18 July 2017 but the parties could not settle the matter. Notice was given to refer the matter to the Tax Court and a court date of 4 March 2019 was allocated to Exxaro. Notice was given to refer the matter to the Tax Court and a court date of 4 March 2019 was allocated to Exxaro. The hearing could not proceed and Exxaro currently awaits future communication from SARS.

These assessments have been considered in consultation with external tax and legal advisers and senior counsel. Exxaro believes this matter has been treated appropriately by disclosing a contingent liability for the amount under dispute.

13.5 LEASE COMMITMENTS

	Group		Company	
At 31 December	**2018 Rm**	**2017 Rm**	**2018 Rm**	**2017 Rm**
Operating lease commitments Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Not later than one year	140	54	79	54
Later than one year but not later than five years	346	278	230	278
Later than five years	390	434	373	434
Total operating lease commitments	876	766	682	766

	Group		Company	
At 31 December	**2018 Rm**	**2017 Rm**	**2018 Rm**	**2017 Rm**
Sublease payments receivable The future minimum lease payments expected to be received in relation to non-cancellable subleases of operating leases:				
Not later than one year	2	2	5	2
Later than one year but not later than five years	6	5	11	5
Total sublease payments receivable	8	7	16	7

CHAPTER 14: PEOPLE

CHAPTER 14:

People

14.1 ACCOUNTING POLICIES RELATING TO EMPLOYEE BENEFITS

14.1.1 POST-EMPLOYMENT BENEFITS

Defined contribution plans

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

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

Defined benefit obligations

A 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 participate in the LTIP and DBP incentive schemes.

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

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

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

Equity-settled instruments in respect of the Replacement BEE Transaction vested on the grant date, being 11 December 2017, resulting in the recognition of an equity-settled share-based payment expense in profit or loss.

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

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

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

BEE credentials valuation: in applying IFRS 2 management was required to make estimates and assumptions in determining the share-based payment expense. The share-based payment expense, amounting to R4 245 million, was calculated with reference to the requirements of IFRS 2 and the SAICA Financial Reporting Guide 2 *Accounting for BEE Transactions*. Since these options are not tradable, IFRS 2 requires that the fair value of these instruments be calculated using a suitable, market-consistent valuation model. A Monte Carlo simulation model was selected in order to account for the path-dependency inherent in the transaction arising from the relationship between the share price and the strike price (the outstanding preference share liability balance at maturity after taking into account dividends used to repay the preference share liability and preference dividend). The valuation was based on 30% of Exxaro's issued ordinary share capital being held by Eyesizwe at a spot Exxaro share price of R152.35 per share, being the closing share price as at 11 December 2017. Established derivative pricing theory requires the use of the underlying share value on the valuation date, and precludes the use of WATP (VWAP), for the purposes of measuring a share-based payment expense and for this reason the closing share price was used. The model applied a term structure of dividend yields over the life of the transaction, using estimated dividend forecasts. The dividend term-structure used equated to an average continuously compounded dividend rate of 4.49% per annum. The model assumed an option life of five years, an average flat, continuous risk free rate of 8.02% and a historical share volatility of 41.20% as inputs into the valuation model. The model further assumed funding rates of 80% of Prime Rate for the preference share liability. The outstanding preference share liability balance, as at the valuation date, of R2 491 million was used as the starting point in modelling the outstanding preference share liability balance as at the maturity date of the transaction. Exxaro's 24.9% interest in Eyesizwe was deducted from this value as an intercompany adjustment. The re-investment cost by the BEE Parties was subtracted from the share-based payment expense as this represented a cost to those shareholders for the participation in the Replacement BEE Transaction.

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

For defined benefit schemes, management is required to make 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.

14.3 EMPLOYEE BENEFITS

14.3.1 RETIREMENT FUNDS

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

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

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

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

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

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

14.3 EMPLOYEE BENEFITS (CONTINUED)

14.3.1 RETIREMENT FUNDS (CONTINUED)

Defined contribution funds

Employer contributions to each fund were as follows:

	Employer contributions	
	2018 Rm	2017 Rm
Group		
Exxaro Pension and Provident Fund	111	101
Iscor Employees' Umbrella Provident Fund	57	55
Mine Workers Provident Fund	20	20
Sentinel Retirement Fund	63	60
Other funds	11	9
Total	262	245
Company		
Exxaro Pension and Provident Fund	31	30
Iscor Employees' Umbrella Provident Fund		
Sentinel Retirement Fund	3	3
Total	34	33

14.3.2 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 R132 million (2017: R116 million).

14.3.3 SHORT-TERM INCENTIVES

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

- Individual performance reward
- A two-tier performance incentive
  - On-target business unit incentive
  - Commodity business and group improvement incentive.

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.

The two-tier performance incentive

First tier

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

Second tier

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

14.3 EMPLOYEE BENEFITS (CONTINUED)

14.3.4 EQUITY COMPENSATION BENEFITS

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

LTIP

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

Participants to the 2018 and 2017 LTIP grant obtained the right, provided performance conditions are met, to receive a number of Exxaro shares. The vesting of the award is based on:

- 33.33% of HEPS of the group and is calculated for a minimum and maximum performance condition
- 33.33% of the TSR of the group and is calculated for a minimum and maximum performance condition
- 33.34% for achievement of environmental, safety and governance targets.

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

DBP

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

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

Details of the schemes:

		Number of instruments	
LTIP and DBP		**2018 '000**	**2017 '000**
Outstanding at beginning of the year		10 637	10 823
Issued during the year[1]		4 143	2 723
Exercised during the year		(4 124)	(824)
Lapsed/cancelled during the year		(393)	(2 085)
Outstanding at end of the year		10 263	10 637
Terms of outstanding instruments at end of the year	Expiry date		
	2018		3 798
	2019	4 382	4 179
	2020	2 800	2 660
	2021	3 081	
		10 263	10 637
Total value of shares outstanding (Rm)		1 415	1 714

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

14.3 EMPLOYEE BENEFITS (CONTINUED)

14.3.4 EQUITY COMPENSATION BENEFITS (CONTINUED)

Fair value of equity compensation instruments

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

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

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

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

		2018	2017
Weighted average fair value for grants during the year (R):			
LTIP		72.50	100.25
DBP		100.96	103.70
Inputs to the valuation models for:			
LTIP	Share price at valuation date (R)	105.90	117.89
	Weighted average option life (years)	3	3
	Dividend yield (%)	5.81	3.65
	Risk-free interest rate (%)	6.87	7.36
DBP	Share price range at valuation dates (R)	107.00 to 148.85	103.80 to 127.80
	Weighted average option life (years)	3	3
	Dividend yield range (%)	5.45 to 6.34	3.34 to 4.81
	Risk-free interest rate range (%)	6.87 to 7.71	6.72 to 7.36

14.4 POST-RETIREMENT EMPLOYEE OBLIGATIONS

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 was honoured. During 2017, Exxaro Coal Mpumalanga Proprietary Limited withdrew from the Witbank Coal Medical Aid Scheme and the members were moved to the Discovery Health Medical Scheme and Bonitas Medical Aid Scheme. This benefit, which is no longer offered, applied to certain employees previously employed by Eyesizwe Proprietary Limited or Ingwe Coal and comprises a subsidy of contributions.

Exxaro Coal Mpumalanga Proprietary Limited's contribution to the post-retirement medical aid benefit of retired employees for the year ended 31 December 2018 amounts to R8 million (2017: R8 million).

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

14.4 POST-RETIREMENT EMPLOYEE OBLIGATIONS (CONTINUED)

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

	Group	
At 31 December	**2018 Rm**	**2017 Rm**
At beginning of the year	227	239
Charge to operating expenses	19	(48)
– Current and past service costs[1]	4	(62)
– Interest expense	24	22
– Expected employer benefit payments	(9)	(8)
Remeasurements[2]	(54)	40
Reclassification from/(to) non-current liabilities held-for-sale	1	(4)
At end of the year	193	227

[1] Includes an adjustment for past service costs amounting to nil (2017: R66 million).
[2] Tax on remeasurements amounts to R15 million (2017: R11 million).

The defined benefit medical obligation is composed by country as follows:		
– RSA	193	231
Present value of unfunded obligations[1]	193	231

[1] Includes nil (R4 million) which was classified as a non-current liability held-for-sale.

The actuarial assumptions were as follows:		
Discount rate (%)	11.4	10.7
Healthcare cost inflation (%)	9.5	10.2
Expected retirement age (years)	60	60

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

14.5.1 REMUNERATION POLICY

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

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

14.5.2 SUMMARY OF REMUNERATION

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

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

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

Retirement amounts relate to defined contribution retirement funds.

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

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.2 SUMMARY OF REMUNERATION (CONTINUED)

	NCOE/ guaranteed remuneration plus circumstantial			Short term incentives
2017	Basic salary R	Benefits and allowances[1] R	Retirement fund contributions R	Performance bonuses[2] R
Executive directors				
MDM Mgojo	5 728 207	225 121	550 135	3 598 366
PA Koppeschaar	3 930 987	232 161	357 477	2 275 231
Total executive directors' remuneration	9 659 194	457 282	907 612	5 873 597
Prescribed officers				
V Balgobind	2 463 772	205 664	238 629	1 260 065
AW Diedericks	3 240 455	127 684	320 484	1 598 280
JG Meyer	3 060 455	307 684	320 484	1 598 280
MI Mthenjane	3 246 788	83 365	282 329	1 565 289
Dr N Tsengwa	3 376 576	169 004	296 746	1 933 844
SE van Loggerenberg[6]	1 587 963	90 106	113 521	615 239
M Veti	3 212 286	41 206	317 698	1 547 397
CH Wessels[7]	1 533 721	59 453	124 356	94 030
Total prescribed officers' remuneration	21 722 016	1 084 166	2 014 247	10 212 424

2017	Fees for services R	Benefits and allowances R	Total R
Non-executive directors			
S Dakile-Hlongwane	553 756	4 190	557 946
Dr CJ Fauconnier	1 124 340	30 044	1 154 384
MW Hlahla	387 528	3 931	391 459
Dr D Konar (chairman)	1 783 803		1 783 803
S Mayet[8]	372 034	1 100	373 134
VZ Mntambo	498 967		498 967
EJ Myburgh	501 061	9 887	510 948
V Nkonyeni	532 156		532 156
MF Randera	486 834	10 764	497 598
J van Rooyen	748 806		748 806
PCCH Snyders	556 462	31 286	587 748
D Zihlangu	482 848	10 963	493 811
Total non-executive directors' remuneration	8 028 595	102 165	8 130 760

[1] *Includes leave days purchased as well as travel and acting allowances.*
[2] *All incentive schemes are performance related and were approved by the board of directors.*
[3] *Comprise long-service awards, zero-fatality and LTIFR rewards.*
[4] *Includes leave encashments.*
[5] *Amount recognised for share-based payment expenses, in terms of IFRS 2, in respect of the equity-settled share-based payment schemes for the services rendered during the year. The employee will only be entitled to the options once all vesting conditions have been met.*
[6] *Appointed as company secretary and legal on 1 October 2017. The remuneration information provided is for the full year.*
[7] *Resigned 30 September 2017.*
[8] *Fees paid to employer.*

Retirement amounts relate to defined contribution retirement funds.

