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excellence

CREATING VALUE FOR
ALL STAKEHOLDERS IS
THE CORNERSTONE OF
EXXARO'S LONG-TERM
FINANCIAL VIABILITY.
EXCEPTIONAL FINANCIAL
MANAGEMENT IS A KEY
ELEMENT OF CREATING
SUSTAINABLE VALUE

Haul truck fitted with pantograph system that enables alternate use of diesel and electric power at Grootegeluk mine, Limpopo





Group annual financial statements

for the year ended 31 December 2007

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directors' responsibility for financial reporting

TO THE MEMBERS OF EXXARO RESOURCES LIMITED

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

In order for the directors to discharge their responsibilities, management has developed and continues to maintain a system of internal control 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, risk and compliance committee which consists of non-executive directors, meet periodically with the external and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal control, auditing, financial reporting and risk management. The group's internal auditors independently evaluate the internal controls and co-ordinate their audit coverage with the external auditors. The external auditors are responsible for reporting on the financial statements. The external and internal auditors have unrestricted access to all records, property and personnel as well as to the audit, risk and compliance committee. The directors are not aware of any material breakdown in the functioning of these controls and systems during the year under review.

The directors are of the opinion, based on the information and explanations given by management and the internal auditors, and on comments made by the external auditors on the results of their audit conducted for the purpose of expressing their opinion on the annual financial statements, that the internal accounting controls are adequate, such that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

The directors have reviewed the group's financial budgets with its underlying business plans for the period to 31 December 2008. In the light of the current financial position and existing borrowing facilities, they consider it appropriate that the annual financial statements be prepared on the going-concern basis.

Against this background, the directors of the company accept responsibility for the annual financial statements, which were approved by the board of directors on 19 February 2008 and are signed on its behalf by:



SA Nkosi
Chief Executive Officer



DJ van Staden
Chief Financial Officer

The external auditors have audited the annual financial statements of the company and group and their unmodified report appears on page 156.

certificate by company secretary

In terms of the Companies Act 61 of 1973 of South Africa, as amended, I, MS Viljoen, in my capacity as company secretary, confirm that for the year ended 31 December 2007, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



MS Viljoen
Company secretary

19 February 2008

independent auditor's report to the members of exxaro resources limited

We have audited the annual financial statements and group annual financial statements of Exxaro Resources Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 31 December 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity and the cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 157 to 269.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as at 31 December 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



Deloitte & Touche

Registered Auditors

Per BW Smith

Partner

19 February 2008

Buildings 1 and 2, Deloitte Place
The Woodlands Office Park
Woodlands Drive
Sandton

National Executive: GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Tax), L Geeringh (Consulting), L Bam (Strategy), CR Beukman (Finance), TJ Brown (Clients and Markets), NT Mtoba (Chairman of the Board), J Rhynes (Deputy Chairman of the Board)

A full list of partners and directors is available on request

report of the directors

The directors have pleasure in presenting the annual financial statements of Exxaro Resources Limited (Exxaro) and the group for the year ended 31 December 2007.

Nature of business

Exxaro, incorporated in South Africa, is a mining group of companies focusing on extracting and processing a range of minerals and metals including coal, heavy minerals, base metals, and selected industrial minerals. Exxaro also holds a 20% interest in Sishen Iron Ore Company (Pty) Limited which extracts and processes iron ore.

Corporate governance

The board endorses the Code of Corporate Practice and Conduct as set out in the King II Report on Corporate Governance and has satisfied itself that Exxaro has complied throughout the period in all material aspects with the King II code. A detailed report appears on page 80.

Registration details

Exxaro is a listed company on the JSE Limited. The company registration number is 2000/011076/06. The registered office is Roger Dyason Road, Pretoria West, Republic of South Africa, 0183.

Activities and financial results

Detailed reports on the activities and performance of the group and the various divisions of the group are contained in the reports on pages 6 and 7 and pages 13 and 14 and in the business operations review on pages 48 to 61. These reports are unaudited.

Capital management

As a diversified mining company Exxaro is exposed to the cyclical price movements associated with its suite of commodities. The group's policy is therefore to ensure that the group maintains a robust capital structure with strong financial metrics which can withstand a significant downturn in commodity cycles. Growth opportunities, debt levels and dividend distributions to shareholders are considered against this backdrop.

The board of directors is ultimately responsible for monitoring debt levels, return on capital as well as compliance with contractually agreed loan covenants. For the year under review the following key metrics were achieved:

	2007	2006 ¹
Net debt/equity ratio (%)	5	5
Net financing cost cover – EBITDA (times)	10	6
Return on capital employed (refer definitions on page 151)	24	22

The capital base consists of total shareholders' equity as disclosed, as well as interest bearing borrowings. As a new generation empowerment company with a 55,861% BEE shareholding, Exxaro is constrained from issuing equity, and its memorandum and articles accordingly incorporate various provisions limiting the issue of new shares or alterations of its share capital that could result in a loss of its empowerment status.

The group aims to cover its annual net funding requirements through longer-term loan facilities with maturities spread evenly over time.

Although the intention is to progress to distributing 50% of attributable earnings to shareholders, adequate provision is made for future commitments and working capital requirements in determining the level of interim and final dividends to shareholders.

The group may from time to time repurchase its own shares in the market depending on prevailing market prices. These share repurchases are primarily intended to settle the group's various employee share incentive schemes and decisions are made on a specific transaction basis by the executive committee. The group does not, however, have a defined share buy-back plan.

¹ For comparable purposes 2006 metrics were calculated on the assumption that the empowerment transaction had been implemented with effect from 1 January 2005. The investment in Sishen Iron Ore Company (Pty) Limited has therefore been equity accounted from 1 January 2005 and Eyesizwe Coal (Pty) Limited consolidated from the same date.

report of the directors continued

During the year under review the group complied with all its contractually agreed loan covenants.

There were no changes in the group's approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed regulatory capital requirements.

Property, plant and equipment

Capital expenditure for the period amounted to R1 296 million (2006: R2 010 million).

Shareholders' resolutions

In terms of the resolution passed at the general meeting on 2 November 2006, Exxaro, on 13 April 2007, exercised its option to acquire 10 million shares from Anglo South Africa Capital (Pty) Limited at R45,99 per share and subsequently issued 10 million new Exxaro shares at R64 per share.

At the sixth annual general meeting of shareholders, held on 25 April 2007, the following resolutions were passed:

- renewal of the authority that the unissued shares be placed under the control of the directors;
- general authority to issue shares for cash;
- special resolution to authorise directors to repurchase company shares.

Exxaro and its subsidiaries have passed no other special or ordinary shareholders' resolutions of material interest or of substantive nature.

Share capital

The total number of shares in issue increased during the year to 352 907 400.

The increase can be summarised as follows:

	Date of issue	Number of shares
Opening balance		351 277 206
Repurchase of shares	13 April 2007	(10 000 000)
Issued in terms of repurchase agreement	13 April 2007	10 000 000
Issued in terms of the Kumba Management Share Option Scheme due to options exercised at prices ranging from R3,86 to R97,74	2 January 2007 to 20 December 2007	1 630 194
Closing balance		352 907 400

Shareholders

In addition to selling 10 million shares back to Exxaro in terms of a special resolution taken at the general meeting of shareholders held on 2 November 2006, Anglo South Africa Capital (Pty) Limited placed an additional nine million shares in the market to dilute the Anglo group's shareholding in Exxaro to 9,9%, simultaneously resulting in Exxaro's free float increasing to 34,2%.

An analysis of shareholders and shareholdings appears on page 90 of the annual report.

Dividend payments

Dividend number nine

Interim dividend number nine of 60 cents per share was declared in South African currency in respect of the period ended 30 June 2007. The dividend was paid on Monday, 10 September 2007 to shareholders recorded in the books of the company at the close of business on Friday, 7 September 2007. To comply with the requirements of STRATE the last day to trade cum dividend was Friday, 31 August 2007. The shares commenced trading ex dividend on Monday, 3 September 2007 and the record date was Friday, 7 September 2007.

Dividend number 10

Final dividend number 10 of 100 cents per share was declared in South African currency in respect of the period ended 31 December 2007. The dividend payment date is Monday, 17 March 2008 to shareholders recorded in the books of the company at the close of business on Friday, 14 March 2008. To comply with the requirements of STRATE the last day to trade cum dividend was Friday, 7 March 2008. The shares commenced trading ex dividend on Monday, 10 March 2008 and the record date was Friday, 14 March 2008.

Investments and subsidiaries

The financial information in respect of investments and interests in subsidiaries of the company is disclosed in annexures 2 and 3 to the financial statements.

Subsequent events

The directors are not aware of any matter or circumstance that has arisen since the end of the financial period not dealt with in this report or in the group financial statements that would significantly affect the operations or the results of the group.

Namakwa Sands and Black Mountain/Gamsberg acquisition

Although Exxaro announced on 19 January 2007 that it had exercised the option to acquire the Namakwa Sands mineral sands operation and a 26% interest in a company to be formed to hold the Black Mountain lead-zinc mine and the Gamsberg zinc project, it has not yet acquired operational control as conversion and subsequent cession of mining rights is still outstanding.

report of the directors continued

Directorate and shareholdings

The names of the directors in office at the date of this report are set out on page 76.

During the period under review Mr M Msimang was appointed as non-executive director on 28 February 2007 and resigned on 28 May 2007 to pursue his career as Director-General at the Department of Home Affairs. Dr CJ Fauconnier retired as chief executive officer and director on 31 August 2007. Mr SA Nkosi was appointed as chief executive officer on 1 September 2007.

On 29 February 2008, Ms N Nyembezi-Heita resigned as non-executive director.

The directors below are required to retire by rotation in terms of article 16.1 of the articles of association and, being eligible, offer themselves for re-election at the forthcoming annual general meeting:

U Khumalo
Dr D Konar
RP Mohring
PKV Ncetezo

Company secretary

The company secretary is MS Viljoen. The company secretary's registered address is:

Roger Dyason Road	PO Box 9229
Pretoria West	Pretoria
0183	0001
Republic of South Africa	Republic of South Africa

Independent auditors

The auditors of the company, Deloitte & Touche, will continue in office in accordance with section 270(2) of the Companies Act, 1973, of South Africa.

Change in accounting policies

The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 December 2006, except for the adoption of IFRS 7 Disclosure of Financial Instruments during the year. This is a disclosure standard which has no impact on the measurement or recognition of financial instruments and accordingly the adoption thereof has had no effect on the profit or equity for this period or previously reported periods.

directors' remuneration

This report on remuneration and related matters covers issues which are the concern of the board as a whole, in addition to those which were dealt with by the transformation, human resources, remuneration and nomination committee ("TREMCO").

Remuneration policy

TREMCO has a clearly defined mandate from the board aimed at:

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

Directors' service contracts

There are no restraints of trade associated with the contracts of executive directors. Non-executive directors are not bound by service contracts.

The service contract of Dr CJ Fauconnier terminated on 31 August 2007. Mr SA Nkosi assumed the office of chief executive officer on 1 September 2007.

The service contracts of messrs MJ Kilbride and DJ van Staden terminate on 31 August 2008, however, both will use their best endeavours to ensure that their retirement from Exxaro does not coincide within a period of six months from such date of termination.

directors' remuneration continued

for the year ended 31 December 2007

Summary of remuneration for the year ended 31 December 2007

Name	Basic salary R	Fees for services R	Performance bonuses ¹ R	Benefits and allowances ² R	Retirement fund contributions R
Executive directors					
Dr CJ Fauconnier ⁴	2 784 242		4 248 157	324 313	
SA Nkosi	3 270 291		1 332 094	71 309	277 110
MJ Kilbride	2 375 206		2 939 037	314 740	271 960
DJ van Staden	2 441 726		2 939 037	303 820	271 960
	10 871 465		11 458 325	1 014 182	821 030
Less gains on share scheme					
Add share-based payment expense					
Total remuneration paid by Exxaro					
Non-executive directors					
PM Baum ⁵		191 657			
JJ Geldenhuys		240 659		3 676	
U Khumalo		154 562			
Dr D Konar		253 481			
VZ Mntambo		176 201			
RP Mohring		183 414		5 737	
M Msimang ^{6 & 7}		23 852			
PKV Ncetezo		176 201		7 383	
NMC Nyembezi-Heita		197 840			
NL Sowazi		183 414			
D Zihlangu		179 292		9 233	
		1 960 573		26 029	

At 31 December 2007, Exxaro Resources Limited did not have a chairperson of the board. The chairman for board meetings is nominated from the ranks of the independent non-executive directors.

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

² Includes travel allowances.

³ Includes interest accrued on gains held in trust until vested.

⁴ Retired on 31 August 2007.

⁵ Fees paid to the respective employer and not the individual.

⁶ Appointed as non-executive director on 28 February 2007.

⁷ Resigned as non-executive director on 28 May 2007.