Long-term incentives	Other					
Gains on management share schemes R	Recognition[3] R	Other[4] R	Total remuneration R	Share-based payment expense[5] R	Gains on management share schemes R	Total remuneration expense R
2 585 196	2 530		12 689 555	8 696 044	(2 585 196)	18 800 403
1 301 286	2 530		8 099 672	3 203 239	(1 301 286)	10 001 625
3 886 482	5 060		20 789 227	11 899 283	(3 886 482)	28 802 028
143 678	32 730		4 344 538	2 170 339	(143 678)	6 371 199
1 058 546	60 323		6 405 772	2 810 936	(1 058 546)	8 158 162
1 063 570	60 330		6 410 803	2 620 682	(1 063 570)	7 967 915
889 223	2 530		6 069 524	2 064 715	(889 223)	7 245 016
741 789	2 530		6 520 489	2 837 266	(741 789)	8 615 966
149 382	7 030		2 563 241	405 607	(149 382)	2 819 466
910 083	2 530		6 031 200	2 180 284	(910 083)	7 301 401
530 227	2 530	124 993	2 469 310	791 249	(530 227)	2 730 332
5 486 498	170 533	124 993	40 814 877	15 881 078	(5 486 498)	51 209 457

14.5.3 INTEREST IN EXXARO SHARES

(i) Number of shares

	2018		2017	
Directors at 31 December	Direct	Indirect	Direct	Indirect
Beneficial interest				
S Dakile-Hlongwane[1]				188 655
Dr CJ Fauconnier[2]			47 500	
Dr D Konar[2]			6 168	
PA Koppeschaar	15 325		13 998	
D Mashile-Nkosi[3]		4 225 088		
MDM Mgojo		4 671 041		4 671 041
VZ Mntambo[4]		4 448 839		4 448 839
J van Rooyen (chairman)				1 500
D Zihlangu[1]				344 899
Non-beneficial interest				
Dr CJ Fauconnier[2]				1 000
PA Koppeschaar		690		1 337
MDM Mgojo		35 984		18 741

[1] *Resigned 6 March 2018.*
[2] *Retired 24 May 2018.*
[3] *Appointed 6 March 2018.*
[4] *Resigned and reappointed 6 March 2018.*

(ii) Percentages (direct and indirect)

Directors at 31 December	2018 %	2017 %
S Dakile-Hlongwane[1]		0.05
D Mashile-Nkosi[2]	1.18	
MDM Mgojo	1.30	1.30
VZ Mntambo[3]	1.24	1.24
D Zihlangu[1]		0.10

[1] *Resigned 6 March 2018.*
[3] *Appointed 6 March 2018.*
[3] *Resigned and reappointed 6 March 2018.*

There have been no changes in the directors' interests in Exxaro shares between the end of the financial year 2018 and the date on which the annual financial statements were approved.

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS

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

Management SARs[1]

2017	Grant date price R	Exercisable period	Shares forfeited[2] Number
Executive directors			
MDM Mgojo	126.77	01/04/2017	16 358
			16 358
PA Koppeschaar	126.77	01/04/2017	8 134
			8 134
Prescribed officers			
V Balgobind	126.77	01/04/2017	2 772
			2 772
AW Diedericks	126.77	01/04/2017	6 988
			6 988
JG Meyer	126.77	01/04/2017	4 666
			4 666
Dr N Tsengwa	126.77	01/04/2017	8 312
			8 312

[1] Rights in terms of the management SARs scheme are no longer granted.

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

Management share scheme – LTIP

2018	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Modification during the year[2] Number	Options exercised during the year Number	Shares forfeited[3] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors										
MDM Mgojo		01/04/2018			6 105	74 925		106.43	7 974 268	03/04/2018
		01/05/2018			5 667	69 556		111.10	7 727 672	04/05/2018
	206 388	01/04/2019	28 454 714	28 454 714	16 816					
	139 908	01/04/2020	19 289 116	19 289 116	11 399					
	152 820	01/04/2021	21 069 293	21 069 293						
	499 116		68 813 123	68 813 123	39 987	144 481			15 701 940	
PA Koppeschaar		01/04/2018			2 940	36 077		106.43	3 839 675	03/04/2018
	51 770	01/04/2019	7 137 530	7 137 530	4 218					
	36 287	01/09/2019	5 002 889	5 002 889	2 957					
	60 728	01/04/2020	8 372 569	8 372 569	4 948					
	71 749	01/04/2021	9 892 035	9 892 035						
	220 534		30 405 023	30 405 023	15 063	36 077			3 839 675	

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – LTIP (continued)

2018	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Modification during the year[2] Number	Options exercised during the year Number	Shares forfeited[3] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers										
V Balgobind		01/04/2018			170	2 085	4 468	106.43	221 907	03/04/2018
		01/04/2018			1 063	13 045		106.43	1 388 379	03/04/2018
	41 655	01/04/2019	5 742 975	5 742 975	3 394					
	21 760	01/04/2019	3 000 051	3 000 051	1 773					
	27 336	01/04/2020	3 768 814	3 768 814	2 228					
	30 331	01/04/2021	4 181 735	4 181 735						
	121 082		16 693 575	16 693 575	8 628	15 130	4 468		1 610 286	
AW Diedericks		01/04/2018			3 051	37 438		106.43	3 984 526	03/04/2018
	53 725	01/04/2019	7 407 066	7 407 066	4 378					
	34 553	01/04/2020	4 763 822	4 763 822	2 816					
	36 500	01/04/2021	5 032 255	5 032 255						
	124 778		17 203 143	17 203 143	10 245	37 438			3 984 526	
JG Meyer		01/04/2018			3 051	37 438		106.43	3 984 526	03/04/2018
	53 725	01/04/2019	7 407 066	7 407 066	4 378					
	34 553	01/04/2020	4 763 822	4 763 822	2 816					
	37 475	01/04/2021	5 166 678	5 166 678						
	125 753		17 337 566	17 337 566	10 245	37 438			3 984 526	
MI Mthenjane		01/04/2018			2 966	36 401		106.43	3 874 158	03/04/2018
	52 237	01/04/2019	7 201 915	7 201 915	4 256					
	33 916	01/04/2020	4 675 999	4 675 999	2 764					
	35 828	01/04/2021	4 939 606	4 939 606						
	121 981		16 817 520	16 817 520	9 986	36 401			3 874 158	
Dr. N Tsengwa		01/04/2018			2 566	31 488		106.43	3 351 268	03/04/2018
	45 187	01/04/2019	6 229 932	6 229 932	3 682					
	26 964	01/05/2019	3 717 527	3 717 527	2 197					
	51 117	01/04/2020	7 047 501	7 047 501	4 165					
	55 441	01/04/2021	7 643 651	7 643 651						
	178 709		24 638 611	24 638 611	12 610	31 488			3 351 268	
SE van Loggerenberg		01/04/2018			535	6 561		106.43	698 287	03/04/2018
	9 414	01/04/2019	1 297 908	1 297 908	767					
	6 191	01/04/2020	853 553	853 553	505					
	7 198	01/10/2020	992 388	992 388	587					
	15 272	01/04/2021	2 105 551	2 105 551						
	38 075		5 249 400	5 249 400	2 394	6 561			698 287	
M Veti		01/04/2018			2 953	36 244		106.43	3 857 449	03/04/2018
	52 013	01/04/2019	7 171 032	7 171 032	4 238					
	33 452	01/04/2020	4 612 027	4 612 027	2 726					
	35 338	01/04/2021	4 872 050	4 872 050						
	120 803		16 655 109	16 655 109	9 917	36 244			3 857 449	

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

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

[3] *Shares forfeited due to performance conditions not being fully met.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – LTIP (continued)

2017	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Shares forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo		01/04/2017			14 354	33 494	118.84	1 705 829	03/04/2017
	68 820	01/04/2018	11 183 250	11 183 250					
	63 889	01/05/2018	10 381 963	10 381 963					
	189 572	01/04/2019	30 805 450	30 805 450					
	128 509	01/04/2020	20 882 713	20 882 713					
	450 790		73 253 376	73 253 376	14 354	33 494		1 705 829	
PA Koppeschaar		01/04/2017			6 911	16 127	118.84	821 303	03/04/2017
	33 137	01/04/2018	5 384 763	5 384 763					
	47 552	01/04/2019	7 727 200	7 727 200					
	33 330	01/09/2019	5 416 125	5 416 125					
	55 780	01/04/2020	9 064 250	9 064 250					
	169 799		27 592 338	27 592 338	6 911	16 127		821 303	
Prescribed officers									
V Balgobind		01/04/2017			1 209	2 820	118.84	143 678	03/04/2017
	6 383	01/04/2018	1 037 238	1 037 238					
	11 982	01/04/2018	1 947 075	1 947 075					
	38 261	01/04/2019	6 217 413	6 217 413					
	19 987	01/04/2019	3 247 888	3 247 888					
	25 108	01/04/2020	4 080 050	4 080 050					
	101 721		16 529 664	16 529 664	1 209	2 820		143 678	
AW Diedericks		01/04/2017			6 024	14 057	118.84	715 892	03/04/2017
	34 387	01/04/2018	5 587 888	5 587 888					
	49 347	01/04/2019	8 018 888	8 018 888					
	31 737	01/04/2020	5 157 263	5 157 263					
	115 471		18 764 039	18 764 039	6 024	14 057		715 892	
JG Meyer		01/04/2017			5 696	13 292	118.84	676 913	03/04/2017
	34 387	01/04/2018	5 587 888	5 587 888					
	49 347	01/04/2019	8 018 888	8 018 888					
	31 737	01/04/2020	5 157 263	5 157 263					
	115 471		18 764 039	18 764 039	5 696	13 292		676 913	
MI Mthenjane		01/04/2017			6 974	16 272	118.84	828 790	03/04/2017
	33 435	01/04/2018	5 433 188	5 433 188					
	47 981	01/04/2019	7 796 913	7 796 913					
	31 152	01/04/2020	5 062 200	5 062 200					
	112 568		18 292 301	18 292 301	6 974	16 272		828 790	
Dr N Tsengwa		01/04/2017			6 033	14 076	118.84	716 962	03/04/2017
	28 922	01/04/2018	4 699 825	4 699 825					
	41 505	01/04/2019	6 744 563	6 744 563					
	24 767	01/05/2019	4 024 638	4 024 638					
	46 952	01/04/2020	7 629 700	7 629 700					
	142 146		23 098 726	23 098 726	6 033	14 076		716 962	

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – LTIP (continued)

2017	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Shares forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers (continued)									
SE van Loggerenberg[3]		01/04/2017			1 257	2 933	118.84	149 382	03/04/2017
	6 026	01/04/2018	979 225	979 225					
	8 647	01/04/2019	1 405 138	1 405 138					
	5 686	01/04/2020	923 975	923 975					
	6 611	01/10/2020	1 074 288	1 074 288					
	26 970		4 382 626	4 382 626	1 257	2 933		149 382	
M Veti		01/04/2017			6 944	16 202	118.84	825 225	03/04/2017
	33 291	01/04/2018	5 409 788	5 409 788					
	47 775	01/04/2019	7 763 438	7 763 438					
	30 726	01/04/2020	4 992 975	4 992 975					
	111 792		18 166 201	18 166 201	6 944	16 202		825 225	
CH Wessels[4]		01/04/2017			3 283	7 659	118.84	390 152	03/04/2017
		01/04/2018				15 737			
		01/04/2019				22 583			
		01/04/2020				15 061			
					3 283	61 040		390 152	

[1] Based on a share price of R162.50 which prevailed on 31 December 2017.
[2] Shares forfeited due to performance conditions not being fully met.
[3] Appointed 1 October 2017.
[4] Resigned 30 September 2017.

Management share scheme – DBP

2018	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Modification during the year[2] Number	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo	6 314	04/03/2019	870 511	870 511	515				
	11 444	31/03/2019	1 577 784	1 577 784	933				
	1 507	31/08/2019	207 770	207 770	123				
	1 140	31/08/2020	157 172	157 172	93				
	4 124	09/03/2021	568 576	568 576					
	10 509	31/03/2021	1 448 876	1 448 876					
	946	31/08/2021	130 425	130 425					
	35 984		4 961 114	4 961 114	1 664				
PA Koppeschaar		31/03/2018			119	1 456	149.94	218 313	09/05/2018
	690	31/08/2021	95 130	95 130					
	690		95 130	95 130	119	1 456		218 313	

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – DBP (continued)

2018	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Modification during the year[2] Number	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers									
V Balgobind		31/08/2018			33	394	149.94	59 076	11/09/2018
	1 836	04/03/2019	253 129	253 129	150				
	2 040	31/03/2019	281 255	281 255	167				
	386	31/08/2019	53 218	53 218	32				
	994	09/03/2020	137 043	137 043	81				
	1 784	31/03/2020	245 960	245 960	146				
	285	31/08/2020	39 293	39 293	24				
	1 027	09/03/2021	141 592	141 592					
	1 773	31/03/2021	244 444	244 444					
	238	31/08/2021	32 813	32 813					
	10 363		1 428 747	1 428 747	633	394		59 076	
AW Diedericks		06/03/2018			58	707	125.15	88 481	14/03/2018
		31/03/2018			321	3 939	106.43	419 228	04/04/2018
		31/08/2018			114	1 390	149.94	208 417	05/09/2018
	3 650	04/03/2019	503 226	503 226	298				
	5 339	31/03/2019	736 088	736 088	435				
	869	31/08/2019	119 809	119 809	71				
	2 270	09/03/2020	312 965	312 965	185				
	4 121	31/03/2020	568 162	568 162	336				
	649	31/08/2020	89 478	89 478	53				
	2 343	09/03/2021	323 029	323 029					
	4 044	31/03/2021	557 546	557 546					
	525	31/08/2021	72 382	72 382					
	23 810		3 282 685	3 282 685	1 871	6 036		716 126	
JG Meyer		06/03/2018			55	669	125.15	83 725	15/03/2018
		31/03/2018			307	3 757	106.43	399 858	04/04/2018
		31/08/2018			110	1 350	149.94	202 419	03/09/2018
	875	31/08/2019	120 636	120 636	72				
	2 276	09/03/2020	313 792	313 792	186				
	4 127	31/03/2020	568 989	568 989	337				
	649	31/08/2020	89 478	89 478	53				
	7 927		1 092 895	1 092 895	1 120	5 776		686 002	
MI Mthenjane	1 230	09/03/2020	169 580	169 580	101				
	632	31/08/2020	87 134	87 134	52				
	1 269	09/03/2021	174 957	174 957					
	2 199	31/03/2021	303 176	303 176					
	5 330		734 847	734 847	153				

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – DBP (continued)

2018	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Modification during the year[2] Number	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers (continued)									
Dr. N Tsengwa		06/03/2018			80	976	125.15	122 146	16/03/2018
		31/03/2018			161	1 973	106.43	209 986	12/04/2018
		31/08/2018			48	580	149.94	86 965	10/09/2018
	2 596	31/03/2019	357 911	357 911	212				
	439	31/08/2019	60 525	60 525	36				
	1 234	09/03/2020	170 132	170 132	101				
	373	31/08/2020	51 426	51 426	31				
	250	31/08/2021	34 468	34 468					
	4 892		674 462	674 462	669	3 529		419 097	
M Veti		06/03/2018			37	453	125.15	56 693	14/03/2018
		13/05/2018			229	2 810	118.05	331 721	23/05/2018
		31/08/2018			65	792	149.94	118 752	11/09/2018
	470	31/08/2019	64 799	64 799	39				
	1 199	09/03/2020	165 306	165 306	98				
	348	09/03/2020	47 979	47 979	29				
	1 251	31/08/2020	172 475	172 475					
	2 183	31/03/2021	300 970	300 970					
	284	31/08/2021	39 155	39 155					
	5 735		790 684	790 684	497	4 055		507 166	

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

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

2017	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Shares forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo		07/03/2017			2 255		107.34	242 052	14/03/2017
		31/03/2017			4 560		118.42	539 995	04/04/2017
		31/08/2017			778		125.09	97 320	04/09/2017
	5 799	04/03/2019	942 338	942 338					
	10 511	31/03/2019	1 708 038	1 708 038					
	1 384	31/08/2019	224 900	224 900					
	1 047	31/08/2020	170 138	170 138					
	18 741		3 045 414	3 045 414	7 593			879 367	
PA Koppeschaar		07/03/2017			1 269		107.34	136 214	14/03/2017
		31/03/2017			2 735		118.42	323 879	04/04/2017
		31/08/2017			159		125.09	19 889	04/09/2017
	1 337	31/08/2018	217 263	217 263					
	1 337		217 263	217 263	4 163			479 982	

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – DBP (continued)

2017	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Shares forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers									
V Balgobind	361	31/08/2018	58 663	58 663					
	1 686	04/03/2019	273 975	273 975					
	1 873	31/03/2019	304 363	304 363					
	354	31/08/2019	57 525	57 525					
	913	09/03/2020	148 363	148 363					
	1 638	31/03/2020	266 175	266 175					
	261	31/08/2020	42 413	42 413					
	7 086		1 151 477	1 151 477					
AW Diedericks		07/03/2017			440		107.34	47 230	17/03/2017
		31/03/2017			2 350		118.42	278 287	04/04/2017
		31/08/2017			137		125.09	17 137	05/09/2017
	649	06/03/2018	105 463	105 463					
	3 618	31/03/2018	587 925	587 925					
	1 276	31/08/2018	207 350	207 350					
	3 352	04/03/2019	544 700	544 700					
	4 904	31/03/2019	796 900	796 900					
	798	31/08/2019	129 675	129 675					
	2 085	09/03/2020	338 813	338 813					
	3 785	31/03/2020	615 063	615 063					
	596	31/08/2020	96 850	96 850					
	21 063		3 422 739	3 422 739	2 927			342 654	
JG Meyer		07/03/2017			1 028		107.34	110 346	17/03/2017
		31/03/2017			2 196		118.42	260 050	03/04/2017
		31/08/2017			130		125.09	16 262	04/09/2017
	614	06/03/2018	99 775	99 775					
	3 450	31/03/2018	560 625	560 625					
	1 240	31/08/2018	201 500	201 500					
	803	31/08/2019	130 488	130 488					
	2 090	09/03/2020	339 625	339 625					
	3 790	31/03/2020	615 875	615 875					
	596	31/08/2020	96 850	96 850					
	12 583		2 044 738	2 044 738	3 354			386 658	
MI Mthenjane		07/03/2017			563		107.34	60 432	16/03/2017
	1 129	09/03/2020	183 463	183 463					
	580	31/08/2020	94 250	94 250					
	1 709		277 713	277 713	563			60 432	

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – DBP (continued)

2017	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Shares forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers (continued)									
Dr N Tsengwa		07/03/2017			46		107.34	4 938	20/03/2017
		31/08/2017			159		125.09	19 889	04/09/2017
	896	06/03/2018	145 600	145 600					
	1 812	31/03/2018	294 450	294 450					
	532	31/08/2018	86 450	86 450					
	2 384	31/03/2019	387 400	387 400					
	403	31/08/2019	65 488	65 488					
	1 133	09/03/2020	184 113	184 113					
	342	31/08/2020	55 575	55 575					
	7 502		1 219 076	1 219 076	205			24 827	
M Veti		07/03/2017			688		107.34	73 850	20/03/2017
		31/08/2017			88		125.09	11 008	11/09/2017
	416	06/03/2018	67 600	67 600					
	2 581	13/05/2018	419 413	419 413					
	727	31/08/2018	118 138	118 138					
	431	31/08/2019	70 038	70 038					
	1 101	09/03/2020	178 913	178 913					
	319	31/08/2020	51 838	51 838					
	5 575		905 940	905 940	776			84 858	
CH Wessels[3]		07/03/2017			430		107.34	46 156	17/03/2017
		31/03/2017			735		118.42	87 039	05/04/2017
		31/08/2017			55		125.09	6 880	04/09/2017
		06/03/2018				262			
		31/03/2018				1 163			
		31/08/2019				270			
		09/03/2020				693			
		31/03/2020				1 018			
					1 220	3 406		140 075	

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[1] *Based on a share price of R162.50 which prevailed on 31 December 2017.*

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

[3] *Resigned 30 September 2017.*

CHAPTER 15: RELATED PARTIES

CHAPTER 15:

Related parties

15.1 RELATED-PARTY TRANSACTIONS

Transactions with related parties are on terms that are not more or less favourable than those arranged with independent third parties.

SHAREHOLDERS

The principal shareholders of the company at 31 December 2018 are detailed in chapter 19, annexure 1.

Exxaro's previous majority BEE shareholder, Main Street 333, settled its loan (including interest thereon) with Exxaro in January 2017.

DIRECTORS

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

SENIOR EMPLOYEES

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

KEY MANAGEMENT PERSONNEL

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

For the group, for 2018 and 2017 the executive committee has been identified as being both key management personnel and prescribed officers. Refer note 14.5 for details on their remuneration.

SUBSIDIARIES

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

STRUCTURED ENTITIES

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

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

[1] *Non-profit organisations.*

15.1 RELATED-PARTY TRANSACTIONS (CONTINUED)

ASSOCIATES AND JOINT VENTURES

Details of investments in associates and joint ventures and income received therefrom are disclosed in chapter 10. Details of trading transactions and balances are summarised below.

	Group			
	Associates		Joint ventures	
	2018 Rm	(Re-presented) 2017 Rm	2018 Rm	2017 Rm
Items of income and expense incurred during the year				
Group sales of goods and services rendered	101	186		
Group purchases of goods and services rendered	(163)	(154)	(742)	(991)
The outstanding balances at 31 December				
Included in trade and other receivables	112	229		
Included in trade and other payables	(27)	(26)	(53)	(77)

CHAPTER 16: FINANCIAL INSTRUMENTS

CHAPTER 16:

Financial instruments

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS

IFRS 9 was adopted on 1 January 2018 (refer note 5.6.2). The following accounting policy has been applied since.

16.1.1 FINANCIAL ASSETS

(i) Classification

The group and company classifies its financial assets in the following measurement categories:

- those measured subsequently at fair value (either through OCI, or through profit or loss); and
- those measured at amortised cost.

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

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

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

(ii) Measurement

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

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

Debt instruments

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

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

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

16.1.1 FINANCIAL ASSETS (CONTINUED)

(ii) Measurement (continued)

Equity instruments

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

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

(iii) Impairment

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

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

Expected credit loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

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

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

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

16.1.1 FINANCIAL ASSETS (CONTINUED)

(iii) Impairment (continued)

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

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

16.1.2 LOAN COMMITMENTS ISSUED BY THE GROUP AND COMPANY

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

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

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

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

16.3 FINANCIAL INSTRUMENTS

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS

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

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

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

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

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (CONTINUED)

	Group						
	At fair value through profit or loss						
At 31 December 2017 (Re-presented)	**Held-for-trading Rm**	**Designated Rm**	**Loans and receivables at amortised cost Rm**	**Available-for-sale financial assets at fair value Rm**	**Financial liabilities at amortised cost Rm**	**Non-financial assets and non-financial liabilities at cost Rm**	**Total carrying amount Rm**
Financial assets							
Non-current							
Financial assets, consisting of:							
– Environmental rehabilitation funds		1 357	291				1 648
– Loans to joint venture			126				126
– Preference dividends receivable from associate			2				2
– KIO		34					34
– Chifeng				152			152
– Non-current receivables			389				389
Total non-current financial assets		1 391	808	152			2 351
Current							
Financial assets, consisting of:							
– Current portion of non-current receivable			48				48
Trade and other receivables, consisting of:							
– Trade receivables			2 506				2 506
– Other receivables			103				103
– Derivative financial asset	4						4
Cash and cash equivalents			6 657				6 657
Total current financial assets	4		9 314				9 318
Non-current assets held-for-sale			53			3 857	3 910
Total financial assets	4	1 391	10 175	152		3 857	15 579
Financial liabilities							
Non-current							
Interest-bearing borrowings					6 477	3	6 480
Non-current other payables					89		89
Financial liabilities, consisting of:							
– Contingent consideration		414					414
Total non-current financial liabilities		414			6 566	3	6 983
Current							
Financial liabilities, consisting of:							
– Contingent consideration		309					309
Trade and other payables, consisting of:							
– Trade and other payables					2 239		2 239
– Derivative financial liability	6						6
Interest-bearing borrowings					52	16	68
Overdraft					54		54
Total current financial liabilities	6	309			2 345	16	2 676
Non-current liabilities held-for-sale					80	1 572	1 652
Total financial liabilities	6	723			8 991	1 591	11 311