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

Medical fund contributions R	Gains on management share option scheme ³ R	Compensation on retirement from executive office R	Other R	Total R
10 856	216 691	4 248 157	2 043	11 834 459
17 564			5 524	4 973 892
16 284	130 678		1 916	6 049 821
16 284	114 490		4 918	6 092 235
60 988	461 859	4 248 157	14 401	28 950 407
				(461 859)
				958 837
				29 447 385
				191 657
				244 335
				154 562
				253 481
				176 201
				189 151
				23 852
				183 584
				197 840
				183 414
				188 525
				1 986 602

directors' remuneration continued

for the year ended 31 December 2007

Summary of remuneration for the year ended 31 December 2006

Name	Basic salary R	Fees for services R	Performance bonuses ¹ R	Benefits and allowances ² R	Retirement fund contributions R
Executive directors					
Dr CJ Fauconnier	3 207 532		8 309 065	537 422	
MJ Kilbride	1 833 508		4 451 315	933 911	218 058
CF Meintjes ⁶	1 534 643		3 998 642	370 283	160 823
SA Nkosi ³	236 122			4 790	19 422
DJ van Staden	1 890 538		4 476 453	297 958	218 032
	8 702 343		21 235 475	2 144 364	616 335
Less gains on share scheme					
Add share-based payment expense					
Total remuneration paid by Exxaro					
Non-executive directors					
PM Baum ⁴		177 460			
BE Davison ⁸		131 187			
TL de Beer ⁵		85 868			
JJ Geldenhuys		246 154			
U Khumalo ⁷					
Dr D Konar		234 705			
VZ Mntambo ⁷					
RP Mohring ⁷					
AJ Morgan ⁸ (Chairman)		293 858		6 787	
WA Nairn ^{4 & 8}		162 672			
PKV Ncetezo ⁷					
SA Nkosi ³		162 672			
NMC Nyembezi-Heita ⁷					
CML Savage ⁸		131 187			
Dr NS Segal ⁸		173 166		11 281	
NL Sowazi ⁷					
F Titi ⁸		162 672			
D Zihlangu ⁷					
PL Zim ^{4 & 8}		131 187			
		2 092 788		18 068	

¹Performance bonuses include the following:

- Board approved performance related incentive scheme applicable to all employees in the group;
- An incentive payment for developing and implementing an empowerment transaction as fully disclosed in the Kumba Circular to Shareholders and Exxaro revised listing particulars dated 9 October 2006;
- Unwinding of the 2005 long term incentive plan (LTIP); and
- Compensation for 2006 share appreciation rights and LTIP awards not awarded due to the postponement of the effective date of implementation of the empowerment transaction.

²Includes travel allowances.

³Appointed as executive director on 28 November 2006.

⁴Fees paid to their respective employers and not to them as individuals.

⁵Retired on 12 April 2006.

⁶Resigned as executive director on 28 November 2006.

⁷Appointed as non-executive director on 28 November 2006.

⁸Resigned as non-executive director on 28 November 2006.

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

Medical fund contributions R	Gains on management share option scheme R	Gains on management cash settled option R	Compensation on retirement from executive office R	Other R	Total R
24 105	44 896 507	1 831 948		3 718	58 810 297
23 603	27 569 844	1 641 866		2 884	36 674 989
18 054	26 682 788	1 481 684		2 478	34 249 395
				299	260 633
34 672	25 672 966			2 883	32 593 502
100 434	124 822 105	4 955 498		12 262	162 588 816
					(129 777 603)
					3 635 848
					36 447 061
					177 460
					131 187
					85 868
					246 154
					234 705
					300 645
					162 672
					162 672
					131 187
					184 447
					162 672
					131 187
					2 110 856

directors' remuneration continued

for the year ended 31 December 2007

Directors' beneficial interest in Exxaro shares at 31 December 2007

Director	Direct	Indirect
SA Nkosi		7 607 567
MJ Kilbride	586	
DJ van Staden	565	
PM Baum		
JJ Geldenhuys		
U Khumalo		
Dr D Konar	168	
VZ Mntambo		5 248 077
RP Mohring		
PKV Ncetezo		724 564
NMC Nyembezi-Heita	1 000	
NL Sowazi		2 181 590
D Zihlangu		2 818 552

Directors' beneficial interest in Exxaro shares at 31 December 2006

Director	Direct	Indirect
Dr CJ Fauconnier	42 905	
MJ Kilbride	586	
CF Meintjes		
DJ van Staden	565	
SA Nkosi		6 747 301
PM Baum		
BE Davison		
TL de Beer		
JJ Geldenhuys		
U Khumalo		
Dr D Konar	168	
VZ Mntambo		4 654 623
RP Mohring		
AJ Morgan (Chairman)	20 000	
WA Nairn		
PKV Ncetezo		724 564
NMC Nyembezi-Heita		
CML Savage		
Dr NS Segal		
NL Sowazi		3 286 825
F Titi		
D Zihlangu		2 818 552
PL Zim		

There has been no change to the interest of directors in share capital since the year end.

On 31 December 2007 Mr SA Nkosi held 1,9% and Mr MZ Mntambo held 1,3% directly or indirectly in the share capital of the company.

No director held any non-beneficial interest in Exxaro shares at either 31 December 2007 or 2006.

directors' remuneration continued

for the year ended 31 December 2007

Directors' share options and restricted share awards

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

Management share option scheme for the year ended December 2007

Name	Options held at 31 December 2007	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2007 R	Pre-tax gain if exercisable at 31 December 2007 ¹ R
Executive directors					
DJ van Staden	12 440	12,90	16/3/2011	1 286 918	1 126 442
Total	12 440			1 286 918	1 126 442

¹Based on a share price of R103,45 which prevailed on 31 December 2007.

Management share option scheme for the year ended December 2006

Name	Options held at 31 December 2006	Exercise price ¹ R	Exercisable period	Proceeds if exercisable at 31 December 2006 R	Pre-tax gain if exercisable at 31 December 2006 ² R
Executive directors					
Dr CJ Fauconnier					
Total					
Non-executive directors					
MJ Kilbride					
Total					

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised R
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Options exercised during the year ³	Exercise price ⁴ R	Sale price/ market price R	Pre-tax gain R	Date exercised R
50 840	25,85	125,10	5 045 870	9/10/06
5 000	25,85	125,50	498 250	9/10/06
34 050	25,85	126,50	3 427 133	10/10/06
5 950	25,85	125,90	595 298	10/10/06
150 000	25,85	125,99	15 021 000	10/10/06
41 680	25,85	126,00	4 174 252	10/10/06
20 000	25,85	125,00	1 983 000	10/10/06
65 440	32,80	126,00	6 099 008	10/10/06
92 880	39,30	126,00	8 052 696	10/10/06
465 840			44 896 507	
25 000	16,54	125,20	2 716 500	9/10/06
10 840	16,54	125,25	1 178 416	9/10/06
151 320	25,85	125,25	15 041 208	9/10/06
40 710	32,80	125,25	3 763 640	9/10/06
30 220	39,30	125,25	2 597 409	9/10/06
15 430	39,30	150,00	1 708 101	20/10/06
5 100	39,30	150,00	564 570	23/10/06
278 620			27 569 844	

directors' remuneration continued

for the year ended 31 December 2007

Management share option scheme for the year ended December 2006 (continued)

Name	Options held at 31 December 2006	Exercise price ¹ R	Exercisable period	Proceeds if exercisable at 31 December 2006 R	Pre-tax gain if exercisable at 31 December 2006 ² R
Executive directors					
CF Meintjes					
<hr/>					
Total					
DJ van Staden					
	12 440	12,90	16/3/2011	696 640	536 164
Total	12 440			696 640	536 164

¹The exercise price of options not yet exercised on 31 December 2006 was re-priced by R2,20 per share, and further re-calculated by reference to the 21 day volume weighted average price split between Exxaro shares and Kumba Iron Ore shares of 32,81% and 67,19% respectively.

²Based on a share price of R56,00 which prevailed on 31 December 2006.

³Certain options were exercised prior to their vesting date and will remain in trust until such vesting date. Vesting dates vary up to the earliest date of service contract termination or 16 March 2011.

⁴Options awarded and not yet exercised on 8 September 2005 were re-priced by R2,20 per share subsequent to the special dividend declared to shareholders on 12 September 2005 from the post-tax option- and settlement proceeds of the Hope Downs project.

Options exercised during the year ³	Exercise price ⁴ R	Sale price/ market price R	Pre-tax gain R	Date exercised R
20 490	16,30	125,00	2 227 263	10/10/06
24 890	16,54	125,00	2 699 569	10/10/06
130 936	25,85	125,00	12 982 304	10/10/06
4 704	25,85	125,01	466 449	10/10/06
17 610	32,80	125,00	1 623 642	10/10/06
8 800	32,80	125,00	811 360	11/10/06
3 810	32,80	142,75	418 910	18/10/06
5 000	32,80	142,70	549 500	18/10/06
14 410	39,30	125,00	1 234 937	10/10/06
10 000	39,30	146,00	1 067 000	19/10/06
4 000	39,30	148,35	436 200	20/10/06
6 000	39,30	148,00	652 200	20/10/06
8 624	39,30	150,50	958 989	6/11/06
5 006	39,30	150,06	554 465	6/11/06
264 280			26 682 788	
8 601	16,54	126,50	945 766	10/10/06
5 000	16,54	126,15	548 050	10/10/06
14 209	16,54	126,00	1 555 317	10/10/06
9 270	16,54	149,00	1 227 904	20/10/06
42 140	25,85	126,00	4 220 321	10/10/06
360	25,85	126,10	36 090	10/10/06
10 100	25,85	125,90	1 010 505	10/10/06
19 900	25,85	125,60	1 985 025	10/10/06
14 706	25,85	125,20	1 461 041	10/10/06
1 000	25,85	125,11	99 260	10/10/06
2 664	25,85	125,10	264 402	10/10/06
50 480	25,85	125,00	5 005 092	10/10/06
1 136	32,80	125,10	104 853	10/10/06
1 000	32,80	125,05	92 250	10/10/06
24 584	32,80	125,00	2 266 645	10/10/06
6 010	32,80	150,50	707 377	6/11/06
2 900	32,80	150,25	340 605	6/11/06
14 910	39,30	125,00	1 277 787	10/10/06
9 950	39,30	146,00	1 061 665	19/10/06
12 430	39,30	157,00	1 463 011	13/11/06
251 350			25 672 966	

directors' remuneration continued

for the year ended 31 December 2007

Management cash-settled options for the year ended December 2007

The cash-settled options represent phantom option awards made to executive directors and a number of senior managers as compensation for not being eligible to receive share option grants due to their involvement in the empowerment transaction.

The phantom option awards also have a grant price, vesting periods and lapse periods as other share option awards but are classified as cash-settled since shares will not be issued when exercised.

Name	Options held at 31 December 2007	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2007 R	Pre-tax gain/ (loss) if exercisable at 31 December 2007 ¹ R
Executive directors					
DJ van Staden	17 550	19,62	22/4/2012	1 815 548	1 471 217

¹Based on a share price of R103,45 which prevailed on 31 December 2007

Management cash-settled options for the year ended December 2006

Name	Options held at 31 December 2006	Exercise price ¹ R	Exercisable period	Proceeds if exercisable at 31 December 2006 R	Pre-tax gain/ (loss) if exercisable at 31 December 2006 ² R
Executive directors					
Dr CJ Fauconnier					
MJ Kilbride					
CF Meintjes					
DJ van Staden	17 550	19,62	22/4/2012	982 800	638 469
SA Nkosi					

¹The exercise price of options not yet exercised on 31 December 2006 re-calculated by reference to the 21 day volume weighted average price split between Exxaro shares and Kumba Iron Ore shares of 32,81% and 67,19% respectively.

²Based on a share price of R56,00 which prevailed on 31 December 2006.

Management share appreciation right scheme¹ for the year ended December 2007

Name	Options held at 31 December 2007	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2007 R	Pre-tax gain/ (loss) if exercisable at 31 December 2007 ² R
Executive directors					
SA Nkosi	38 680	60,60	1/3/2014	4 001 446	1 657 438

Management share scheme – long term incentive plan¹ for the year ended December 2007

Name	Options held at 31 December 2007	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2007 R	Pre-tax gain/ (loss) if exercisable at 31 December 2007 ² R
Executive directors					
SA Nkosi	38 682		31/12/2009	4 001 653	4 001 653

Management share scheme – deferred bonus plan¹ for the year ended December 2007

Name	Options held at 31 December 2007	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2007 R	Pre-tax gain/ (loss) if exercisable at 31 December 2007 ² R
Executive directors					
SA Nkosi	361	86,45	31/12/2009	37 345	6 137

¹Schemes initiated 1 January 2007.

²Based on a share price of R103,45 which prevailed on 31 December 2007.

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
28 020	59,80	125,18	1 831 948	9/10/2006
18 450	59,80	148,79	1 641 866	20/10/2006
16 650	59,80	148,79	1 481 684	20/10/2006