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

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

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (CONTINUED)

	Company			
At 31 December 2017 (Restated)	**Designated at fair value through profit or loss Rm**	**Loans and receivables at amortised cost Rm**	**Financial liabilities at amortised cost Rm**	**Total carrying amount Rm**
Financial assets				
Non-current				
Financial assets, consisting of:				
– Environmental rehabilitation funds	26			26
– Loan to joint venture		186		186
– Preference dividends receivable from associate		2		2
– Non-current receivables		408		408
– Interest-bearing loans to subsidiaries		4 020		4 020
Total non-current financial assets	26	4 616		4 642
Current				
Financial assets, consisting of:				
– Interest-bearing loans to subsidiaries		25		25
Trade and other receivables, consisting of:				
– Indebtedness by subsidiaries		1 438		1 438
– Other receivables		20		20
Cash and cash equivalents		5 555		5 555
Total current financial assets		7 038		7 038
Total financial assets	26	11 654		11 680
Financial liabilities				
Non-current				
Interest-bearing borrowings			3 994	3 994
Financial liabilities, consisting of:				
– Contingent consideration	414			414
– Put option	2 377			2 377
Total non-current financial liabilities	2 791		3 994	6 785
Current				
Financial liabilities, consisting of:				
– Contingent consideration	309			309
Trade and other payables			9 782	9 782
Interest-bearing borrowings			57	57
Overdraft			37	37
Total current financial liabilities	309		9 876	10 185
Total financial liabilities	3 100		13 870	16 970

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

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

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.2 FAIR VALUES

16.3.2.1 Fair value hierarchy

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

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

Group	Fair value Rm	Level 2 Rm	Level 3 Rm
2018			
Financial assets at fair value through other comprehensive income			
Equity – unlisted	185		185
– Chifeng	185		185
Financial assets at fair value through profit or loss			
Debt – unlisted	1 432	1 432	
– Environmental rehabilitation funds	1 432	1 432	
Financial liabilities at fair value through profit or loss	(849)		(849)
Non-current contingent consideration	(488)		(488)
Current contingent consideration	(361)		(361)
Derivative financial liabilities	(1)	(1)	
Net financial assets/(liabilities) held at fair value	767	1 431	(664)

Reconciliation of Level 3 hierarchy	Contingent consideration Rm	Chifeng[1] Rm	Total Rm
Opening balance	(723)	152	(571)
Movement during the year			
Losses recognised in profit or loss	(357)		(357)
Gains recognised in other comprehensive income (pre-tax effect)[2]		33	33
Settlements	299		299
Exchange losses recognised in profit or loss	(68)		(68)
Closing balance	(849)	185	(664)

[1] Before 1 January 2018, the Chifeng equity investment was classified as available-for-sale in accordance with IAS 39. From 1 January 2018, the Chifeng equity investment is classified at FVOCI in accordance with IFRS 9.
[2] Tax on Chifeng amounts to R12 million (2017: R12 million).

Group	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
2017				
Financial assets held-for-trading at fair value through profit or loss	4		4	
Current derivative financial assets	4		4	
Financial assets designated at fair value through profit or loss	1 391	1 391		
Environmental rehabilitation funds	1 357	1 357		
KIO	34	34		
Available-for-sale financial assets	152			152
Chifeng	152			152
Financial liabilities held-for-trading at fair value through profit or loss	(6)		(6)	
Current derivative financial liabilities	(6)		(6)	
Financial liabilities designated at fair value through profit or loss	(723)			(723)
Non-current contingent consideration	(414)			(414)
Current contingent consideration	(309)			(309)
Net financial assets/(liabilities) held at fair value	818	1 391	(2)	(571)

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.2 FAIR VALUES (CONTINUED)

16.3.2.1 Fair value hierarchy (continued)

Reconciliation of Level 3 hierarchy	**Contingent consideration Rm**	**Chifeng Rm**	**Total Rm**
Opening balance	(483)	178	(305)
Movement during the year			
Losses recognised in profit or loss	(354)		(354)
Losses recognised in other comprehensive income (pre-tax effect)		(26)	(26)
Settlements	74		74
Exchange gains recognised in profit or loss	40		40
Closing balance	(723)	152	(571)

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

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

Company	**Fair value Rm**	**Level 1 Rm**	**Level 3 Rm**
2017			
Financial assets designated at fair value through profit or loss	26	26	
Environmental rehabilitation funds	26	26	
Financial liabilities designated at fair value through profit or loss	(3 100)		(3 100)
Non-current contingent consideration	(414)		(414)
Current contingent consideration	(309)		(309)
Put option	(2 377)		(2 377)
Net financial (liabilities)/assets held at fair value	(3 074)	26	(3 100)

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.2 FAIR VALUES (CONTINUED)

16.3.2.1 Fair value hierarchy (continued)

Reconciliation of Level 3 hierarchy	**Put option Rm**	**Contingent consideration Rm**	**Total Rm**
Opening balance		(483)	(483)
Movement during the year			
Losses recognised in profit or loss	(11)	(354)	(365)
Options granted	(2 366)		(2 366)
Settlements		74	74
Exchange gains recognised in profit or loss		40	40
Closing balance	(2 377)	(723)	(3 100)

16.3.2.2 Transfers

The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 and Level 2 nor between Level 2 and Level 3 of the fair value hierarchy during the periods ended 31 December 2018 and 31 December 2017, except for the environmental rehabilitation funds which were transferred from Level 1 to Level 2 as a result of not applying the look-through principle, as shown in note 16.3.2.1.

16.3.2.3 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 chief operating decision maker and the audit committee in accordance with the group's reporting governance.

16.3.2.4 Current derivative financial instruments

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

16.3.2.5 Environmental rehabilitation funds

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

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

(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 DCF 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.

At 31 December 2018	**Inputs**	**Sensitivity of inputs and fair value measurement[1]**	**Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm**
Observable inputs			
Rand/RMB exchange rate	R2.10/RMB1	Strengthening of the rand to the RMB	19
RMB/US$ exchange rate	RMB6.56 to RMB7.01/US$1	Strengthening of the RMB to the US$	110
Zinc LME price (US$ per tonne in real terms)	US$2 200.00 to US$2 474.72	Increase in price of zinc concentrate	110
Unobservable inputs			
Production volumes	85 000 tonnes	Increase in production volumes	31
Operational costs (US$ million per annum in real terms)	US$60.59 to US$70.92	Decrease in operations costs	(83)
Discount rate	11.11%	Decrease in the discount rate	(16)

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

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

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.2 FAIR VALUES (CONTINUED)

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

(a) Chifeng (continued)

At 31 December 2017	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
Observable inputs			
Rand/RMB exchange rate	R1.90/RMB1	Strengthening of the rand to the RMB	15
RMB/US$ exchange rate	RMB6.52 to RMB7.28/US$1	Strengthening of the RMB to the US$	100
Zinc LME price (US$ per tonne in real terms)	US$3 000 to US$2 100	Increase in price of zinc concentrate	100
Unobservable inputs			
Production volumes	85 000 tonnes	Increase in production volumes	29
Operational costs (US$ million per annum in real terms)	US$58.46 to US$70.20	Decrease in operations costs	(75)
Discount rate	11.05%	Decrease in the discount rate	(12)

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

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

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) Contingent consideration

The potential undiscounted amount of the remaining deferred future payments that the group could be required to make under the ECC acquisition is between nil and US$60 million. The amount of future payments is dependent on the API4 coal price.

During 2018, there was an increase of US$25.4 million (R357 million) (2017: US$28.5 million (R354 million)) recognised in profit or loss for the contingent consideration arrangement.

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

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.2 FAIR VALUES (CONTINUED)

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

(b) Contingent consideration (continued)

The amount to be paid in each of the five years is determined as follows:

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

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

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

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

	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 2018			
Observable inputs			
Rand/US$ exchange rate	R14.43/US$1	Strengthening of the rand to the US$	85
API4 export price (price per tonne)[3]	US$90.00 to US$98.10	Increase in API4 export price per tonne	
Unobservable inputs			
Discount rate	3.44%	Decrease in the discount rate	(16)
At 31 December 2017			
Observable inputs			
Rand/US$ exchange rate	R12.37/US$1	Strengthening of the rand to the US$	72
API4 export price (price per tonne)	US$74.41 to US$84.35	Increase in API4 export price per tonne	180
Unobservable inputs			
Discount rate	3.44%	Decrease in the discount rate	(19)

[1] *Change in observable or 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, except for the API4 export price which would result in a decrease of R167 million for 2018 (2017: decrease of R245 million), on the basis that all other variables remain constant.*

[3] *A 10% increase in the API4 export price would not have an impact on the fair value of the contingent consideration as the API4 export price is in excess of the maximum API4 coal price range.*

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 periods.

(c) Put option

In terms of the Replacement BEE Transaction, Exxaro granted Eyesizwe the right to require Exxaro to buy back a certain number of Exxaro shares at a discount to the market price, subject to certain restrictions. The proceeds received by Eyesizwe upon exercise of the put option may only be used to settle the preference share liability. The put option therefore expires once the preference share liability has been fully settled. The put option can only be exercised if, the 20-day weighted average trading price of Exxaro's shares is greater than 150% of the closing Exxaro share price on 11 December 2017 as per the agreement.

The put option is classified within a Level 3 of the fair value hierarchy as there is no quoted market price or observable price available for this instrument. This instrument's value is based on the present value of the preference share liability redemption amount.

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.3 RISK MANAGEMENT

16.3.3.1 Financial risk management

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

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

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

The group does not enter into 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.

Capital management

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

16.3.3.2 Market risk management

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

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

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

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

16.3.3.2.1 Price risk management

The group's exposure to equity price risk arises from investments held by the group and classified either as at fair value through other comprehensive income or at fair value through profit or loss. Currently, the group's exposure to equity price risk is not considered to be significant as Chifeng is seen as a non-core investment.

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

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.3 RISK MANAGEMENT

16.3.3.2 Market risk management (continued)

16.3.3.2.2 Foreign currency risk management

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

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

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

The group maintains a fully covered exchange rate position in respect of foreign 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 2018 amount to US$0.29 million (2017: nil), whereas uncovered cash and cash equivalents amount to US$37.29 million (2017: US$14.8 million).

All capital imports were fully hedged. Monetary items have been translated at the closing rate at the last day of the reporting period US$1:R14.43 (2017: US$1:R12.37).

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:

	2018			2017		
	Average spot rate	Average achieved rate	Closing spot rate	Average spot rate	Average achieved rate	Closing spot rate
US$	13.24	12.93	14.43	13.30	13.49	12.37
€	15.60		16.50	15.03		13.85
AU$	9.88		10.19	10.20		9.65

16.3.3.2.3 Interest rate risk management

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

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

The interest rate repricing profile for interest-bearing borrowings (excluding finance leases) is summarised below:

	1 to 6 months Rm	Total borrowings Rm
At 31 December 2018		
Non-current interest-bearing borrowings	3 843	3 843
Current interest-bearing borrowings	571	571
	4 414	4 414
Total borrowings (%)	100	100
At 31 December 2017 (Re-presented)		
Non-current interest-bearing borrowings	6 477	6 477
Current interest-bearing borrowings	52	52
	6 529	6 529
Total borrowings (%)	100	100

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.3 RISK MANAGEMENT (CONTINUED)

16.3.3.2 Market risk management (continued)

16.3.3.2.3 Interest rate risk management (continued)

Interest rate sensitivity

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

	Loss	
	2018 Rm	2017 Rm
Increase of 50 basis points in interest rate	(37)	(21)

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.

16.3.3.3 Liquidity risk management

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

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

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained. 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	
	2018 Rm	(Re-presented) 2017 Rm
Amount approved	52 308	50 129
Total borrowings (excluding finance leases)	(4 414)	(6 529)
Unutilised borrowing capacity	47 894	43 600

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2018 and 2017 financial years.

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

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

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

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.3 RISK MANAGEMENT (CONTINUED)

16.3.3.3 Liquidity risk management (continued)

16.3.3.3.1 Maturity profile of financial instruments

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

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

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

			Maturity			
Group	**Carrying amount Rm**	**Contractual cash flows Rm**	**0 to 12 months Rm**	**1 to 2 years Rm**	**2 to 5 years Rm**	**More than 5 years Rm**
2017 (Re-presented)						
Financial assets						
Loans to associates and joint ventures	128	128				128
Derivative financial asset	4	4	4			
Deferred pricing receivable	437	577	82	82	248	165
Trade and other receivables	2 609	2 609	2 609			
Cash and cash equivalents	6 657	6 657	6 657			
Total financial assets	9 835	9 975	9 352	82	248	293
Percentage profile (%)		100	95	1	2	2
Financial liabilities						
Interest-bearing borrowings	(6 529)	(9 160)	(408)	(901)	(7 721)	(130)
Non-current other payables	(89)	(89)		(8)	(81)	
Contingent consideration	(723)	(723)	(309)	(219)	(195)	
Overdraft	(54)	(54)	(54)			
Trade and other payables	(2 239)	(2 239)	(2 239)			
Derivative financial liability	(6)	(6)	(6)			
Total financial liabilities	(9 640)	(12 271)	(3 016)	(1 128)	(7 997)	(130)
Percentage profile (%)		100	25	9	65	1
Liquidity gap identified[1]	195	(2 296)	6 336	(1 046)	(7 749)	163

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

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.3 RISK MANAGEMENT (CONTINUED)

16.3.3.3 Liquidity risk management (continued)

16.3.3.3.1 Maturity profile of financial instruments (continued)

			Maturity			
Company	**Carrying amount Rm**	**Contractual cash flows Rm**	**0 to 12 months Rm**	**1 to 2 years Rm**	**2 to 5 years Rm**	**More than 5 years Rm**
2018						
Financial assets						
ESD loans	125	125	45	31	48	1
Trade and other receivables	213	213	213			
Cash and cash equivalents	676	676	676			
Non-interest-bearing loans to subsidiaries	341	341	341			
Interest-bearing loans to subsidiaries	4 086	5 214	965	354	3 756	139
Treasury facilities with subsidiaries at amortised cost	1 611	1 611	1 611			
Total financial assets	7 052	8 180	3 851	385	3 804	140
Percentage profile (%)		100	47	5	46	2
Financial liabilities						
Interest-bearing borrowings	(3 805)	(4 676)	(916)	(326)	(3 434)	
Contingent consideration	(849)	(849)	(361)	(488)		
Put option	(584)	(800)			(800)	
Deferred consideration	(620)	(620)	(395)	(225)		
Trade and other payables	(176)	(176)	(176)			
Overdraft	(1 046)	(1 046)	(1 046)			
Non-interest-bearing loans from subsidiaries[1]	(8 197)	(8 197)	(8 197)			
Treasury facilities with subsidiaries at amortised cost	(1 886)	(1 886)	(1 886)			
Total financial liabilities	(17 163)	(18 250)	(12 977)	(1 039)	(4 234)	
Percentage profile (%)		100	71	6	23	
Liquidity gap identified[2]	(10 111)	(10 070)	(9 126)	(654)	(430)	140

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

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

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.3 RISK MANAGEMENT (CONTINUED)

16.3.3.3 Liquidity risk management (continued)

16.3.3.3.1 Maturity profile of financial instruments (continued)

			Maturity			
Company	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
2017						
Financial assets						
Interest-bearing loans to subsidiaries	4 045	5 460	439	907	3 984	130
Loan to joint venture	188	188				188
Non-current receivable	408	408				408
Trade and other receivables	1 458	1 458	1 458			
Cash and cash equivalents	5 555	5 555	5 555			
Total financial assets	11 654	13 069	7 452	907	3 984	726
Percentage profile (%)		100	57	7	31	6
Financial liabilities						
Put option	(2 377)	(3 560)				(3 560)
Interest-bearing borrowings	(4 051)	(5 413)	(408)	(901)	(3 974)	(130)
Contingent consideration	(723)	(723)	(309)	(219)	(195)	
Overdraft	(37)	(37)	(37)			
Trade and other payables	(9 782)	(9 782)	(9 782)			
Total financial liabilities	(16 970)	(19 515)	(10 536)	(1 120)	(4 169)	(3 690)
Percentage profile (%)		100	54	6	21	19
Liquidity gap identified[1]	(5 316)	(6 446)	(3 084)	(213)	(185)	(2 964)

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

16.3.3.4 Credit risk management

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

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

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

The group strives to enter into sales contracts with 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.

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.

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

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.3 RISK MANAGEMENT (CONTINUED)

16.3.3.4 Credit risk management (continued)

16.3.3.4.1 Exposure to credit risk

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

Detail of the trade receivables credit risk exposure:

	Group	
	2018 %	2017 %
By geographical area		
RSA	66	69
Europe	21	15
Asia	11	12
USA	2	2
Australia		2
Total	100	100
By industry		
Public utilities	45	50
Structural metal		3
Cement	1	6
Mining	41	10
Manufacturing	1	3
Merchants	1	26
Food and beverage	1	
Steel	10	2
Total	100	100

Detailed impairment analysis of financial assets measured at amortised cost:

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

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

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.3 RISK MANAGEMENT (CONTINUED)

16.3.3.4 Credit risk management (continued)

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

16.3.3.4.2 Trade and other receivables age analysis

		Current		Past due		
Group	**Total Rm**	**1 to 30 days Rm**	**31 to 60 days Rm**	**61 to 90 days Rm**	**90 to 180 days Rm**	**>180 days Rm**
2018						
Trade receivables	2 971	2 863	100	6	1	1
– Trade receivables: gross	3 052	2 870	100	6	4	72
– Impairment allowances of trade receivables	(81)	(7)			(3)	(71)
Other receivables	169	69	82	3	4	11
– Other receivables: gross	223	78	86	7	41	11
– Impairment allowances of other receivables	(54)	(9)	(4)	(4)	(37)	
Total carrying amount of trade and other receivables	3 140	2 932	182	9	5	12

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

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.3 RISK MANAGEMENT (CONTINUED)

16.3.3.4 Credit risk management (continued)

16.3.3.4.3 Credit quality of financial assets

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

	Group		Company	
At 31 December	2018 Rm	(Re-presented) 2017 Rm	2018 Rm	(Re-presented) 2017 Rm
Cash and cash equivalents				
Fitch ratings				
F1+	88	6 487	14	5 555
Standard & Poor's ratings				
A-1+	1 457	11	662	
A-1	535	159		
Total cash and cash equivalents[1]	2 080	6 657	676	5 555

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

Fitch ratings
F1 Highest credit quality
"+" denotes any exceptionally strong credit feature

Standard & Poor's
A-1+ Highest certainty of payment
A-1 Very high certainty of payment

16.3.3.4.4 Collateral

No collateral was held by the group as security and other enhancements over the financial assets during the years ended 31 December 2018 and 2017.

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 2018 and 31 December 2017. The guarantees issued relate to operational liabilities (refer note 13.4 on contingent liabilities).

16.3 FINANCIAL INSTRUMENTS (CONTINUED)

16.3.4 LOAN COMMITMENTS

The group and company have granted the following loan commitments:

	Group		Company	
At 31 December	**2018 Rm**	**2017 Rm**	**2018 Rm**	**2017 Rm**
Total loan commitment	1 221		721	
Mafube[1]	500			
AgriProtein[2]	721		721	
Undrawn loan commitment	971		721	
Mafube	250			
AgriProtein	721		721	

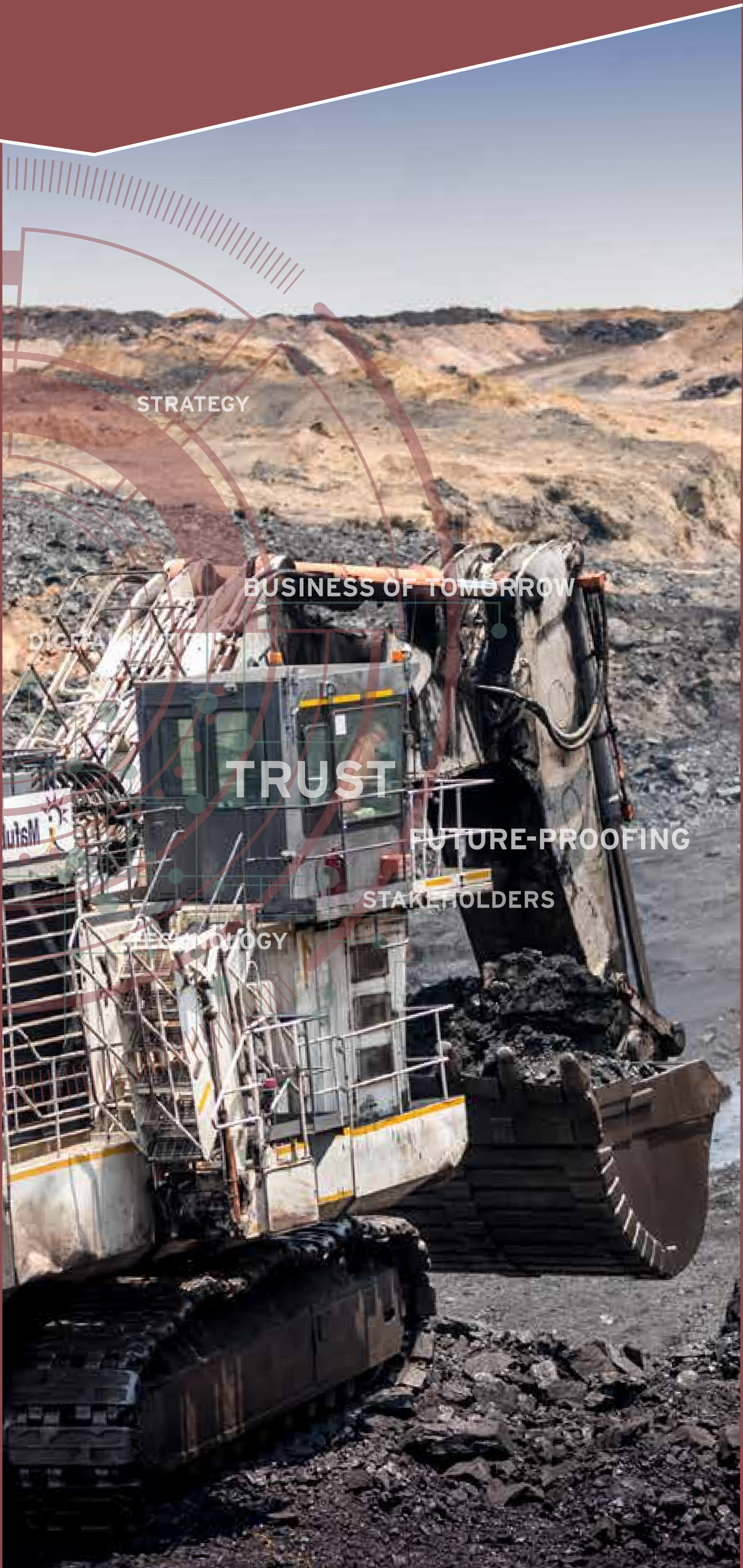
[1] *Revolving credit facility available for five years, ending 2023.*