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised

income statements

for the year ended 31 December 2007

	Notes	GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
CONTINUING OPERATIONS					
Revenue	2	10 157	7 263	636	706
Operating expenses	3	(8 713)	(7 627)	(697)	(1 655)
Fair value adjustment on unbundling of subsidiary			17 963		18 329
NET OPERATING PROFIT/(LOSS)		1 444	17 599	(61)	17 380
Interest income	4	96	5	10	36
Interest expense	4	(311)	(312)	(94)	(145)
Income from investments	5	2		610	4 566
Income from equity accounted investments	15	728	159		
PROFIT BEFORE TAXATION		1 959	17 451	465	21 837
Taxation	7	(512)	(578)	(42)	(369)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		1 447	16 873	423	21 468
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	8		2 323		
PROFIT FOR THE YEAR		1 447	19 196	423	21 468
Attributable to:					
Equity holders of the parent		1 427	19 169	423	21 468
Minority interest		20	27		
		1 447	19 196	423	21 468
ATTRIBUTABLE EARNINGS PER SHARE (CENTS)					
– basic		418	6 124		
– diluted		402	6 028		
ATTRIBUTABLE EARNINGS PER SHARE FROM CONTINUING OPERATIONS (CENTS)					
– basic	9	418	5 382		
– diluted		402	5 297		
ATTRIBUTABLE EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS (CENTS)					
– basic	9		742		
– diluted			731		
Dividend paid per share (cents) in respect of the previous financial period			160		
Dividend paid per share (cents) in respect of the interim period		60	180		
Special dividend paid per share (cents) on unbundling			185		
Final dividend paid per share (cents) in respect of the financial year		100			

balance sheets

at 31 December 2007

	Notes	GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	12	8 235	7 583	133	109
Biological assets	13	30	26		
Intangible assets	14	76	69		
Investments in associates and joint ventures	15	757	384		
Investments in subsidiaries	16			1 964	1 918
Deferred taxation	24	732	748	97	76
Financial assets	17	1 031	693	10	42
Total non-current assets		10 861	9 503	2 204	2 145
Current assets					
Inventories	18	1 531	1 391		
Trade and other receivables	19	1 931	1 663	4 583	5 059
Cash and cash equivalents		850	906	306	290
Total current assets		4 312	3 960	4 889	5 349
Non-current assets classified as held for sale	20	2	2		
TOTAL ASSETS		15 175	13 465	7 093	7 494
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	2 067	5 139	2 244	5 316
Non-distributable reserves		1 502	1 205	883	783
Retained earnings/(loss)		6 235	1 798	3 118	(280)
Equity attributable to equity holders of the parent		9 804	8 142	6 245	5 819
Minority interest		19	27		
Total equity		9 823	8 169	6 245	5 819
Non-current liabilities					
Interest-bearing borrowings	22	1 259	1 214	450	405
Non-current provisions	23	1 329	931	24	21
Deferred taxation	24	1 077	1 116		
Total non-current liabilities		3 665	3 261	474	426
Current liabilities					
Trade and other payables	25	1 449	1 321	327	646
Interest-bearing borrowings	22	74	613	55	619
Taxation		137	67	(8)	(16)
Current provisions	23	27	30		
Shareholders for dividend			4		
Total current liabilities		1 687	2 035	374	1 249
TOTAL EQUITY AND LIABILITIES		15 175	13 465	7 093	7 494
NET DEBT		483	921	199	734

cash flow statements

for the year ended 31 December 2007

	Notes	GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated by/(utilised in) operations	26.1	2 308	5 068	(90)	(189)
Net financing costs	26.2	(116)	(278)	(83)	(108)
Normal taxation paid	26.3	(462)	(1 927)	(55)	(411)
Dividends paid	26.4	(223)	(3 396)	(211)	(3 391)
		1 507	(533)	(439)	(4 099)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investments to maintain operations	26.5	(569)	(689)	(34)	(60)
Investments to expand operations	26.6	(727)	(1 321)		
Investment in intangible assets		(1)			
Proceeds from disposal of property, plant and equipment		50	170		6
Proceeds from disposal of associate			48		12
Investment in other non-current assets	26.7	(249)	(347)	33	10
Acquisition of subsidiary	27	(8)	(1 545)		
Proceeds from disposal of investments			26		3
Income from equity accounted investments	26.8	377			
Income from investments	5	2		610	4 566
Foreign currency translations	26.9	6	300	5	2
		(1 119)	(3 358)	614	4 539
NET CASH INFLOW/(OUTFLOW)					
		388	(3 891)	175	440
CASH FLOWS FROM FINANCING ACTIVITIES					
Non-current interest-bearing borrowings raised		437	4 196	300	434
Non-current interest-bearing borrowings repaid		(465)	(2 388)	(10)	(3 777)
Current interest-bearing borrowings (repaid)/raised		(539)	(290)	(563)	315
Proceeds from issuance of share capital		114	2 199	114	2 372
		(453)	3 717	(159)	(656)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS					
		(65)	(174)	16	(216)
Cash and cash equivalents at beginning of year		906	1 483	290	506
Less cash and cash equivalents of unbundled subsidiaries			(403)		
Special purpose entities consolidated		9			
CASH AND CASH EQUIVALENTS AT END OF YEAR					
		850	906	306	290

	Notes	GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
CALCULATION OF MOVEMENT IN NET DEBT:					
Net cash inflow/(outflow) as above		388	(3 891)		
Add:					
- shares issued		114	2 199		
- share-based payments			(54)		
- increase in net debt on acquisition of subsidiary		(25)	(120)		
- special purpose entities consolidated		9			
- non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency		59	16		
- non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities	26.9	(107)	(195)		
- net debt of unbundled subsidiaries			2 762		
DECREASE IN NET DEBT		438	717		

group statement of changes in equity

for the year ended 31 December 2007

	Non-distributable reserves		
	Share capital Rm	Share premium Rm	Foreign currency translation Rm
OPENING BALANCE AT 31 DECEMBER 2005	3	2 937	(29)
Net gains/(losses) not recognised in income statement ¹			433
Currency translation differences			438
Share of reserve movements of associates			6
Share-based payments movement			
Financial instruments fair value movements recognised in equity ³			
– recognised in current year profit or loss			
– recognised in equity			
Deferred taxation			(11)
Net profit ¹			
Dividends paid ²			
Share repurchase ²			
Dividend in specie – fair value			(25)
Dividend in specie – fair value adjustment			
Dividend in specie – net asset value			(25)
Issue of share capital	1	2 371	
Issue of share capital to share trusts		(173)	
BALANCE AT 31 DECEMBER 2006	4	5 135	379
Net gains/(losses) not recognised in income statement ¹			148
Currency translation differences			179
Share of reserve movements of associates			(13)
Share-based payments movement			
Financial instruments fair value movements recognised in equity ³			
– recognised in current year profit or loss			
– recognised in equity			
– fair value adjustment			
Deferred taxation			(18)
Net profit ¹			
Dividends paid ²			
Issue of share capital ⁴		23	
Share placement ⁵		91	
– issue		640	
– repurchase		(460)	
– expenses		(89)	
Transfer to retained income			
Minority share-buy out			
Special purpose entities now consolidated			
Prior year dividend in specie reclassification		(3 186)	
BALANCE AT 31 DECEMBER 2007	4	2 063	527

¹Total recognised gains and losses R1 749 million (2006: R20 347 million).

²The STC on these dividends amount to Rnil million after taking into account STC credits (2006: R424 million).

³Gains or losses through hedging reserve.

⁴Issued to the Kumba Resources Management Share Trust due to options exercised.

⁵Repurchase of 10 million shares from Anglo South Africa (Pty) Limited on 13 April 2007 at R45,99 per share and the subsequent re-issue of 10 million new Exxaro shares at R64 per share. STC on the share repurchase of R57,5 million is included in net profit.

Non-distributable reserves

Financial instruments revaluation Rm	Equity-settled reserve Rm	Insurance reserve Rm	Retained income Rm	Attributable to equity holders of the parent Rm	Minority interest Rm	Total equity Rm
(5)	88		4 325	7 319	9	7 328
31	714			1 178		1 178
1				439		439
(1)	3			8		8
	711			711		711
8				8		8
33				33		33
(10)				(21)		(21)
			19 169	19 169	27	19 196
			(1 628)	(1 628)	(9)	(1 637)
			(1 763)	(1 763)		(1 763)
(2)			(18 305)	(18 332)		(18 332)
			(17 966)	(17 966)		(17 966)
(2)			(339)	(366)		(366)
				2 372		2 372
				(173)		(173)
24	802		1 798	8 142	27	8 169
(17)	182		9	322	(4)	318
(3)				176		176
1	49		9	46		46
	133			133		133
(36)				(36)	(4)	(40)
1				1		1
20				2		2
			1 427	1 427	20	1 447
			(208)	(208)	(11)	(219)
				23		23
				91		91
				640		640
				(460)		(460)
				(89)		(89)
	(16)		16			
			7	7	(13)	(13)
			3 186			7
7	968		6 235	9 804	19	9 823

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities that are not integral to the operations of the group.

Financial instruments revaluation reserve

The financial instruments revaluation reserve 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 reserve

The equity-settled reserve represents the fair value of services received and settled by equity instruments granted.

Insurance reserve

The insurance reserve represents the unrealised portion of commission receivable from re-insurers.

company statement of changes in equity

for the year ended 31 December 2007

	Non-distributable reserves							Total equity
	Share capital	Share premium	Foreign currency translation	Financial instruments revaluation	Equity-settled reserve	Insurance reserve	Retained income	
AT 31 DECEMBER 2005	3	2 941			72		(25)	2 991
Net gains not recognised in income statement ¹					711			711
Share-based payment movement					711			711
Net profit ¹							21 468	21 468
Share repurchase ²							(1 763)	(1 763)
Dividends paid ²							(1 628)	(1 628)
Dividend in specie – fair value							(18 332)	(18 332)
Dividend in specie – fair value adjustment							(18 329)	(18 329)
Dividend in specie – net carrying amount							(3)	(3)
Issue of share capital	1	2 371						2 372
BALANCE AT 31 DECEMBER 2006	4	5 312			783		(280)	5 819
Net gains not recognised in income statement ¹					100			100
Share-based payment movement					100			100
Net profit ¹							423	423
Cash dividends paid ²							(211)	(211)
Issue of share capital ³		23						23
Share placement ⁴		91						91
– issue		640						640
– repurchase		(460)						(460)
– expenses		(89)						(89)
Prior year dividend in specie reclassification		(3 186)					3 186	
BALANCE AT 31 DECEMBER 2007	4	2 240			883		3 118	6 245

¹Total recognised gains and losses R523 million (2006: R22 179 million).

²The STC on these dividends amount to Rnil million after taking into account STC credits (2006: R424 million).

³Issued to the Kumba Resources Management Share Trust due to options exercised.

⁴Repurchase of 10 million shares from Anglo South Africa (Pty) Limited on 13 April 2007 at R45,99 per share and the subsequent re-issue of 10 million new Exxaro shares at R64 per share. STC on the share repurchase of R57,5 million is included in net profit.

notes to the annual financial statements

for the year ended 31 December 2007

1. ACCOUNTING POLICIES

Principal accounting policies

The principal accounting policies of the group and the disclosures made in the annual financial statements comply with International Financial Reporting Standards effective for the group's financial year.

The financial statements are prepared on the historical cost basis modified by the restatement of financial instruments and biological assets to fair value.

Where comparative financial information is reported, the accounting policies have been applied consistently for all periods.

Adoption of new and revised standards

The following standards and interpretations have been applied, where relevant, to the financial statements for the period ended 31 December 2007:

- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*, effective for annual periods beginning on or after 1 March 2006.
- IFRIC 8 *Scope of IFRS 2*, effective for annual periods beginning on or after 1 May 2006.
- IFRIC 9 *Reassessment of Embedded Derivatives*, effective for annual periods beginning on or after 1 June 2006.
- IFRIC 10 *Interim Financial Reporting and Impairment*, effective for annual periods beginning on or after 1 November 2006.
- IFRS 7 *Financial Instruments: Disclosure*, effective for annual periods beginning on or after 1 January 2007.
- Circular 08/07 *Headline Earnings*, effective for annual periods ending on or after 31 August 2007.

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

- IFRIC 11 *IFRS 2: Group and Treasury Share transactions*, effective for annual periods beginning on or after 1 March 2007.
- IFRIC 12 *Service Concession Arrangements*, effective for annual periods beginning on or after 1 January 2008.
- IFRIC 13 *Customer Loyalty Programmes*, effective for annual period beginning on or after 1 July 2008.
- IFRIC 14 *IAS 10 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction*, effective for annual periods beginning on or after 1 January 2008.
- IFRS 8 *Operating Segments*, effective for annual periods beginning on or after 1 January 2009.
- Revised IAS 1 *Presentation of Financial Statements*, effective for annual periods beginning on or after 1 January 2009.
- Revised IFRS 2 *Share-based Payment*, effective for annual periods beginning on or after 1 January 2009.
- Revised IAS 23 *Borrowing Costs*, effective for annual periods beginning on or after 1 January 2009.
- Revised IAS 27 *Consolidated and Separate Financial Statements*, effective for annual periods beginning on or after 1 July 2009.
- Revised IFRS 3 *Business Combinations*, effective for annual periods beginning on or after 1 July 2009.

The directors believe that none of these new or revised standards and interpretations will have an effect other than enhanced disclosure.

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. Subsidiaries are those entities in which the group has an interest of more than half of the voting rights or the power to exercise control so as to obtain benefits from their activities.

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

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

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

notes to the annual financial statements continued

for the year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

Goodwill

Goodwill is reflected at cost less accumulated impairment losses, if any. It represents the excess of the cost of a business combination over the fair value of the group's share of the identifiable net assets and contingent liabilities of that entity at the date of acquisition. Goodwill is assessed for impairment on an annual basis.

The gain or loss on disposal of an entity includes the balance of goodwill relating to the entity.

Negative goodwill arising on a business combination represents the excess of the fair value of the net identifiable assets and contingent liabilities of the entity acquired over the cost of acquisition, and is recognised immediately in profit or loss.

Investments in associates and joint ventures

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

An associate is an entity over which the group has the ability to exercise significant influence, but which it does not control.

A joint venture is an entity jointly controlled by the group and one or more other venturers in terms of a contractual arrangement requiring unanimous consent for strategic financial and operating decisions. It may involve a corporation, partnership or other entity in which the group has an interest.

Investments in associates are accounted for in the group financial statements using the equity method for the duration of the period in which the group has the ability to exercise significant influence. Equity accounted income represents the group's proportionate share of profits of these entities and the share of taxation thereon. The retained earnings of an associate, net of any dividends, are classified as distributable reserves.

Where the group's share of losses of an associate exceeds the carrying amount of the associate, the investment in the associate is carried at nil value. Additional losses are only recognised to the extent that the group has incurred further funding obligations or provided guarantees or surities in respect of the associate.

Investments in joint ventures are accounted for in the group financial statements using the proportionate consolidation method.

Where necessary, the results of associates and joint ventures are restated to ensure consistency with group policies. Unrealised profits and losses are eliminated.

The group's interest in associates is carried in the balance sheet at an amount that reflects its share of the net assets and the unimpaired portion of goodwill on acquisition. Goodwill on the acquisition of associates and joint ventures is treated in accordance with the group's accounting policy for goodwill.

Property, plant and equipment

Land and extensions under construction are stated at cost and are not depreciated. Buildings, including certain non-mining residential buildings and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual value 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.

Moulds and refractory furnace relines are depreciated based on the usage thereof.

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.

The estimated useful life of assets and their residual values, are re-assessed periodically with any changes in such accounting estimates being adjusted in the financial year of re-assessment and applied prospectively.