[2] *A US$50 million term loan facility available from 2020 to 2025.*

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

	Group		Company	
	2018 Rm	**(Re-presented) 2017 Rm**	**2018 Rm**	**(Re-presented) 2017 Rm**
Cash and cash equivalents				
Cash and cash equivalents	2 080	6 657	676	5 555
Bank overdraft	(1 531)	(54)	(1 046)	(37)
Cash and cash equivalents classified as held-for-sale		14		
Total cash and cash equivalents	549	6 617	(370)	5 518

CHAPTER 17: SUBSIDIARIES



CHAPTER 17:

Subsidiaries

17.1. ACCOUNTING POLICIES RELATING TO SUBSIDIARIES

17.1.1 DIVIDEND INCOME

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

17.1.2 SUBSIDIARIES

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

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

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

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

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

17.1.2.1 Changes in ownership interest in subsidiaries without change in control

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

17.1.2.2 Disposal of subsidiaries

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

17.1.2.3 Foreign operations

The results and financial position of all the group entities (none of which have the currency of a hyper-inflationary economy at or for the year ended 31 December 2018 and 2017) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

17.1.3 INVESTMENTS IN SHARE-BASED PAYMENTS

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

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

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

17.2.1 CONTROL ASSESSMENT FOR CONSOLIDATION OF SUBSIDIARIES

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

(a) Eyesizwe

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

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

(b) Mmakau Coal Proprietary Limited

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

(c) Tumelo Coal Mines Proprietary Limited

The group has control over Tumelo Coal Mines Proprietary Limited, even though the group's equity interest is only 49%, as the group performs the management function.

17.3 DIVIDEND INCOME FROM INVESTMENTS IN SUBSIDIARIES

	Company	
For the year ended 31 December	**2018 Rm**	**2017 Rm**
Dividends income from unlisted shares:		
Exxaro Coal Central Proprietary Limited	300	
Exxaro Coal Proprietary Limited		1 000
Eyesizwe (RF) Proprietary Limited	82	
Rocsi Holdings Proprietary Limited		328
Dividend income from investments in subsidiaries	382	1 328

17.4 NET FINANCE INCOME FROM INDEBTEDNESS BY/(TO) SUBSIDIARIES

		Company	
	Note	**2018 Rm**	**2017 Rm**
Finance income	12.1.2	1 176	1 197
Interest income received from interest-bearing loans receivable		417	574
Interest income received from treasury facilities receivable		759	623
Finance costs	12.1.2	(704)	(543)
Interest expense on treasury facilities payable		(704)	(543)
Net finance income from investments in subsidiaries		472	654

17.5 SUMMARY OF INVESTMENTS IN SUBSIDIARIES

	Company					
	Gross carrying amount		Impairment allowances		Net carrying amount	
At 31 December	**2018 Rm**	**(Restated) 2017 Rm**	**2018 Rm**	**2017 Rm**	**2018 Rm**	**(Restated) 2017 Rm**
Unlisted subsidiaries equity shares[1]	13 187	13 183	(4 645)	(4 645)	8 542	8 538
Share-based payments	704	707			704	707
Investments in subsidiaries	13 891	13 890	(4 645)	(4 645)	9 246	9 245

[1] *The impairment allowance on unlisted subsidiaries equity shares relate to Exxaro Australia Iron Holdings Proprietary Limited (R2 744 million) and ECC (R1 901 million).*

17.6 SUMMARY OF INDEBTEDNESS BY/(TO) SUBSIDIARIES

		Company					
		Gross carrying amount		Impairment allowances		Net carrying amount	
At 31 December	Note	**2018 Rm**	**(Restated) 2017 Rm**	**2018 Rm**	**2017 Rm**	**2018 Rm**	**(Restated) 2017 Rm**
Indebtedness by subsidiaries							
Non-current		3 500	4 020			3 500	4 020
Interest-bearing loans receivable	11.2.2	3 500	4 020			3 500	4 020
Current		2 792	1 497	(60)	(34)	2 732	1 463
Interest-bearing loans receivable	11.2.2	586	25			586	25
Non-interest-bearing loans receivable	11.2.2	401		(60)		341	
Interest-bearing treasury facilities receivable	11.2.2	1 611				1 611	
Current indebtedness by subsidiaries included in trade and other receivables	7.2.3	194	1 472		(34)	194	1 438
Total indebtedness by subsidiaries		6 292	5 517	(60)	(34)	6 232	5 483
Indebtedness to subsidiaries							
Current						(10 088)	(9 590)
Non-interest-bearing loans payable	12.1.7					(8 197)	
Interest-bearing treasury facilities payable	12.1.7					(1 886)	
Current indebtedness to subsidiaries included in trade and other payables	7.2.4					(5)	(9 590)
Total indebtedness to subsidiaries						(10 088)	(9 590)
Net indebtedness to subsidiaries						(3 856)	(4 107)

17.7 TRANSACTIONS AND RELATED BALANCES

	Company			
	At 31 December		For the year ended 31 December	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm
	Indebtedness by subsidiaries		Related interest income	
Interest income received from back-to-back loans	4 086	4 020	416	574
– Exxaro Coal Proprietary Limited	3 832	4 020	401	574
– Exxaro Coal Mpumalanga Proprietary Limited	254		15	
Interest income received on BEE loan		25	1	
– Eyesizwe (RF) Proprietary Limited		25	1	
Interest income received from treasury facilities receivable	1 611	641	759	623
– Exxaro Coal Proprietary Limited		22	699	541
– Exxaro Coal Mpumalanga Proprietary Limited	1 218	178	45	61
– Exxaro Coal Central Proprietary Limited			6	8
– Coastal Coal Proprietary Limited	18	1	1	3
– Exxaro FerroAlloys Proprietary Limited	119	169	4	9
– Exxaro Reductants Proprietary Limited	72	111	4	1
– Ferroland Grondtrust Proprietary Limited	175	160		
– The Vryheid (Natal) Railway Coal and Iron Company Proprietary Limited	9			
	Indebtedness to subsidiaries		Related interest expense	
Interest expense on treasury facilities payable	(1 886)	(1 538)	(704)	(543)
– Exxaro Coal Proprietary Limited	(607)		(576)	(483)
– Exxaro Coal Mpumalanga Proprietary Limited			(19)	(38)
– Exxaro Coal Central Proprietary Limited	(1 279)	(1 538)	(109)	
– Exxaro FerroAlloys Proprietary Limited				(2)
– Exxaro Reductants Proprietary Limited				(20)
	Trading balances		Related revenue	
Revenue and trading balances	194	496	1 777	1 344
– Exxaro Coal Proprietary Limited	124	171	1 256	913
– Exxaro Coal Mpumalanga Proprietary Limited	65	95	475	392
– Exxaro Coal Central Proprietary Limited	2	227	15	10
– Exxaro FerroAlloys Proprietary Limited	3	3	26	24
– Ferroland Grondtrust Proprietary Limited			3	4
– Coastal Coal Proprietary Limited			1	1
– Exxaro Australia Iron Holdings Proprietary Limited			1	

17.7 TRANSACTIONS AND RELATED BALANCES (CONTINUED)

	Company For the year ended 31 December	
	2018 Rm	2017 Rm
Recoveries/(write-offs) of balances with subsidiaries		
Net recovery/(write-off) of indebtedness by subsidiaries	(1)	(783)
Write off of indebtedness by subsidiaries	(1)	466
– Exxaro Resources (Beijing) Commercial Company Limited	(1)	
– Clipeus Investment Holdings Proprietary Limited		(12)
– Coastal Coal Proprietary Limited		(50)
– AlloyStream Holdings Proprietary Limited		(23)
– Exxaro Mineral Sands BV		(167)
– Exxaro Base Metals International BV		(214)
Recoveries of indebtedness by subsidiaries		1 180
– Exxaro Coal Central Proprietary Limited[1]		1 104
– Exxaro FerroAlloys Proprietary Limited		76
– Exxaro Holdings Congo Proprietary Limited		69

[1] *During 2017 the impairment on ECCs loan balance was reversed. The loan was subsequently capitalised to the investment.*

17.7 TRANSACTIONS AND RELATED BALANCES (CONTINUED)

	Company							
	Gross carrying amount receivable		Impairment allowance		Related balances receivable/(payable)		Transactions income/ (expense)	
	At 31 December		At 31 December		At 31 December		For the year ended 31 December	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Impairment and impairment allowances on subsidiary balances	401	334	(60)	(34)	341	300	(26)	(34)
– Gravelotte Iron Ore Company Proprietary Limited	44	42	(44)	(21)		21	(23)	(21)
– Exxaro Mountain Bike Academy NPC	16	15	(15)	(13)	1	2	(2)	(13)
– Colonna Properties Proprietary Limited	1	1	(1)			1	(1)	
– Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited	219	219			219	219		
– Exxaro Holdings Proprietary Limited	108	57			108	57		
– Aquicure Proprietary Limited	13				13			

17.7 TRANSACTIONS AND RELATED BALANCES (CONTINUED)

TERMS AND CONDITIONS OF TRANSACTIONS WITH SUBSIDIARIES

Back-to-back loans receivable

The back-to-back loans have similar terms as agreed with external lenders except for interest, which is charged based on JIBAR plus a margin. Refer note 12.1.4 for detailed terms and conditions of the external loan facility.

The interest rates and margin achieved are summarised below:

	2018		2017	
Loan	**Margin %**	**Annual rate %**	**Margin %**	**Annual rate %**
Revolving credit facility			3.8	10.79
Bullet term loan	3.4	10.43	3.4	10.61
Amortised term loan	4.0	11.0 to 11.2	4.0	11.20
Bond – R520 million	1.95	8.98	1.95	9.17
Summary by financial year of redemption:				
2019			520	
2020				
2021	3 250		3 250	
2022 and onwards	250		250	
Total unsecured non-current loans	3 500		4 020	
Current portion	586			
Total back-to-back loans	4 086		4 020	

BEE loan receivable

The loan is unsecured, bears interest at prime rate (10.25%) and has been repaid in full during 2018.

Treasury facilities

Treasury facilities are unsecured, have no repayment terms and are repayable on demand. Interest is charged at money market rates.

Non-interest-bearing loans

The non-interest-bearing loans are unsecured, have no repayment terms and are repayable on demand.

Revenue from subsidiaries

Certain subsidiaries are charged corporate service fees which are repayable within 30 days.

Insurance premiums

Insurance premiums are payable annually in advance.

17.8 DETAILED ANALYSIS OF INVESTMENTS IN SUBSIDIARIES[1]

At 31 December	Country of incorporation[2]	Nature of business[3]	Public interest score[4]
DIRECT INVESTMENTS			
Aquicure Proprietary Limited[5]	RSA	W	4
Clipeus Investment Holdings Proprietary Limited[6]	RSA	H	1
Colonna Properties Proprietary Limited	RSA	B	1
Cullinan Refractories Proprietary Limited	RSA	M	1
Exxaro Australia Iron Holdings Proprietary Limited[7]	AUS	H	
Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited	RSA	H	1
Exxaro Chairman's Fund	RSA	S	
Exxaro Coal Botswana Holding Company Proprietary Limited[8]	BOT	H	
Exxaro Coal Central Proprietary Limited	RSA	M	158
Exxaro Coal Proprietary Limited	RSA	M	30 330
Exxaro Employee Empowerment Participation Scheme Trust	RSA	S	
Exxaro Employee Empowerment Trust	RSA	S	
Exxaro Environmental Rehabilitation Fund	RSA	S	
Exxaro FerroAlloys Proprietary Limited	RSA	A	293
Exxaro Foundation	RSA	S	
Exxaro Holdings Proprietary Limited	RSA	H	26
Exxaro Insurance Company Limited	RSA	I	271
Exxaro Mountain Bike Academy NPC	RSA	E	1
Exxaro People Development Initiative NPC	RSA	E	1
Exxaro Properties (Groenkloof) Proprietary Limited	RSA	B	1
Exxaro Resources (Beijing) Commercial Company Limited[6]	PRC	C	
Ferroland Grondtrust Proprietary Limited	RSA	F	78
Gravelotte Iron Ore Company Proprietary Limited	RSA	M	6
Eyesizwe (RF) Proprietary Limited (24.86%)	RSA	S	613
Kumba Resources Management Share Trust	RSA	S	
Rocsi Holdings Proprietary Limited	RSA	H	5
Total direct investments in subsidiaries			

Investment in subsidiaries				Indebtedness by/(to) subsidiaries				Total indebtedness by/(to)	
Investment in shares		Investment in share-based payments		Indebtedness receivable		Indebtedness payable			
2018 R	2017 R	2018 Rm	(Restated) 2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	(Restated) 2017 Rm
100				13				13	
1	1								
2 518 966	2 518 966				1				1
1 000	1 000								
454 214 379	451 012 768								
1	1			219	219			219	219
	10								
2 616 170 522	2 616 170 522			2	227	(1 279)	(1 538)	(1 277)	(1 311)
1 868 325 864	1 868 325 864	376	381	3 956	4 213	(607)		3 349	4 213
1	1	6	6	122	172			122	172
459 517 297	459 517 297			108	57			108	57
5 000 000	5 000 000					(5)		(5)	
				1	2			1	2
1	1							(1)	
1 609 275	1 609 275				1				1
2	2	5	5	175	160			175	160
1	1				21				21
2 480 517 136	2 480 517 136				25				25
						(73)	(44)	(73)	(44)
653 722 945	653 722 945					(1 170)	(1 055)	(1 170)	(1 055)
8 541 597 491	8 538 395 790	387	392	4 596	5 098	(3 135)	(2 637)	1 461	2 461

17.8 DETAILED ANALYSIS OF INVESTMENTS IN SUBSIDIARIES[1] (CONTINUED)

At 31 December	Country of incorporation[2]	Nature of business[3]	Public interest score[4]
INDIRECT INVESTMENTS			
Coastal Coal Proprietary Limited	RSA	M	177
Dorstfontein Coal Mines Proprietary Limited (74%)	RSA	M	2 927
Eloff Mining Company Proprietary Limited (51%)[9]	RSA	M	
Exxaro Australia Iron Investments Proprietary Limited[6]	AUS	H	
Exxaro Australia Proprietary Limited	AUS	M & P	
Exxaro Base Metals China Limited	HK	H	
Exxaro Base Metals International BV	NE	H	
Exxaro Coal Mpumalanga Proprietary Limited	RSA	M	9 865
Exxaro International BV	NE	H	
Exxaro International Trading AG	SW	C	
Exxaro Reductants Proprietary Limited	RSA	A	73
Forzando Coal Mines Proprietary Limited (74%)	RSA	M	2 254
Ithemba Farm Proprietary Limited	RSA	F	1
Manyeka Coal Mines Proprietary Limited[9]	RSA	H	1
Masinketa Coal Mines Proprietary Limited (74%)[6]	RSA	H	2
Matla and Arnot Rehabilitation Trust	RSA	S	
Mmakau Coal Proprietary Limited (49%)	RSA	P	7
Newcastle Coal Mines Proprietary Limited	RSA	M	3
The Vryheid (Natal) Railway Coal and Iron Company Proprietary Limited	RSA	M	107
The Exxaro Coal Central Trust Fund	RSA	S	
Tumelo Coal Mines Proprietary Limited (49%)	RSA	M	42
Total indirect investment in subsidiaries			
Total investment in subsidiaries			

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

[2] *RSA – Republic of South Africa, AUS – Australia, HK – Hong Kong, NE – Netherlands, BOT – Botswana, PRC – Peoples' Republic of China, SW – Switzerland.*

[3] *M – Mining, B – Property, C – Service, E – Not for profit company, F – Farming, H – Holdings, I – Insuring, A – Manufacturing, P – Exploration, S – Structured entity, W - Water.*

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

[5] *New company incorporated during 2018.*

[6] *Liquidation in process at 31 December 2018.*

[7] *Loan capitalisation during 2018.*

[8] *Liquidated during 2018.*

[9] *Sold during 2018. Refer note 9.3.*

Investment in subsidiaries				Indebtedness by/(to) subsidiaries				Total Indebtedness by/(to)	
Investment in shares		Investment in share-based payments		Indebtedness receivable		Indebtedness payable			
2018 R	2017 R	2018 Rm	(Restated) 2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	(Restated) 2017 Rm
		5	5	18	1			18	1
		312	310	1 537	273			1 537	273
						(6 953)	(6 953)	(6 953)	(6 953)
				72	111			72	111
				9				9	
		317	315	1 636	385	(6 953)	(6 953)	(5 317)	(6 568)
8 541 597 491	8 538 395 790	704	707	6 232	5 483	(10 088)	(9 590)	(3 856)	(4 107)

17.9 NON-CONTROLLING INTERESTS' SUMMARISED FINANCIAL INFORMATION

	Voting power of non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2018 %	2017 %	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Subsidiaries with non-controlling interests						
Dorstfontein Coal Mines Proprietary Limited	26	26	36	55	(619)	(668)
Other			(4)	(5)	(82)	(70)
Total non-controlling interests			32	50	(701)	(738)

The principal place of business of all subsidiaries with non-controlling interests is in Mpumalanga, South Africa.
No dividends were paid during 2018 nor 2017.

	Dorstfontein Coal Mines Proprietary Limited	
	2018 Rm	2017 Rm
Statements of financial position		
At 31 December		
Non-current assets	1 652	1 150
Current assets	458	163
Total assets	2 110	1 313
Non-current liabilities	3 950	3 705
Current liabilities	539	179
Total liabilities	4 489	3 884
Net liabilities	(2 379)	(2 571)
Accumulated non-controlling interests	(619)	(668)
Statements of comprehensive income		
For the year ended 31 December		
Revenue	1 685	1 702
Net operating profit	180	266
Net finance costs	(46)	(59)
Profit for the year	139	211
Other comprehensive income		
Total comprehensive income for the year	139	211
Profit attributable to:	139	211
Owners of the parent	103	156
Non-controlling interests	36	55
Total comprehensive income attributable to:	139	211
Owners of the parent	103	156
Non-controlling interests	36	55
Statements of cash flows		
For the year ended 31 December		
Cash flows from operating activities	295	294
Cash flows from investing activities	(230)	(165)
Cash flows from financing activities	(66)	(122)
Net (decrease)/increase in cash and cash equivalents	(1)	7

CHAPTER 18: COMPLIANCE

CHAPTER 18:

Compliance

18.1 BASIS OF PREPARATION

18.1.1 STATEMENT OF COMPLIANCE

The group and company annual financial statements as at and for the year ended 31 December 2018 have been prepared under the supervision of Mr PA Koppeschaar CA(SA), SAICA registration number: 00038621. The principal accounting policies of Exxaro Resources Limited company and group of companies (the group) as well as the disclosures made in these annual financial statements comply with IFRS and IFRIC interpretations, effective for the financial year, as well as the SAICA Financial Reporting Guidelines (as issued by the Accounting Practices Committee), the Financial Reporting Pronouncements (as issued by the Financial Reporting Standards Council), the Companies Act (applicable to companies reporting under IFRS) and the Listings Requirements.

18.1.2 BASIS OF MEASUREMENT

The annual financial statements are prepared on the historical cost basis, except for the revaluation to fair value of financial instruments, share-based payments and biological assets. The annual financial statements are prepared on the going-concern basis.

The annual financial statements are presented in South African rand, which is the company's functional and presentation currency. However, the group measures the transactions of each of its material operations using the functional currency determined for that specific entity, which, in most instances, is the currency of the primary economic environment in which the operation conducts its business.

Management considers key financial metrics and loan covenant compliance in its approved medium-term budgets, together with its existing term facilities, to conclude that the going concern assumption used in compiling the annual financial statements is relevant.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the group and company annual financial statements, are disclosed within the relevant chapters.

The accounting policies applied for 2018 are consistent with those applied in 2017, except for the adoption of new or amended standards as set out below.

18.1.3 BASIS OF CONSOLIDATION

The group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the company and its subsidiaries as those of a single entity.

18.1.4 JUDGEMENTS MADE BY MANAGEMENT

Judgements, apart from those involving estimates, have been made by management in the process of applying the accounting policies. Details of these judgements have been included within the relevant chapters.

18.1.5 KEY ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES

Key assumptions concerning the future, and other key sources of estimation uncertainty at the financial year end, may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year if the assumption or estimation changes significantly. The financial information on which some of the assumptions are based has not been reviewed nor reported on by the independent external auditors. Details of key assumptions and key sources of estimation uncertainty have been included within the relevant chapters.

18.2 ADOPTION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

18.2.1 NEW, AMENDED AND REVISED STANDARDS ADOPTED DURING 2018

Exxaro has adopted the following new standards for the first time for the year commencing on 1 January 2018:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

The adoption of these standards has resulted in Exxaro changing its respective accounting policies. The impact of the adoption of the new accounting policies are disclosed in chapter 5.6.

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

18.2.2 NEW, AMENDED AND REVISED STANDARDS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods which have not been early adopted. The assessment of the impact of these new standards and interpretations is set out below.

<table>
<tr><th>Standard</th><th>Nature of change</th><th>Impact</th><th>Mandatory application date</th></tr>
<tr>
<td>IFRS 16 Leases</td>
<td>IFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed, for lessee accounting.

A lessee recognises a right-of-use asset (representing its right to use the underlying asset) and a lease liability (representing its obligation to make lease payments). There are optional exemptions for short-term leases and leases of low value items.

Lessor accounting remains similar to the current standard.</td>
<td>Exxaro has assessed all leasing arrangements that have not reached the end of their respective lease terms as at 31 December 2018. It has been decided to apply IFRS 16 retrospectively using the cumulative effect method and make use of the practical expedients available in this standard.

The expected impact at adoption (after application of the below assumptions) has been assessed as follows:
<table>
<tr><th></th><th>Group
Rm
Debit/(credit)</th><th>Company
Rm
Debit/(credit)</th></tr>
<tr><td>Retained earnings</td><td>(3)</td><td>(2)</td></tr>
<tr><td>Right-of-use assets</td><td>104</td><td>29</td></tr>
<tr><td>Lease liabilities</td><td>(101)</td><td>(27)</td></tr>
</table>
The impact assessment shown above excludes the tax effect thereon.

Key assumptions:
1. Industry-wide useful lives were used for assets outside of the current accounting policies
2. Incremental borrowing rates bases (7.85% for short term and 10.42% for long term) in line with external borrowing costs
3. Historical trends were used as CPI increments</td>
<td>1 January 2019</td>
</tr>
</table>

There are no other standards that are not yet effective and that would be expected to have a material impact on Exxaro in the current or future reporting periods and on foreseeable future transactions. It is expected that, where applicable, these standards and amendments will be adopted on each respective effective date.