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

2007	Coal	Mineral sands	Base metals
Buildings and infrastructure (including residential buildings)	2 – 25 years	3 – 40 years	8 years – indefinite
Mineral properties	2 – 25 years	3 – 25 years	
Fixed plant and equipment	2 – 25 years	2,5 – 25 years	2 – 50 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	16 000 – 40 000 hours or 2 – 16 years	2,5 – 20 years	2 – 15 years
Loose tools and computer equipment	2 – 5 years	2,5 – 10 years	2 – 8 years
Development costs	8 – 20 years	4 – 10 years	
Refractory relines		4 – 6 years	
Site preparation, mining development and exploration	2 – 25 years	3 – 25 years	
	Industrial minerals	Other	
Buildings and infrastructure (including residential buildings)	10 – 25 years	20 – 25 years	
Mineral properties			
Fixed plant and equipment	5 – 25 years	5 – 10 years	
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	5 – 15 years	5 years	
Loose tools and computer equipment	5 years	5 years	
Site preparation, mining development and exploration	20 years	5 years	
2006	Iron ore ¹	Coal	Mineral sands
Buildings and infrastructure (including residential buildings)	5 – 25 years	2 – 25 years	4 – 40 years
Mineral properties	10 – 25 years	2 – 25 years	10 – 25 years
Fixed plant and equipment	4 – 25 years	2 – 25 years	2,5 – 25 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	2 – 25 years	16 000 – 40 000 hours or 2 – 17 years	2,5 – 20 years
Loose tools and computer equipment	5 years	2 – 10 years	2,5 – 10 years
Development costs	5 – 6 years	8 – 20 years	4 – 10 years
Refractory relines			4 – 6 years
Site preparation, mining development and exploration	5 – 25 years	2 – 25 years	3 – 25 years
	Base metals	Industrial minerals	Other
Buildings and infrastructure (including residential buildings)	7 years – indefinite	10 – 25 years	20 – 25 years
Mineral properties			
Fixed plant and equipment	5 – 25 years	5 – 25 years	5 – 10 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	2 – 20 years	5 – 15 years	5 years
Loose tools and computer equipment	2 – 8 years	5 years	5 years
Site preparation, mining development and exploration	7 – 25 years	20 years	5 years

¹Estimated useful life as applied up to 31 October 2006 before the unbundling of the iron ore business as part of the empowerment transaction.

notes to the annual financial statements continued

for the year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are taken to profit or loss.

Direct attributable expenses relating to mining and other major capital projects, site preparations and exploration are capitalised until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent that these are recognised as a provision.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings was utilised. Capitalisation of borrowing costs ceases when the asset is substantially complete.

Directly attributable costs associated with the acquisition, development and installation of certain software are capitalised. Such assets are depreciated using the amortisation methods and periods applicable to computer equipment.

Gains and losses on the disposal of property, plant and equipment are taken to profit or loss.

Leased assets

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

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

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

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

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs and any change in value is included in the net profit or loss for the period in which it arises.

Plantations are measured at their fair value less estimated point-of-sale costs. The fair value of the plantations is determined by an independent appraiser, based on the Faustman Formula as applied within the forestry industry.

Livestock are measured at fair value less estimated point-of-sale costs, fair value being determined by the age and size of the animals and the market price. Market price is determined on the basis that the animal is sold to be slaughtered. Livestock held for sale is classified as consumable biological assets (inventories).

Game is measured at fair value less estimated point-of-sale costs, fair value being determined as the market price.

Market price is determined with reference to the most recent live auction selling prices. Game held for sale is classified as consumable biological assets (inventories).

Intangible assets

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the enterprise and the cost can be reliably measured. Amortisation is charged on a systematic basis over the estimated useful lives of the intangible assets.

Subsequent expenditure on capitalised intangible assets is capitalised only if it increases the future benefits embodied in the specific asset to which it relates.

Intangible assets with finite useful lives are amortised on the straight-line basis over their estimated useful lives. The amortisation methods and estimated remaining useful lives are reviewed at least annually. The estimated maximum useful lives of intangible assets in respect of patents, licences and franchises are 25 years.

The carrying amounts are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Research, development and exploration costs

Research, development and exploration costs are charged against income until they result in projects that are evaluated as being technically or commercially feasible, the group has sufficient resources to complete development and can demonstrate how the asset will generate future economic benefits, in which event these costs are capitalised and amortised on the straight-line basis over the estimated useful life of the project or asset. The carrying amounts are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of the net selling price and the value in use.

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

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

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

Financial instruments

Recognition

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

Derecognition

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

notes to the annual financial statements continued

for the year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

Derecognition (continued)

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

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

Non-derivative financial instruments

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

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

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the group's cash management system and are included as a component of cash and cash equivalents for purposes of the cash flow statements. Cash and cash equivalents are measured at amortised cost.

Financial instruments at fair value through profit or loss

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

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

All of the group's financial instruments designated as at fair-value through profit or loss were designated as such as it is believed that the designation significantly reduces an accounting mismatch which would otherwise arise.

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

Available-for-sale financial assets

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

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

– Receivables

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

– **Loans and borrowings**

Loans and borrowings are measured at amortised cost using the effective interest rate method.

– **Payables**

Trade and other payables are reported at amortised cost, namely original debt less principal repayments and any amortisation using the effective interest rate method.

– **Investment in equity instruments**

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

– **Held-to-maturity investments**

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity. These investments are included in non-current assets, except for maturities within 12 months from the balance sheet date, which are classified as current assets.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Derivative financial instruments

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

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

Fair value hedges

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

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

Cash flow hedges

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative are recognised directly in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged item's cash flows affect profit or loss under the same income statement line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in equity is recognised immediately in profit or loss.

notes to the annual financial statements continued

for the year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

Economic hedges

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

– Net investments in foreign operation hedges

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

Separable embedded derivatives

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

Impairment of financial assets

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

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

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

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

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

Offset

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Determining fair values

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

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

Financial guarantee contracts

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment if a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Net finance costs

Finance income comprises interest income on funds invested including available-for-sale financial assets and hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance expenses comprise interest expense on borrowings and agreements for the use of assets classified as finance leases in terms of IFRIC 4, unwinding of the discount on provisions, and dividends on preference shares classified as liabilities. All borrowing costs are recognised in profit or loss using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis.

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 expense relate mainly to transaction and service fees and are expensed as the services are received.

Inventories

Inventories are valued at the lower of cost, determined on the moving average basis, and net realisable value.

The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and fixed production overheads, but excludes interest charges. Fixed production overheads are allocated on the basis of normal capacity. Write downs to net realisable value and inventory losses are expensed in the period in which the write downs or losses occur.

notes to the annual financial statements continued

for the year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions and balances

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains or losses arising on translation are credited to or charged against income.

Foreign entities

The financial statements of foreign entities are translated into South African rand as follows:

- assets and liabilities at rates of exchange ruling at balance sheet date.
- income, expenditure and cash flow items at weighted average rates.
- goodwill and fair value adjustments arising on acquisition at rates of exchange ruling at balance sheet date.

All resulting exchange differences are reflected as part of shareholders' equity. On disposal, such translation differences are recognised in the income statement as part of the cumulative gain or loss on disposal.

Foreign currency hedges

Foreign currency hedges are dealt with in the financial instruments accounting policy.

Exchange rates used

The average US dollar to South African rand conversion rate, where applicable, of US\$1:R7,03 (2006: US\$1:R6,70) has been used to translate the income and cash flow statements while the balance sheet has been translated at the closing rate at the last day of the reporting period US\$1:R6,7964 (2006: US\$1:R6,9750).

Revenue recognition

Revenue, which excludes value added tax, represents the gross value of goods invoiced. Export revenues are recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue arising from services and royalties is recognised on the accrual basis in accordance with the substance of the relevant agreements.

Interest and dividend income

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Provisions

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

Decommissioning and environmental rehabilitation

Provision is made for environmental rehabilitation and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

Where a provision is made for dismantling and site restoration costs, an asset of similar initial value is raised and amortised in accordance with the group's accounting policy for property, plant and equipment.

Annual contributions are made to the group's Environmental Rehabilitation Fund, created in accordance with statutory requirements, to provide for the funding of the estimated cost of pollution control and rehabilitation during, and at the end of the life of mines. The Exxaro Environmental Rehabilitation Fund is consolidated.

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

Deferred taxation

Deferred taxation is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Employee benefits

Post-employment benefits

Retirement

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

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

Exxaro is no longer a participating employer in any defined benefit funds.

Medical

A post-retirement medical contribution obligation exists for a selective number of in-service and retired employees of the accredited medical aid funds. This benefit is no longer offered to employees. The actuarially determined liability is raised as a non-current provision.

notes to the annual financial statements continued

for the year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

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 balance sheet date, based on current total cost to company.

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 balance sheet date, they are discounted to present value.

Equity compensation benefits

Senior management, including executive directors, have been granted share options and share appreciation rights (SARs).

The share appreciation rights are subject to achievement of performance-related criteria before vesting. Grants are based on existing ordinary shares and can be purchased or the purchase can be deferred. The option or purchase price equals the market price on the date preceding the date of the grant.

When the options or SARs vest and are exercised, they can either be:

- purchased and if vesting according to the rules of the scheme, recorded in share capital and share premium at the amount of the option price, or
- payment can be deferred resulting in no increase in share capital or share premium until paid for and vesting according to the rules of the scheme.

The fair value of the options or SARs granted to senior management including executive directors, has been determined at grant date using a suitable option pricing model and expensed over the vesting period of the options or SARs with a corresponding increase in equity.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

Dividend

Dividends paid are recognised by the company when the shareholder's right to receive payment is established. 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 balance sheet date, but are disclosed in the notes to the financial statements.

Secondary tax on companies

Taxation costs incurred on dividends are included in the taxation line in the income statement in the year in which the related dividends are declared.

Discontinued operations and non-current assets held for sale

Discontinued operations are significant, distinguishable components of an enterprise 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.

If the carrying amount of a non-current asset or disposal group will be recovered principally through a sale transaction rather than through continuing use, such an asset is classified as non-current assets held for sale and measured at the lower of carrying amount and fair value less cost to sell. This condition is regarded as met only when the sale is highly

probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Segment reporting

The primary business segments are coal, mineral sands, base metals, and industrial minerals, whilst a significant equity accounted interest is held in iron ore.

On a secondary segment basis, significant geographic marketing regions have been identified.

The basis of segment reporting is representative of the internal structure used for management reporting.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated. The carrying amount of these assets approximate their fair value.

Judgements made by management

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

- the identification of special purpose entities controlled by the group which must be consolidated (refer note 29);
- in applying IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, management has made judgements as to which non-current assets and discontinued operations fall within the scope of the standard and had to be reclassified and measured in terms of IFRS 5;
- in applying IFRS 2 *Share-based Payment*, management has made certain judgements in respect of the fair value option pricing models to be used in determining the various share-based arrangements in respect of employees, as well as the variable elements used in these models (refer note 31).
- in applying IFRIC 4 *Determining whether an arrangement contains a lease*, and IAS 17, *Leases*, contractual agreements were assessed to determine whether they convey the right to use an asset and their classification as either an operating or finance lease.

Key assumptions made by management in applying accounting policies

The following key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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:

Going concern

Management considers key financial metrics and loan covenant compliance in its approved medium-term budgets, together with its existing term facilities, to conclude that the going concern assumption used in the compiling of its annual financial statements, is relevant.

Environmental and decommissioning provision

Provision is made for environmental and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are made in determining the present obligation of environmental and decommissioning provisions, which include the actual estimate, the discount rate used and the expected date of closure of mining activities in determining the present value of environmental and decommissioning provisions. Estimates are based upon costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances. Refer note 23.

notes to the annual financial statements continued

for the year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

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

Other provisions

For other provisions, estimates are made of legal or constructive obligations resulting in the raising of provisions, and the expected date of probable outflow of economic benefits to assess whether the provision should be discounted. Refer note 23.

Impairments and impairment reversals

Impairment tests are performed when there is an indication of impairment of assets or a reversal of previous impairments of assets. Management therefore has implemented certain impairment indicators and these include movements in exchange rates, commodity prices and the economic environment its businesses operate in. Estimates are made in determining the recoverable amount of assets which include the estimation of cash flows and discount rates used. In estimating the cash flows, management base cash flow projections on reasonable and supportable assumptions that represent managements' best estimate of the range of economic conditions that will exist over the remaining useful life of the assets, based on publicly available information. The discount rates used are pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted. Refer note 6.

Contingent liabilities

Management considers the existence of possible obligations which may arise from legal action as well as the possible non-compliance of the requirements of completion guarantees and other guarantees provided. The estimation of the amount disclosed is based on the expected possible outflow of economic benefits should there be a present obligation. Refer note 32.

Deferred taxation assets

Deferred taxation assets are recognised based on the probability that sufficient future taxable income will be available to reduce the asset carried.

This requires management to make assumptions on a subsidiary by subsidiary level of future taxable income in determining the deferred taxation asset to be raised. Refer note 24.

Useful life and residual values

The depreciable amount of assets are allocated on a systematic basis over its useful life. In determining the depreciable amount management makes certain 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 cost 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.

Mineral resources

Management make estimates of mineral resources and ore reserves in accordance with the SAMREC Code (2000) for South African properties and the JORC Code (2004) for Australian properties. Such estimates relate to the category for the resource (measured, indicated or inferred), the quantum and the grade.

Black economic empowerment (BEE) credentials

The difference between the fair value of equity instruments issued as part of an empowerment transaction, and the identifiable consideration received for such issue, represents a BEE credential expense that does not meet the recognition criteria of an intangible asset and has been expensed through the income statement.

	Notes	GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
2. REVENUE					
Sale of goods		10 157	13 746		3
Services				636	703
		10 157	13 746	636	706
Revenue from discontinued operations			6 483		
Revenue from continuing operations		10 157	7 263	636	706
3. OPERATING EXPENSES					
Cost by type					
- Raw materials and consumables		3 089	2 842	28	52
- Staff costs					
- salaries and wages		2 112	1 984	318	305
- share-based payments		105	185	37	116
- termination benefits		4	7	4	3
- pension and medical costs		185	186	27	26
- Income from sale of investment			(39)		(15)
- General charges		1 447	2 006	283	570
- Share-based payment: BEE credential expense			580		580
- Railage and transport		446	1 399	1	2
- Repairs and maintenance		1 068	937	4	3
- Impairment charges	6	17	784		
- Excess of minority interest over cost of acquisition			(36)		
- Energy		382	348	5	4
- Depreciation on property, plant and equipment	12	760	810	10	9
- Amortisation of intangible assets	14	3	3		
- Movement in inventories		(840)	(937)		
- Own work capitalised		(40)	(37)		
- Sublease rentals received		(25)	(10)	(20)	
		8 713	11 012	697	1 655
Operating expenses from discontinued operations			3 385		
Operating expenses from continuing operations		8 713	7 627	697	1 655
Cost by function					
- Costs of goods sold/services rendered		8 287	8 890	717	1 670
- Selling and distribution costs		434	1 423		
- Sublease rentals received		(25)	(10)	(20)	
- Impairment charges	6	17	784		
- Excess of minority interest over cost of acquisition			(36)		
- Income from sale of investment			(39)		(15)
		8 713	11 012	697	1 655
Operating expenses from discontinued operations			3 385		
Operating expenses from continuing operations		8 713	7 627	697	1 655

notes to the annual financial statements continued

for the year ended 31 December 2007

	Notes	GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
3. OPERATING EXPENSES (continued)					
The above costs are stated after including:					
Auditors' remuneration					
– audit fees		12	10	4	4
– other services		1	5	1	4
Consultancy fees		75	254	22	181
Contingent rentals paid		9	8		
Contingent rentals received		(22)	(53)		
Cost of empowerment transaction, unbundling, integration and branding			241		241
Depreciation and amortisation					
– land and buildings	12	2			
– mineral properties	12	164	59		
– residential buildings	12	3			
– buildings and infrastructure	12	74	90		
– machinery, plant and equipment	12	486	615	10	9
– leased assets under finance leases	12	10	11		
– site preparation, mining development, exploration and rehabilitation	12	21	35		
– amortisation of intangible assets	14	3	3		
Directors' emoluments (refer to the report of the directors page 160)					
– executive directors					
– remuneration received as directors of the company				13	15
– bonuses and cash incentives				11	21
– compensation on retirement from executive office				4	
– non-executive directors					
– remuneration received as directors of the company				2	2
Excess of minority interest over cost of acquisition			(36)		
Exploration expenditure (equates to exploration cash flow for the year)		54	39		
Fair value (gains)/losses on financial assets at fair value through profit or loss:					
– designated upon initial recognition		(51)	(82)	(2)	(7)
– held for trading		(54)	260	(1)	(44)

	Notes	GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
3. OPERATING EXPENSES (continued)					
Fair value (gains)/losses on financial liabilities at fair value through profit or loss:					
–designated upon initial recognition			(2)		
–held for trading		(7)	(34)		
Loss on loans and receivables disclosed at amortised cost			77		
Impairment charges	6	17	784		
Inventories write down to net realisable value		155	1		
Inventories previously written down reversed			(18)		
Movement in provisions	23	241	227	2	6
Net loss/(profit) on disposal or scrapping of property, plant and equipment		13	(2)		(6)
Net profit on disposal of investment			(39)		(15)
Net realised losses/(profit) on currency exchange differences		42	(199)	12	37
Net unrealised losses on currency exchange differences		32	97	2	75
Operating lease rentals expenses					
– property		30	23	32	23
– equipment		51	77	15	16
Operating sublease rentals received					
– property		(25)	(10)	(20)	
Reconditionable spares usage		4	5		
Research and development costs		6	7	4	5
Impairment charges, reversals and write-offs of trade and other receivables		1	(3)	3	

Note:

Pensions

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

Lease arrangements – contingent rent received

The group has entered into various lease arrangements, of which some will include contingent rent received, the major arrangements' basis to determine contingent rent received are:

- 25% of all extraordinary maintenance of the building;
- the useful life of property, plant and equipment.

Lease arrangements – contingent rent paid

The basis to determine contingent rent paid is the difference between fixed escalations as specified in the contracts and PPI escalations.

notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
4. NET FINANCING COSTS				
Interest expense and loan costs	153	354	93	144
Finance leases	59	39		
Interest income	(96)	(115)	(10)	(36)
Net interest expense	116	278	83	108
Interest adjustment on non-current provisions (refer note 23)	99	58	1	1
	215	336	84	109
Financing charges attributable to discontinued operations included in net financing cost above:				
Interest income		(110)		
Interest expense		139		
		29		
Financing charges attributable to continuing operations included in net financing cost above:				
Interest income	(96)	(5)		
Interest expense	311	312		
	215	307		
No financing costs were capitalised during the year (2006: Rnil)				
Included in net interest expense is the following:				
Interest expense on financial liabilities measured at amortised cost	128	272	50	65
Interest expense on bank overdrafts	3		3	2
Included in interest income is the following:				
Interest income on unimpaired held to maturity investments	(2)			
Interest income on unimpaired loans and receivables	(11)	(2)	(1)	(2)
Interest income on cash and cash equivalents	(83)	(61)	(7)	(33)
Net fee costs on financial assets not at fair value through profit or loss		2		
Net fee costs on financial liabilities not at fair value through profit or loss	5	6	5	6

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
5. INCOME FROM INVESTMENTS				
Subsidiaries				
Unlisted shares				
– dividends			193	4551
– net interest received			42	15
			235	4 566
Associates				
– dividends			373	
Other				
Listed shares				
– dividends	2		2	
Total	2		610	4 566
6. IMPAIRMENT CHARGES				
Included in operating expenses are the following impairment losses:				
Impairment on property, plant and equipment	23	784		
Total impairment charges	23	784		
Reversal of impairment of investment	(6)			
Total impairment reversals	(6)			
Net impairments	17	784		
Taxation effect		(227)		
Net effect on attributable earnings	17	557		

Where further geological tests were done during the development phase of certain projects, the tests indicated that the expenditure incurred could possibly not be recovered, thus indicating possible impairment. These expenditures were fully impaired.

The impairment reversal relates to the preference shares that Exxaro group held in Rosh Pinah Mine Holdings. On 28 February 2007, the group acquired 100% of the equity of the company. At this date the impairment charge was reversed, after a valuation indicated that the value of the company had increased. The present value of future cash flows exceeds the cumulative preference share dividends payable.

In 2006, the combined impact of a stronger currency outlook over the life of the assets, a higher discount rate resulting from an increase in interest rates, and a projected surplus of high-grade titanium feedstock on world markets, necessitated a review of the carrying value of the local mineral sands operations. As a result the carrying value of the assets was impaired to a value in use, based on an 8,53% discount rate.

notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
7. TAXATION				
Charge to income				
South African normal taxation				
– Current – current year	298	1 028		
– prior year	2	(31)	5	
	300	997	5	
– Deferred – current year	(40)	(308)	(21)	(55)
– prior year	(8)	6		
	(48)	(302)	(21)	(55)
Foreign normal taxation				
– Current – current year	168	167		
– prior year	(4)	(77)		
	164	90		
– Deferred – current year	5	69		
– prior year	22	42		
	27	111		
Share of joint ventures taxation		(1)		
Capital gains tax		1		
Secondary Tax on Companies	58	424	58	424
Non-residents withholding tax	11	4		
Total	512	1 324	42	369
Taxation applicable to discontinued operations		746		
Taxation applicable to continuing operations	512	578		
Reconciliation of taxation rates	%	%	%	%
Taxation as a percentage of profit before taxation	26,1	6,5	9,0	1,7
Taxation effect of				
– assessed losses (not provided for)	(0,2)			
– capital profits	0,5	0,1		
– fair value adjustment on unbundling of subsidiary		25,4		24,4
– disallowable expenditure	(2,1)	(1,5)	(2,0)	(1,2)
– environmental rehabilitation asset		0,4		6
– exempt income	0,3		35,5	
– special tax allowances	0,2			
– share of associates' and joint ventures' differences	10,8	0,1		
– tax rate differences	(2,1)	(0,2)		
– temporary differences (not provided for)		(0,2)		
– Secondary Tax on Companies	(2,9)	(2,0)	(12,4)	(1,9)
– withholding tax	(0,5)			
– Controlled Foreign Company profits	(0,3)			
– foreign exchange differences	(0,1)	(0,1)		
– prior year adjustment	(0,7)	0,5	(1,1)	
Standard tax rate	29,0	29,0	29,0	29,0
Effective tax rate for continuing operations, excluding income from equity accounted investments, impairment charges and share of taxation thereon	41,0	4,5		

	GROUP	
	2007 Rm	2006 Rm
8. DISCONTINUED OPERATIONS		
Exxaro unbundled its iron ore business effective 1 November 2006 as part of the revised listing of Exxaro and now holds only a 20% interest in Sishen Iron Ore Company (Pty) Limited which is equity accounted.		
The income statement of the disposed business was as follows:		
Revenue		6 483
Operating expenses		(3 385)
Net operating profit		3 098
Interest income		110
Interest expense		(139)
Pre-tax profit of discontinued operations		3 069
Taxation		(746)
Profit for the period from discontinued operations		2 323
The assets and liabilities of the disposed business were as follows:		
Property, plant and equipment		3 400
Biological assets		4
Investments		1
Financial assets		144
Inter-company loans		1 390
Deferred taxation – assets		32
Cash and cash equivalents		403
Trade and other receivables		911
Inventories		785
Total assets		7 070
Retained income		427
Non-distributable reserves		34
Interest-bearing borrowings		4 504
Inter-company loans		51
Non-current provisions		157
Deferred taxation – liabilities		568
Trade and other payables		614
Taxation payable		358
Shareholders for dividends		357
Total liabilities		7 070
Net asset value		461
Net asset value of unbundled 79,38%		366
Fair value of net assets declared as dividend in specie		17 966
Total fair value of net assets unbundled as dividend in specie		18 332
Net debt		(2 762)
The cash flows of the disposed business were as follows:		
Cash flow attributable to operating activities		982
Cash flow attributable to investing activities		(1 079)
Net cash outflow		(97)
Cash flow attributable to financing activities		(93)
Cash flow attributable to discontinued operations		(190)

notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP	
	2007	2006
9. EARNINGS PER SHARE		
Basic headline earnings per share is calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue during the year.		
Headline earnings (R million) (Refer note 11)	1 448	1 698
Headline earnings/(loss) from continuing operations (R million)	1 448	(630)
Headline earnings from discontinued operations (R million)		2 328
Weighted average number of ordinary shares in issue (million)	341	313
Headline earnings per share (cents)	425	542
Headline earnings/(loss) per share from continuing operations (cents)	425	(201)
Headline earnings per share from discontinued operations (cents)		744
For the diluted headline earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of not yet released purchased shares and options under the Management Share Scheme, net of shares held by the scheme for releasing purposes. Diluted headline earnings per share is calculated by dividing headline earnings by the adjusted weighted average number of shares in issue.		
Weighted average number of ordinary shares in issue (million) as calculated above	341	313
Adjusted for options and net purchased shares in terms of the Management Share Scheme (million)	14	5
Weighted average number for diluted headline earnings per share (million)	355	318
Diluted headline earnings per share (cents)	408	534
Diluted headline earnings/(loss) per share from continuing operations (cents)	408	(198)
Diluted headline earnings per share from discontinued operations (cents)		732
Basic attributable earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.		
Profit for the year attributable to equity holders of the parent (R million)	1 427	19 169
Profit for the year from continuing operations attributable to equity holders of the parent (R million)	1 427	16 846
Profit for the year from discontinued operations attributable to equity holders of the parent (R million)		2 323
Weighted average number of ordinary shares in issue (million)	341	313
Basic earnings per share (cents)	418	6 124
Basic earnings per share from continuing operations (cents)	418	5 382
Basic earnings per share from discontinued operations (cents)		742
For the diluted attributable earnings per share the weighted average number of ordinary shares is adjusted as above.		
Diluted earnings per share (cents)	402	6 028
Diluted earnings per share from continuing operations (cents)	402	5 297
Diluted earnings per share from discontinued operations (cents)		731
For the current year, shares under option had an effect on the adjusted weighted average number of shares in issue as the average option price attached to the option shares was lower than the average market price.		

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
10. DIVIDEND				
Dividends paid during the year:				
Cash dividends	208	1 628	211	1 628
Paid to minorities	11	9		
Share repurchase as part of empowerment transaction		1 763		1 763
Dividend in specie – fair value		18 332		18 332
	219	21 732	211	21 723

STC on these dividends amounts to nil (2006: R424 million) after taking into account STC credits.