18.3 EVENTS AFTER THE REPORTING PERIOD

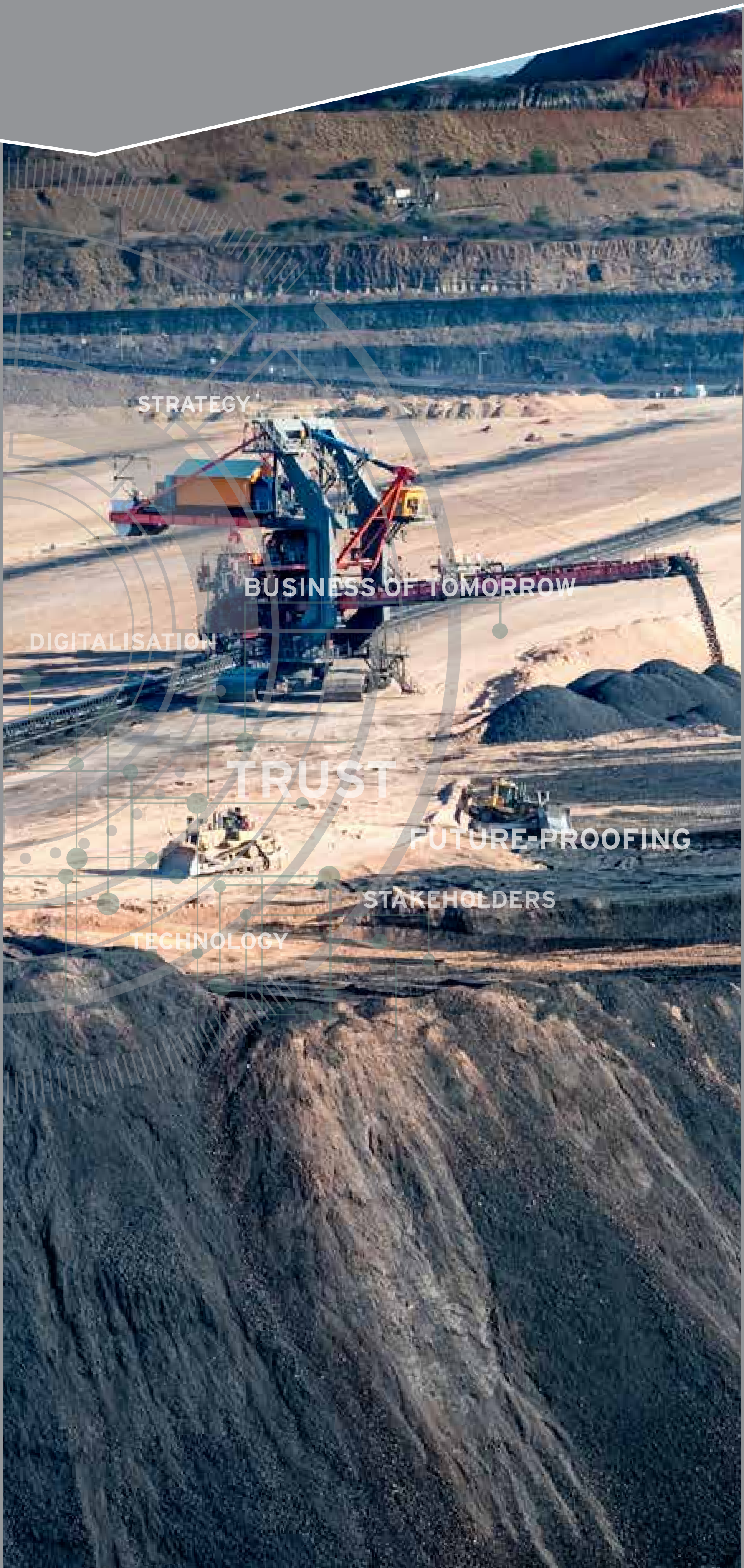
Details of the final dividend are provided in note 6.5.

Exxaro entered into the following transactions subsequent to 31 December 2018:

- On 15 February 2019, Exxaro received a cash dividend of R460 million from Tronox UK and Exxaro's 26% membership interest was redeemed for an amount of R1 597 million.
- On 22 February 2019, Exxaro signed a transfer agreement with Arnot OpCo Proprietary Limited consortium (whose shareholders are former employees of Arnot) and Wescoal, for the transfer of the Arnot mine. This transfer is subject to regulatory and the three parties' approvals.

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.

CHAPTER 19: ANNEXURES



CHAPTER 19:

Annexures

ANNEXURE 1: SHAREHOLDER ANALYSIS

2.1 EXXARO PUBLIC AND NON-PUBLIC SHAREHOLDING 2018

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued share capital
Non-public shareholders	23	0.18	108 131 922	30.14
Eyesizwe[1]	1	0.01	107 612 026	30.00
Kumba Management Share Trust	1	0.01	158 218	0.04
Directors	2	0.02		
– PA Koppeschaar[2]			16 015	0.00
– MDM Mgojo[3]			35 984	0.01
Subsidiary directors	19	0.14	309 679	0.09
Public shareholders	13 813	99.82	250 574 832	69.86
Total	13 836	100.00	358 706 754	100.00

[1] *Includes indirect shareholding through Eyesizwe of the following directors:*		
– D Mashile-Nkosi	*4 225 088*	*1.18*
– MDM Mgojo	*4 671 041*	*1.30*
– VZ Mntambo	*4 448 839*	*1.24*

[2] *Includes direct and DBP shareholding.*

[3] *Includes DBP shareholding.*

2.2 REGISTERED SHAREHOLDER SPREAD

In accordance with the Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2018:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued share capital
1 to 1 000 shares	11 355	82.07	2 463 825	0.69
1 001 to 10 000 shares	1 550	11.2	5 011 751	1.40
10 001 to 100 000 shares	660	4.77	22 638 192	6.31
100 001 to 1 000 000 shares	228	1.65	70 694 454	19.70
1 000 001 shares and above	43	0.31	257 898 532	71.90
Total	13 836	100	358 706 754	100

2.3 SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS ABOVE 3%

Through regular analysis of Strate registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held 3% or more (directly and indirectly) of the issued share capital as at 31 December 2018:

	Number of shares	% of issued share capital
Investment management shareholdings		
Eyesizwe	107 612 026	30.00
Public Investment Corporation (PIC)	32 175 694	8.97
Coronation Asset Management Proprietary Limited	27 519 985	7.67
Prudential Investment Managers	17 168 973	4.79
Investec Asset Management	13 565 413	3.78
Total	198 042 091	55.21
Beneficial shareholdings		
Eyesizwe	107 612 026	30.00
Government Employees Pension Fund	39 592 937	11.04
Total	147 204 963	41.04

ANNEXURE 2: DEFINITIONS

ATTRIBUTABLE CASH FLOW PER ORDINARY SHARE

Cash flow from operating activities after adjusting for participation of non-controlling interests therein, divided by the weighted average number of ordinary shares in issue during the year.

CAPITAL EMPLOYED

Total equity plus net debt minus non-current financial assets minus other non-current assets.

CASH AND CASH EQUIVALENTS

Comprises cash on hand and current accounts in bank, net of bank overdraft, together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value.

CURRENT RATIO

Current assets divided by current liabilities.

DIVIDEND COVER

Attributable earnings per ordinary share divided by dividends per ordinary share.

DIVIDEND YIELD

Attributable earnings per ordinary share divided by dividends per ordinary share.

EARNINGS PER ORDINARY SHARE

Attributable earnings basis

Earnings attributable to owners of the parent (Exxaro) divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

Headline earnings basis

Headline earnings divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

EFFECTIVE INTEREST RATE

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

FINANCING COST COVER

EBIT

Net operating profit before interest and tax, divided by net financing costs.

EBITDA

Net operating profit before interest, tax, depreciation, amortisation, impairment charges and net loss or gain on disposal of assets and investments (including translation differences recycled to profit or loss), divided by net financing costs.

GOOD LEAVERS

A participant whose employment with employer companies is terminated due to:

(i) The Participant's:
- Retrenchment
- Retirement
- Death
- Serious disability or incapacitation
- Promotion out of the relevant qualifying category; or

(ii) The 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 terminations of employment by a participant with the employer companies.

HEADLINE EARNINGS

Earnings attributable to owners of the parent (Exxaro) adjusted for gains or losses on items of a capital nature, recognising the tax and non-controlling interests impact on these adjustments.

HEADLINE EARNINGS YIELD

Headline earnings per ordinary share divided by the closing share price on the JSE.

INVESTED CAPITAL

Total equity, interest-bearing debt, non-current provisions and net deferred tax less cash and cash equivalents.

ANNEXURE 2: DEFINITIONS (CONTINUED)

MATERIALITY

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users of general purpose financial statements make, on the basis of those financial statements, which provide financial information about the reporting entity.

Materiality is determined on a case-by-case basis depending on the facts and circumstances pertaining to the item, transaction, adjustment, information or event (matter) taking into account both qualitative and quantitative factors.

NET ASSETS

Total assets less current and non-current liabilities less non-controlling interests which equates to equity of owners of the parent (Exxaro).

NET DEBT OR CASH

Net debt or cash is calculated as the sum of interest-bearing debt, lease payables and overdraft less cash and cash equivalents.

NET DEBT TO EQUITY RATIO

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

NET OPERATING PROFIT

Net operating profit or loss equals revenue less operating expenses, major once-off expense items and impairment charges, plus impairment reversals and major non-recurring income items. Major non-recurring items are presented separately on the statement of comprehensive income between operating profit or loss and net operating profit or loss and relate to significant corporate activities.

NON-CORE ITEMS

Gains and losses on transactions adjusted in the calculation of headline earnings plus any other gains or losses relating to major non-recurring transactions or corporate actions, which is defined by management at each reporting period.

NUMBER OF YEARS TO REPAY INTEREST-BEARING DEBT

Interest-bearing debt divided by cash flow from operating activities before dividends paid.

OPERATING MARGIN

Net operating profit as a percentage of revenue.

OPERATING PROFIT

Operating profit or loss equals revenue less operating expenses before impairment charges or reversals and major non-recurring items.

OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; and whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to the segment and assess its performance; and for which discrete financial information is available.

RETURN ON CAPITAL EMPLOYED

Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of average capital employed.

RETURN ON INVESTED CAPITAL

Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of the average invested capital.

RETURN ON NET ASSETS

Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of the average net assets.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY

Attributable earnings

Earnings attributable to owners of the parent (Exxaro) as a percentage of average equity attributable to owners of the parent (Exxaro).

Headline earnings

Headline earnings as a percentage of average equity attributable to owners of the parent (Exxaro).

REVENUE PER EMPLOYEE

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

TOTAL ASSET TURNOVER

Revenue divided by average total assets.

WANOS IN ISSUE

The number of shares in issue at the beginning of the year, increased by shares issued during the year, decreased by share repurchases during the year and treasury shares, weighted on a time basis for the period in which they have participated in the earnings of the group.

In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

ANNEXURE 3: ADMINISTRATION

GROUP COMPANY SECRETARY AND REGISTERED OFFICE

SE van Loggerenberg
Exxaro Resources Limited
Roger Dyason Road
Pretoria West, 0183
(PO Box 9229, Pretoria, 0001)
South Africa
Telephone +27 12 307 5000

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

INDEPENDENT EXTERNAL AUDITOR

PricewaterhouseCoopers Incorporated
4 Lisbon Lane
Waterfall City
Jukskei View, 2090

COMMERCIAL BANKERS

ABSA Bank Limited

CORPORATE LAW ADVISERS

Inlexso Proprietary Limited
Rodger Dyason Road
Pretoria West, 0183

UNITED STATES ADR DEPOSITORY

The Bank of New York Mellon
101 Barclay Street
New York NY10286
United States of America

SPONSOR

ABSA Bank Limited (acting through its Corporate and Investment Bank Division)
Barclays Sandton North
15 Alice Lane
Sandton, 2196

REGISTRARS

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

PREPARED UNDER THE SUPERVISION OF:

PA Koppeschaar CA(SA)
SAICA registration number: 0038621

ANNEXURE 4: SHAREHOLDERS' DIARY

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

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