				For the year ended 31 December 2007		
				Gross Rm	Tax Rm	Net Rm
11. RECONCILIATION OF GROUP HEADLINE EARNINGS						
Net profit attributable to equity holders of the parent				1 427		1 427
Adjusted for:						
- IAS 16 Impairment of property, plant and equipment				23		23
- IAS 16 Gains or losses on disposal of property, plant and equipment				17	(5)	12
- IAS 28 Share of associate's IAS 16 – Gains or losses on disposal of property, plant and equipment				(3)	1	(2)
- IAS 28 Share of associate's IAS 39 – Recycling of re-measurements from equity to the income statement, including a hedge of net investment in a foreign entity but excluding cash flow hedges				(7)	1	(6)
- IAS 36 Impairment reversal of investment				(6)		(6)
HEADLINE EARNINGS				1 451	(3)	1 448
				For the year ended 31 December 2006		
				Gross Rm	Tax Rm	Net Rm
Net profit attributable to equity holders of the parent				19 169		19 169
Adjusted for:						
- IFRS 3 Excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost				(36)		(36)
- IFRS 5 Gains or losses on the measurement to fair value less cost to sell on disposal of assets or disposal groups				(17 963)		(17 963)
- IAS 16 Impairment of property, plant and equipment				784	(227)	557
- IAS 16 Gains or losses on disposal of property, plant and equipment				3	1	4
- IAS 27 Gains on the disposal of a subsidiary				(1)		(1)
- IAS 28 Gains or losses on the disposal of associates or joint ventures				(38)	7	(31)
- IAS 28 Share of associate's IAS 16 – Gains or losses on disposal of property, plant and equipment				(1)		(1)
HEADLINE EARNINGS				1 917	(219)	1 698
HEADLINE EARNINGS FROM DISCONTINUED OPERATIONS						2 328
HEADLINE LOSS FROM CONTINUING OPERATIONS						(630)
GROUP HEADLINE EARNINGS PER SHARE FOR THE YEAR ENDED 31 DECEMBER						
				2007	2006	
HEADLINE EARNINGS PER SHARE (CENTS)						
- basic				425	542	
- diluted				408	534	
HEADLINE EARNINGS/(LOSS) PER SHARE FROM CONTINUING OPERATIONS (CENTS) (Refer Note 9)						
- basic				425	(201)	
- diluted				408	(198)	
HEADLINE EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS (CENTS) (Refer Note 9)						
- basic					744	
- diluted					732	

notes to the annual financial statements continued

for the year ended 31 December 2007

12. PROPERTY, PLANT AND EQUIPMENT

	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, exploration and rehabili- tation Rm	Extensions under con- struction Rm	Total Rm
GROUP								
2007								
Gross carrying amount								
At beginning of year	136	2 150	72	1 592	7 222	760	711	12 643
Additions	27		15	49	297	4	904	1 296
Changes in decommissioning assets			3	19	40		3	65
Acquisition of subsidiary		18						18
Disposals of items of property, plant and equipment	(3)		(5)	(7)	(240)	(108)		(363)
Net reclassification from non-current assets classified as held for sale			1					1
Exchange differences on translation	1	30		21	148	31	5	236
Other movements	8	2	15	72	419	(22)	(492)	2
At end of year	169	2 200	101	1 746	7 886	665	1 131	13 898
Accumulated depreciation								
At beginning of year	6	209	33	527	3 117	382		4 274
Depreciation charges	2	164	3	74	496	21		760
Accumulated depreciation on disposals of items of property, plant and equipment			(1)	(5)	(190)	(100)		(296)
Net reclassification from non-current assets classified as held for sale			2					2
Exchange differences on translation		10		12	78	13		113
Other movements	4	(2)		36	(37)			1
At end of year	12	381	37	644	3 464	316		4 854
Impairment of assets								
At beginning of year				227	496	63		786
Impairment charges		6					17	23
At end of year		6		227	496	63	17	809
Net carrying amount at end of year								
	157	1 813	64	875	3 926	286	1 114	8 235

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Site preparation, mining development, exploration and rehabilitation Rm	Extensions under construction Rm	Total Rm
GROUP								
2006								
Gross carrying amount								
At beginning of year	140	1 040	111	1 657	8 685	1 013	897	13 543
Additions	11	60	2	54	388	8	1 487	2 010
Changes in decommissioning assets		2		(3)	13	(2)		10
Acquisition of subsidiary	25	1 740		54	600	47	2	2 468
Disposals of items of property, plant and equipment	(9)	(130)	(2)	(5)	(138)	(9)		(293)
Exchange differences on translation	4	59	1	37	263	57	5	426
Unbundling of subsidiary	(35)	(621)	(46)	(233)	(2 716)	(325)	(1 545)	(5 521)
Other movements			6	31	127	(29)	(135)	
At end of year	136	2 150	72	1 592	7 222	760	711	12 643
Accumulated depreciation								
At beginning of year		211	69	474	3 736	579		5 069
Depreciation charges		59		90	626	35		810
Acquisition of subsidiary	6	56		47	312	21		442
Accumulated depreciation on disposals of items of property, plant and equipment			(2)	(3)	(109)	(9)		(123)
Exchange differences on translation		15		19	133	30		197
Unbundling of subsidiary		(132)	(37)	(98)	(1 591)	(263)		(2 121)
Other movements			3	(2)	10	(11)		
At end of year	6	209	33	527	3 117	382		4 274
Impairment of assets								
At beginning of year		1		2	2			5
Impairment charges				227	494	63		784
Disposals of items of property, plant and equipment		(1)		(2)				(3)
At end of year				227	496	63		786
Net carrying amount at end of year								
	130	1 941	39	838	3 609	315	711	7 583

The net carrying amount of machinery, plant and equipment includes:

Assets held under finance leases (refer note 22)

– cost

– accumulated depreciation

	2007 Rm	2006 Rm
– cost	200	210
– accumulated depreciation	53	46
	147	164

For details of property, plant and equipment pledged as security refer to annexure 1.

A register of land and buildings is available for inspection at the registered office of the company.

notes to the annual financial statements continued

for the year ended 31 December 2007

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	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, exploration and rehabili- tation Rm	Extensions under con- struction Rm	Total Rm
COMPANY								
2007								
Gross carrying amount								
At beginning of year				10	64		70	144
Additions							34	34
Disposals of items of property, plant and equipment				(1)	(4)			(5)
Other movements				2	22		(24)	
At end of year				11	82		80	173
Accumulated depreciation								
At beginning of year				6	28			34
Depreciation charges					10			10
Accumulated depreciation on disposals of items of property, plant and equipment				(1)	(4)			(5)
At end of year				5	34			39
Impairment of assets								
At beginning of year					1			1
At end of year					1			1
Net carrying amount at end of year				6	47		80	133
2006								
Gross carrying amount								
At beginning of year				10	55		24	89
Additions					14		46	60
Disposals of items of property, plant and equipment					(5)			(5)
At end of year				10	64		70	144
Accumulated depreciation								
At beginning of year				6	23			29
Depreciation charges					9			9
Accumulated depreciation on disposals of items of property, plant and equipment					(4)			(4)
At end of year				6	28			34
Impairment of assets								
At beginning of year					1			1
At end of year					1			1
Net carrying amount at end of year				4	35		70	109

13. BIOLOGICAL ASSETS

	Plantation Rm	Livestock Rm	Game Rm	Total Rm
GROUP				
2007				
Carrying amount				
At beginning of year	6	5	15	26
Acquisitions			3	3
Gains arising from changes attributable to physical changes and price changes	1	4	4	9
Disposals		(1)	(2)	(3)
Reclassification to inventory	(1)	(2)	(2)	(5)
At end of year	6	6	18	30
Fair value of biological assets can be split as follows:				
– mature	4	6	18	28
– immature	2			2
	6	6	18	30

The plantation was valued by Mr J M Potgieter, an independent appraiser, on 10 December 2007.

2006

Carrying amount

At beginning of year	7	7	14	28
Gains arising from changes attributable to physical changes and price changes	1	1	6	8
Disposals	(1)	(1)	(1)	(3)
Reclassification to inventory	(1)	(2)		(3)
Unbundling of subsidiary			(4)	(4)
At end of year	6	5	15	26
Fair value of biological assets can be split as follows:				
– mature	3	5	15	23
– immature	3			3
	6	5	15	26

Plantations consist of wattle and blue gum trees.

Livestock consists of cattle and horses (2006: cattle, sheep, goats and horses).

Game consists of rhino, buffalo, warthog, giraffe, ostrich and a large variety of antelope.

notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
14. INTANGIBLE ASSETS				
Patents, licences and franchise				
Gross carrying amount				
At beginning of year	96	81		
Additions	1			
Transfers from other assets	2			
Exchange differences	9	15		
At end of year	108	96		
Accumulated amortisation				
At beginning of year	27	20		
Amortisation charge	3	3		
Exchange differences	2	4		
At end of year	32	27		
Net carrying amount at end of year	76	69		

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

ASSOCIATED COMPANIES

– unlisted	757	384
	757	384

Refer to annexure 2 for market and directors' valuations of investments.

GROUP

ASSOCIATE COMPANIES

	Invest- ments 2007 Rm	Loans 2007 Rm	Total 2007 Rm
At beginning of year	384		384
Net share of results	728		728
Dividends paid	(377)		(377)
Exchange difference adjustments	(23)		(23)
Share of reserve movements	45		45
At end of year (annexure 2)	757		757

GROUP

ASSOCIATE COMPANIES

JOINT VENTURES

	Invest- ments 2006 Rm	Loans 2006 Rm	Total 2006 Rm	Invest- ments 2006 Rm	Loans 2006 Rm	Total 2006 Rm
At beginning of year	93		93		2	2
Additional interests acquired	40		40			
Movement in indebtedness to/from associated companies					(1)	(1)
Disposals	(29)		(29)			
Net share of results	159		159			
Exchange difference adjustments	18		18			
Share of hedging reserve	8		8			
Unbundling of subsidiary	95		95		(1)	(1)
At end of year (annexure 2)	384		384			

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

	2007 Rm	2006 Rm
Aggregate post-acquisition reserves:		
– associate companies	470	86
– joint ventures	2 396	2 250
Total	2 866	2 336

COMPANY

	ASSOCIATE COMPANIES			JOINT VENTURES		
	Investments 2006 Rm	Loans 2006 Rm	Total 2006 Rm	Investments 2006 Rm	Loans 2006 Rm	Total 2006 Rm
At beginning of year	24		24	7		7
Reclassification as financial asset	(24)		(24)			
Impairment loss				(7)		(7)
At end of year (annexure 2)						

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
16. INVESTMENTS IN SUBSIDIARIES				
Shares at cost less impairment losses			1 514	1 513
Indebtedness				
– by subsidiaries			4 966	5 415
– to subsidiaries			(178)	(439)
Total (annexure 3)			4 788	4 976
Less current portion included in trade and other receivables			(4 516)	(5 010)
Less current portion included in trade and other payables			178	439
Non-current portion			450	405
			1 964	1 918
Aggregate attributable after tax profits and losses of subsidiaries:				
– profits	10 262	23 073		
– losses	(7 390)	(16 181)		

notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
17. FINANCIAL ASSETS				
Environmental Rehabilitation Trust asset	274	237	8	8
Long-term receivables	429	271		
Investments (refer annexure 2)	328	185	2	34
	1 031	693	10	42
For detail refer to note 28 on financial instruments.				
18. INVENTORIES				
Finished products	650	555		
Work-in-progress	292	371		
Raw materials	334	252		
Plant spares and stores	249	208		
Merchandise	6	5		
	1 531	1 391		
Included above are inventories relating to Exxaro Sands (Pty) Limited and Rosh Pinah Zinc Corporation (Pty) Limited which might be sold or utilised in production over more than 12 months. Included in merchandise are biological assets held-for-sale classified as inventories.				
19. TRADE AND OTHER RECEIVABLES				
Trade receivables	1 585	1 558		
Other receivables	306	101	70	49
Indebtness by subsidiaries (refer note 16)			4 516	5 010
Derivative instruments (refer note 28.1)	47	11		
Specific allowances for impairment	(4)	(5)	(3)	
Collective allowances for impairment	(3)	(2)		
	1 931	1 663	4 583	5 059
Trade receivables are stated after the following allowances for impairment:				
Specific allowances for impairment				
At beginning of year	(5)	(10)		(2)
Impairment loss recognised	(3)	(1)	(3)	
Impairment loss reversals	3	5		
Foreign currency translation differences		(1)		
Other reconciling items	1	2		2
At end of year	(4)	(5)	(3)	
Collective allowances for impairment				
At beginning of year	(2)			
Impairment loss recognised	(1)	(1)		
Other reconciling items		(1)		
At end of year	(3)	(2)		

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
20. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE				
Property, plant and equipment	2	2		
21. SHARE CAPITAL				
Share capital at par value				
<i>Authorised</i>				
500 000 000 ordinary shares of R0,01 each	5	5	5	5
<i>Issued</i>				
352 907 400 (2006: 351 277 206) ordinary shares of R0,01 each	4	4	4	4
Share premium	2 240	5 312	2 240	5 312
Shares held by Kumba Resources Management Share Trust and the Exxaro Employee Empowerment Participation Scheme Trust (MPower)	(177)	(177)		
Total	2 067	5 139	2 244	5 316
The Kumba Resources Management Share Trust and the MPower have been consolidated.				
Refer to statement of changes in equity (page 178 to 180) for details of movements.				
Reconciliation of authorised shares not issued (million)				
Number of authorised unissued ordinary shares at beginning of year	149	194	149	194
Number of shares repurchased during the year	10	38	10	38
Number of shares issued during the year	(12)	(83)	(12)	(83)
Number of unissued authorised shares at end of year	147	149	147	149

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21. SHARE CAPITAL (continued)

The following resolutions pertain to the unissued ordinary shares under the control of the directors until the forthcoming annual general meeting:

1. Subject to the provisions of the Companies Act 61 of 1973, as amended (the Act), and the requirements of the JSE Limited (JSE), the directors be and are hereby authorised to allot and issue at their discretion such number of the remaining authorised but unissued ordinary shares of one cent each in the capital of the company as may be required to be allotted and issued pursuant to the Share Incentive Scheme (the scheme).
2. Directors are authorised to issue the unissued ordinary shares of one cent each in the capital of the company (after setting aside so many shares as may be required to be allotted and issued by the company pursuant to the scheme) for cash, without restrictions to any public shareholder, as defined by the JSE Listings Requirements, as and when suitable opportunities arise, subject to the following conditions:
 - this authority shall not extend beyond the next annual general meeting or 15 months from the date of this annual general meeting, whichever date is earlier;
 - a press announcement giving full details, including the impact on net asset value and earnings per share, be published at the time of any issue representing, on a cumulative basis within one year, 5% or more of the number of shares in issue prior to the issue/s;
 - the shares be issued to public shareholders as defined by the JSE and not to related parties;
 - any issue in the aggregate in any one year shall not exceed 15% of the number of shares of the company's issued ordinary share capital; and
 - in determining the price at which an issue of shares be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the shares over the thirty days prior to the date that the price of the issue is determined or agreed to by the directors. In the event that shares have not traded in the said thirty day period, a ruling will be obtained from the committee of the JSE.
3. Directors are authorised to acquire from time to time shares issued by the company, provided:
 - that the repurchase is effected through the order book operated by the JSE trading system and is done without any prior understanding or arrangement between the company and the counterparty;
 - that this authority shall not extend beyond 15 months from the date of this resolution or the date of the next annual general meeting, whichever is the earlier date;
 - that an announcement containing full details of such repurchases is published as soon as the company has repurchased shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the repurchases and for each 3%, on a cumulative basis, thereafter;
 - that the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20% of the company's issued share capital at the time this authority is given;
 - that at any one time, the company may only appoint one agent to effect any repurchase;
 - that the repurchase of shares will not take place during a prohibited period and will not affect compliance with the shareholders' spread requirements as laid down by the JSE; and
 - that shares issued by the company may not be acquired at a price greater than 10% above the weighted average traded price of the company's shares for the five business days immediately preceding the date of repurchase.

The above authorities are valid until the next annual general meeting.

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
22. INTEREST-BEARING BORROWINGS				
NON-CURRENT BORROWINGS				
Summary of loans by financial year of redemption				
2008	74			
2009	100	90		81
2010	44	88		81
2011	43	201		81
2012	452	140	369	81
2013 onwards	620	695	81	81
Total non-current borrowings (refer annexure 1)	1 333	1 214	450	405
Current portion included in current liabilities	(74)			
Total	1 259	1 214	450	405
Details of interest rates payable on borrowings are shown in annexure 1.				
INTEREST-BEARING BORROWINGS				
Non-current borrowings	1 259	1 214	450	405
Short-term borrowings		613	55	619
Current portion of non-current borrowings	74			
Total short-term borrowings	74	613	55	619
Total	1 333	1 827	505	1 024
Included in the above interest-bearing borrowings are obligations relating to finance leases (refer note 12). Details are:				
Minimum lease payments:				
– less than one year	54	54		
– more than one year and less than five years	254	249		
– more than five years	3 427	3 495		
Total	3 735	3 798		
Less: Future finance charges	3 491	3 555		
Present value of lease liabilities	244	243		
Representing lease liabilities:				
– current	4			
– non-current (more than one year and less than five years)	18			
– non-current (more than five years)	222	243		
Total	244	243		

Exxaro entered into numerous operating and finance lease arrangements. All major lease arrangements are renewable if there is mutual agreement between the parties to the arrangements with some contracts specifying extension periods. Arrangements containing escalation clauses are usually based on CPI or PPI indexes. None of the lease arrangements contains restrictive clauses that are unusual to the particular type of lease.

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

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for the year ended 31 December 2007

23. PROVISIONS

	Environ- mental rehabili- tation Rm	Decom- missioning Rm	Restruc- turing Rm	Post retirement medical obligation Rm	Cash- settled share- based payment Rm	Total Rm
GROUP						
2007						
At beginning of year	770	156	32		3	961
Charge to income statement	175	25		36	5	241
Additional provision	183	25		36	5	249
Unused amounts reversed	(8)					(8)
Interest adjustment (refer note 4)	84	10	5			99
Provisions capitalised to property, plant and equipment		65				65
Utilised during year	(15)		(6)		(2)	(23)
Exchange differences	6	7				13
At end of year	1 020	263	31	36	6	1 356
Current portion included in current liabilities	(18)		(9)			(27)
Total non-current provisions	1 002	263	22	36	6	1 329
2006						
At beginning of year	572	156	23			751
Charge to income statement	210	(1)	13		5	227
Additional provision	210		13		5	228
Unused amounts reversed		(1)				(1)
Interest adjustment (refer note 4)	37	21				58
Provisions capitalised to property, plant and equipment		10				10
Acquisition of subsidiary	68					68
Utilised during year	(13)		(4)		(2)	(19)
Exchange differences	11	12				23
Unbundling of subsidiary	(115)	(42)				(157)
At end of year	770	156	32		3	961
Current portion included in current liabilities	(21)		(9)			(30)
Total non-current provisions	749	156	23		3	931

23. PROVISIONS (continued)

	Environmental rehabilitation Rm	Decom- missioning Rm	Restruc- turing Rm	Post retirement medical obligation Rm	Cash- settled share- based payment Rm	Total Rm
COMPANY						
2007						
At beginning of year	18				3	21
Charge to income statement – additional provision					2	2
Additional provisions					2	2
Additional provisions – charge to subsidiaries					2	2
Interest adjustment (refer note 4)	1					1
Utilised during year					(2)	(2)
Total non-current provisions	19				5	24
2006						
At beginning of year	16					16
Charge to income statement – additional provisions	1				5	6
Interest adjustment (refer note 4)	1					1
Utilised during year					(2)	(2)
Total non-current provisions	18				3	21

ENVIRONMENTAL REHABILITATION

Provision is made for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

DECOMMISSIONING

During 2005 the environmental rehabilitation provision was reclassified into two separate provisions, namely the environmental rehabilitation provision and the decommissioning provision, the opening balance was adjusted to reflect the split. The decommissioning provision relates to decommissioning of property, plant and equipment where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

FUNDING OF ENVIRONMENTAL AND DECOMMISSIONING REHABILITATION

Contributions towards the cost of the mine closure are also made to the Exxaro Environmental Rehabilitation Fund and the balance of the Fund amounted to R284 million (2006: R246 million) at year end. Of this amount R274 million (2006: R237 million) is included in financial assets and R10 million (2006: R9 million) in trade and other receivables of the group. Cash flows will take place when the mines are rehabilitated.

RESTRUCTURING

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

POST RETIREMENT MEDICAL OBLIGATION

After the merger with Eyesizwe (Pty) Limited in November 2006 and the successful creation of Exxaro, it was discovered that a post-employment healthcare benefit had been provided to a group of continuation and in-service members on the Witbank Coal Medical Aid Scheme and the BHP Billiton SA Medical Scheme. This benefit, which is no longer offered, applied to selective employees previously employed by Eyesizwe or Ingwe Coal and comprises a subsidy of contributions. The obligation represents a present value amount, which is actuarially valued on an annual basis. Any surplus or deficit arising from the valuation is recognised in the income statement. The provision is expected to be utilised over the expected lives of the participants of the scheme.

CASH-SETTLED SHARE-BASED PAYMENT

Exxaro offered a cash-settled payment, based on the company's share price performance, to certain individuals who were under an embargo and not entitled to accept share scheme offers, due to their involvement in the empowerment transaction. The payments will be made over the next five years depending on the share price performance of the company and the contracts of the individuals.

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for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
24. DEFERRED TAXATION				
The movement on the deferred taxation account is as follows:				
At beginning of year	368	645	(76)	(21)
Non-distributable reserve charge				
– current	(2)	21		
Income statement charge				
– current (refer note 7)	(35)	(240)	(21)	(55)
– prior	14	48		
Acquisition of subsidiary		430		
Unbundling of subsidiary		(536)		
At end of year	345	368	(97)	(76)
Comprising:				
Deferred taxation liabilities				
– property, plant and equipment	1 137	1 148		
– bad debt reassessment	(1)	(1)		
– foreign taxation losses carried forward	(3)	(3)		
– inventories	16	6		
– leave pay accrual	(26)	(25)		
– financial instruments	(20)	10		
– provisions	(16)			
– Exxaro Environmental Rehabilitation asset	71	60		
– lease liability	(1)	(3)		
– decommissioning provision	(5)	(4)		
– restoration provision	(91)	(77)		
– pre-payments	3	3		
– unrealised profits	15	3		
– assessed losses	(2)	(1)		
	1 077	1 116		

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
24. DEFERRED TAXATION (continued)				
Deferred taxation assets				
– provisions	(8)	(13)		
– property, plant and equipment	274	119		(2)
– Exxaro Environmental Rehabilitation asset	12	10	4	4
– decommissioning provision	(9)	(9)		
– unrealised foreign exchange loss	(4)	(8)		(8)
– restoration provision	(52)	(48)	(5)	(5)
– inventories	(3)			
– bad debt reassessment	(1)		(1)	
– lease liability	(70)	(67)		
– leave pay accrual	(23)	(20)	(7)	(6)
– pre-payments	1	1		
– taxation losses carried forward	(755)	(584)	(88)	(59)
– foreign taxation losses carried forward	(94)	(129)		
	(732)	(748)	(97)	(76)
	345	368	(97)	(76)
CALCULATED TAXATION LOSSES				
– tax losses utilised to reduce deferred taxation against South African taxable income included above	2 610	2 017	303	203
– tax losses utilised to reduce deferred taxation against foreign taxable income included above	334	444		
The total deferred taxation assets raised with regard to assessed losses amount to R854 million (2006: R717 million), and is mainly attributable to the ramp-up phase of the mineral sands project.				
The total deferred taxation assets not raised amount to R54 million (2006: R34 million).				
25. TRADE AND OTHER PAYABLES				
Trade payables	644	636	22	19
Other payables	536	523	102	167
Leave pay accrual	173	158	25	21
Indebtness to subsidiaries (refer note 16)			178	439
Derivative instruments (refer note 28.1)	96	4		
	1 449	1 321	327	646

notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
26. NOTES TO THE CASH FLOW STATEMENT				
26.1 CASH GENERATED BY/(UTILISED IN) OPERATIONS				
Net operating income/(loss)	1 444	20 697	(61)	17 380
Adjusted for non-cash movements				
– depreciation and amortisation	763	813	10	9
– impairment charges and reversals	17	784		
– excess over cost of acquisition of minority interest		(36)		
– provisions	241	227	2	5
– foreign exchange revaluations and fair value adjustments	(35)	(43)	1	27
– reconditionable spares usage	4	5		
– net loss/(profit) on disposal or scrapping of property, plant and equipment	13	(2)		(6)
– net profit on disposal of investments		(39)		(15)
– fair value adjustment on unbundling of subsidiary		(17 963)		(18 329)
– share-based payment expenses	102	765	34	696
	2 549	5 208	(14)	(233)
Working capital movements				
– increase in inventories	(107)	(583)		
– (increase)/decrease in trade and other receivables	(69)	290	(17)	41
– (decrease)/increase in trade and other payables	(42)	172	(57)	5
– utilisation of provisions (refer note 23)	(23)	(19)	(2)	(2)
Cash generated by/(utilised in) operations	2 308	5 068	(90)	(189)
26.2 NET FINANCING COSTS				
Net financing costs for continued and discontinued operations	(215)	(336)	(84)	(109)
Financing costs not involving cash flow (refer note 23)	99	58	1	1
	(116)	(278)	(83)	(108)
26.3 NORMAL TAXATION PAID				
Amounts (unpaid)/receivable at beginning of year	(67)	(773)	16	29
Amounts charged to the income statements	(532)	(1 515)	(63)	(424)
Acquisition of subsidiary		(13)		
Arising on translation of foreign entities		(51)		
Unbundling		358		
Amounts unpaid/(receivable) at end of year	137	67	(8)	(16)
	(462)	(1 927)	(55)	(411)

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
26. NOTES TO THE CASH FLOW STATEMENT (continued)				
26.4 DIVIDENDS PAID				
Amounts unpaid at beginning of year	(4)			
Dividends declared and paid	(208)	(21 723)	(211)	(21 723)
Non-cash flow dividend in specie on unbundling of subsidiary		18 332		18 332
Dividends declared and paid by subsidiaries to minorities	(11)	(9)		
Amounts unpaid at end of year		4		
	(223)	(3 396)	(211)	(3 391)
26.5 INVESTMENTS TO MAINTAIN OPERATIONS				
Replacement of property, plant and equipment	(534)	(661)	(34)	(60)
Reconditonal spares	(35)	(28)		
	(569)	(689)	(34)	(60)
26.6 INVESTMENTS TO EXPAND OPERATIONS				
Expansion and new technology	(727)	(1 321)		
	(727)	(1 321)		
26.7 INVESTMENT IN OTHER NON-CURRENT ASSETS				
Increase in associates, joint ventures and other investments	(268)	(40)		
Increase in investments in subsidiaries			(1)	(3)
Decrease/(increase) in non-current financial assets	19	(307)	34	13
	(249)	(347)	33	10
26.8 INCOME FROM EQUITY ACCOUNTED INVESTMENTS				
Income from equity accounted investments as per income statement	728	159		
Dividends received from equity accounted investments	377			
Non-cash flow income from equity accounted investments	(728)	(159)		
	377			

notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
26. NOTES TO THE CASH FLOW STATEMENT (continued)				
26.9 FOREIGN CURRENCY TRANSLATION RESERVE				
At beginning of year	379	(30)		1
Closing balance	527	379		
Movement	148	409		(1)
Transfers from non-distributable reserves (NDR)	16			
Unrealised (losses)/profits in relation to foreign transactions	(37)	23	2	1
Revaluation of long-term loans	(169)	4	3	1
Unbundling of subsidiary		25		
Less: Arising on translation of foreign entities:	(48)	161		(1)
– inventories	32	57		
– accounts receivable	33	152		
– financial assets	15	(49)		
– accounts payable	(15)	(130)		
– utilisation of provision	(12)	(22)		
– taxation paid		(51)		
– dividends paid		1		
– property, plant and equipment acquired	123	233		
– intangible assets	6	11		
– investments acquired	(50)	150		
– long-term loans	(107)	(203)		(1)
– short-term loans		8		
– share capital	(73)	4		
	6	300	5	2
26.10 TRANSLATION OF FOREIGN CASH AND CASH EQUIVALENTS				
Translation differences on cash and cash equivalents	36	191		

27. BUSINESS COMBINATION

On 27 February 2007, the group acquired 100% of the issued share capital of Rosh Pinah Mine Holdings (Pty) Limited, which is included in the base metals business segment.

The acquired business contributed neither revenue nor operating profits to the group for the period from 27 February 2007 to 31 December 2007.

This transaction increased the Exxaro effective shareholding in Rosh Pinah Zinc Corporation (Pty) Limited from 89,5% to 93,9%.

Details of assets acquired are as follows:

Purchase consideration:

- cash paid on acquisition
- fair value of assets acquired

Goodwill

The assets and liabilities arising from the acquisition are as follows:

- property, plant and equipment
- investments
- interest-bearing borrowings

Fair value of net assets

Total purchase consideration

Cash outflow on acquisition of subsidiary (refer to cash flow statement)

2007
Rm

(8)

8

18

15

(25)

8

(8)

(8)

notes to the annual financial statements continued

for the year ended 31 December 2007

28. FINANCIAL INSTRUMENTS

28.1 CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

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

	At fair value through profit or loss	
	Held-for-trading Rm	Designated Rm
GROUP		
2007		
ASSETS		
Non-current assets		
Property, plant and equipment		
Biological assets		
Intangible assets		
Investments in associates and joint ventures		
Deferred taxation		
Financial assets, consisting of:		282
– Exxaro Environmental Rehabilitation Trust asset		274
– Richards Bay Coal Terminal (RBCT)		
– New Africa Mining fund		2
– Igoda		
– Mafube		
– Ndzalama game reserve		6
– long-term receivables		
Total non-current assets		282
Current assets		
Inventories		
Trade and other receivables		10
Derivative financial instruments	47	
Cash and cash equivalents		
Total current assets	47	10
Non-current assets classified as held for sale		
Total assets	47	292
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Non-distributable reserves		
Retained earnings		
Equity attributable to equity holders of the parent		
Minority interest		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		82
Non-current provisions		
Deferred taxation		
Total financial non-current liabilities		82
Current liabilities		
Trade and other payables		
Derivative financial instruments	96	
Interest-bearing borrowings		69
Taxation		
Current provisions		
Total current liabilities	96	69
Total liabilities	96	151

Held-to-maturity investments at amortised cost	Loans and receivables at amortised cost	Available-for-sale financial assets at fair value	Financial liabilities at amortised cost	Non-financial assets and liabilities at cost	Total carrying amount	Fair value of financial instruments
Rm	Rm	Rm	Rm	Rm	Rm	Rm
				8 235	8 235	
				30	30	
				76	76	
				757	757	
				732	732	
	429	320			1 031	1 031
					274	274
		290			290	290
					2	2
		25			25	25
		5			5	5
					6	6
	429				429	429
	429	320		9 830	10 861	
				1 531	1 531	
21	1 853				1 884	1 884
	850				47	47
					850	850
21	2 703			1 531	4 312	
				2	2	
21	3 132	320		11 363	15 175	
				2 067	2 067	
				1 502	1 502	
				6 235	6 235	
				9 804	9 804	
				19	19	
				9 823	9 823	
			938	239	1 259	1 044
				1 329	1 329	
				1 077	1 077	
			938	2 645	3 665	
			1 353		1 353	1 353
					96	96
				5	74	74
				137	137	
				27	27	
			1 353	169	1 687	
			2 291	12 637	15 175	

notes to the annual financial statements continued

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28. FINANCIAL INSTRUMENTS (continued)

28.1 CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

	At fair value through profit or loss	
	Held-for-trading Rm	Designated Rm
GROUP		
2006		
ASSETS		
Non-current assets		
Property, plant and equipment		
Biological assets		
Intangible assets		
Investments in associates and joint ventures		
Deferred taxation		
Financial assets, consisting of:		348
– Exxaro Environmental Rehabilitation Trust asset		237
– Richards Bay Coal Terminal (RBCT)		
– New Africa Mining Fund		13
– Igoda		
– Mafube		
– Ndzalama game reserve		6
– Mineral Deposits Limited		92
– long-term receivables		
– other		
Total non-current assets		348
Current assets		
Inventories		
Trade and other receivables		9
Derivative financial instruments	11	
Cash and cash equivalents		
Total current assets	11	9
Non-current assets classified as held for sale		
Total assets	11	357
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Non-distributable reserves		
Retained earnings		
Equity attributable to equity holders of the parent		
Minority interest		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		
Non-current provisions		
Deferred taxation		
Total financial non-current liabilities		
Current liabilities		
Trade and other payables		
Derivative financial instruments	4	
Interest-bearing borrowings		
Taxation		
Current provisions		
Shareholders for dividends		
Total current liabilities	4	
Total liabilities	4	

As disclosed in the table above, financial liabilities with a carrying amount and fair value of R151 (2006: R0) have been designated at fair value through profit or loss.

Held-to-maturity investments at amortised cost	Loans and receivables at amortised cost	Available-for-sale financial assets at fair value	Financial liabilities at amortised cost	Non-financial assets and liabilities at cost	Total carrying amount	Fair value of financial instruments
Rm	Rm	Rm	Rm	Rm	Rm	Rm
				7 583	7 583	
				26	26	
				69	69	
				384	384	
				748	748	
21	271	53			693	693
					237	237
		23			23	23
					13	13
		25			25	25
		5			5	5
					6	6
					92	92
21	271				271	271
					21	21
21	271	53		8 810	9 503	
				1 391	1 391	
	1 643				1 652	1 652
	906				11	11
	2 549				906	906
				1 391	3 960	
				2	2	
21	2 820	53		10 203	13 465	
				5 139	5 139	
				1 205	1 205	
				1 798	1 798	
				8 142	8 142	
				27	27	
				8 169	8 169	
			965	249	1 214	848
				931	931	
				1 116	1 116	
			965	2 296	3 261	
			1 317		1 317	1 317
					4	4
			619	(6)	613	619
				67	67	
				30	30	
			4		4	4
			1 940	91	2 035	
			2 905	10 556	13 465	

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28. FINANCIAL INSTRUMENTS (continued)

28.1 CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

	At fair value through profit or loss	
	Held-for- trading	Designated
	Rm	Rm
COMPANY		
2007		
ASSETS		
Non-current assets		
Property, plant and equipment		
Intercompany loans debits		
Investments in subsidiaries		
Deferred taxation		
Financial assets, consisting of:		10
– Exxaro Environmental Rehabilitation Trust asset		8
– New Africa Mining fund		2
Total non-current assets		10
Current assets		
Trade and other receivables		5
Cash and cash equivalents		
Total current assets		5
Total assets		15
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Non-distributable reserves		
Retained earnings		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		
Non-current provisions		
Total financial non-current liabilities		
Current liabilities		
Trade and other payables		
Interest-bearing borrowings		
Taxation		
Total current liabilities		
Total liabilities		

Held-to-maturity investments at amortised cost	Loans and receivables at amortised cost	Available-for-sale financial assets at fair value	Financial liabilities at amortised cost	Non-financial assets and liabilities at cost	Total carrying amount	Fair value of financial instruments
Rm	Rm	Rm	Rm	Rm	Rm	Rm
	450			133	133	
				1 514	450	
				97	1 514	
					97	
					10	10
					8	8
					2	2
	450			1 744	2 204	
21	4 557				4 583	4 583
	306				306	306
21	4 863				4 889	
21	5 313			1 744	7 093	
				2 244	2 244	
				883	883	
				3 118	3 118	
				6 245	6 245	
			450		450	450
				24	24	
			450	24	474	
			327		327	327
			55		55	55
				(8)	(8)	
			382	(8)	374	
			832	6 261	7 093	

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28. FINANCIAL INSTRUMENTS (continued)

28.1 CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

	At fair value through profit or loss	
	Held-for- trading Rm	Designated Rm
COMPANY		
2006		
ASSETS		
Non-current assets		
Property, plant and equipment		
Intercompany loans debits		
Investments in subsidiaries		
Deferred taxation		
Financial assets, consisting of:		21
– Exxaro Environmental Rehabilitation Trust asset		8
– New Africa Mining fund		13
– other		
Total non-current assets		21
Current assets		
Trade and other receivables		5
Cash and cash equivalents		
Total current assets		5
Total assets		26
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Non-distributable reserves		
Retained loss		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		
Non-current provisions		
Total financial non-current liabilities		
Current liabilities		
Trade and other payables		
Interest-bearing borrowings		
Taxation		
Total current liabilities		
Total liabilities		

Held-to-maturity investments at amortised cost	Loans and receivables at amortised cost	Available-for-sale financial assets at fair value	Financial liabilities at amortised cost	Non-financial assets and liabilities at cost	Total carrying amount	Fair value of financial instruments
Rm	Rm	Rm	Rm	Rm	Rm	Rm
				109	109	
	405				405	
				1 513	1 513	
				76	76	
21					42	42
					8	8
					13	13
21					21	21
21	405			1 698	2 145	
	5 054				5 059	5 059
	290				290	290
	5 344				5 349	
	5 749			1 698	7 494	
				5 316	5 316	
				783	783	
				(280)	(280)	
				5 819	5 819	
			405		405	405
				21	21	
			405	21	426	
			646		646	646
			619		619	619
				(16)	(16)	
			1 265	(16)	1 249	
			1 670	5 824	7 494	

notes to the annual financial statements continued

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28. FINANCIAL INSTRUMENTS (continued)

28.1 CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

As disclosed in the table above, there were no financial liabilities designated at fair value through profit or loss as at 31 December 2007 or 2006 for the company.

The carrying amount of the financial liabilities designated at fair value through profit or loss at 31 December 2007 was R2 million lower than the contractual amount at maturity date (2006: R0) for the group.

The Exxaro Environmental Rehabilitation Fund (EERF), previously Kumba Environmental Rehabilitation Fund, was created and complies with the requirements of both the Minerals and Petroleum Resources activities. The EERF receives, holds and invests funds contributed by the Exxaro group of companies for the rehabilitation or management of negative environmental impacts associated with mining and exploration activities. The EERF receives, holds and invests funds contributed by the Exxaro mining operations, which contributions are aimed at providing for sufficient funds at date of estimated closure of mining activities to address the rehabilitation and environmental impacts.

The trustees of the fund are appointed by Exxaro and consist of sufficiently qualified Exxaro employees capable of fulfilling their fiduciary duties. The funds are invested by Exxaro's in-house treasury department with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and real growth. Funds accumulated for a specific mine or exploration project can only be utilised for the rehabilitation and environmental impacts of that specific mine or project.

If a mine or exploration project withdraws from the fund for whatever valid reason, the funds accumulated for such mine or exploration project are transferred to a similar fund approved by the Commissioner of South African Revenue Services. The fund cannot be closed down without the permission of the Commissioner of the South African Revenue Services.

Included in the long-term receivables is an amount of R388 million (2006: R203 million) recoverable from Eskom in respect of the rehabilitation and environmental expenditure of the Matla and Arnot mines at the end-of-life of these mines. The corresponding anticipated liability is disclosed as part of non-current provisions (refer note 23).

R179 million (2006: R155 million) of the investments designated at fair value through profit or loss and the EERF are equity investments listed on JSE Ltd.

A two percent increase in the JSE industry average at reporting date would have increased equity by R2,8 million (2006: R8,2 million) after tax; an equal change in the opposite direction would have decreased equity by R0,9 million (2006: R2 million). The impact on profit or loss would have been an increase or decrease of R1,9 million (2006: R1,7 million) after tax. The analysis has been performed on the same basis for 2006.

There were no allowances for impairments on long-term receivables or investments in equity instruments at cost during the period under review.

FAIR VALUES

At 31 December 2007 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the short-term maturities of these assets and liabilities.

Of the financial assets and liabilities as at 31 December 2007 and 2006, the interest-bearing borrowings had their fair values determined based on published price quotation in active market. The borrowings' Net Present Value (NPV) is calculated using the Nominal Annual Compounding Annually (NACA) rate.

No financial assets and liabilities had their fair value determined using valuation techniques during the year ended 31 December 2007 or 2006.

For the financial year ended 31 December 2007, the investment in Richards Bay Coal Terminal (RBCT) had no active market available. RBCT is the largest single export coal terminal in the world and is situated in Richards Bay. It is a 24-hour operation shipment/export. Exxaro acquired 8 662 shares (1,20% stake) in RBCT through the merger of the former Eyesizwe (Pty) Ltd and Kumba Resources Limited which was valued at R2 million on 1 November 2006. Additional 10 000 shares were acquired in RBCT on 30 June 2007 for R213 million. These shares were purchased at a price of \$30 million. The 10 000 ordinary shares entitle Exxaro to a 1,39% shareholding in RBCT. The 10 000 shares also entitle Exxaro to 1 Mt ton of export allocation. All the shareholders in RBCT acquire equity instruments in order to obtain the right to export coal.

28. FINANCIAL INSTRUMENTS (continued)

The South Dunes Coal Terminal Co. (Pty) Limited (SDCT) also holds an investment in RBCT, of which Exxaro Coal (a 100% subsidiary of Exxaro Resources Limited) holds 33% in SDCT, with the effective value of R74 million at 31 December 2007 (2006: R20 million). All this coupled with minor wharfage expenses, result in the overall investment in RBCT with a carrying value of R290 million. The fair value could not be measured reliably because RBCT shares do not form part of an active market as there are no other shares available in South Africa. Willing buyers and sellers cannot be found at any time (restricted to a select few) of the same nature (homogenous) and prices are not available to the public. Although one could attach a certain set of market influences that significantly affect the value of such shares, the volatility of e.g. freight rates would cause the valuation to vary significantly.

The fair value of financial instruments at initial recognition was determined to be the transaction price. Upon initial recognition no differences existed as a result of the fair value upon initial recognition differing to the value of the financial instrument determined using a valuation technique.

Subsequent to initial recognition, as the fair value of the Investment in RBCT could not be measured reliably, the investment has been carried at cost. The carrying value of the investment in RBCT is R290 million (2006: R23 million).

It is not anticipated that the RBCT investment will be disposed of in the near future as the group has no intent to dispose of it.

28.2 RECLASSIFICATION OF FINANCIAL ASSETS

No reclassification of financial assets occurred during the period.

28.3 DERECOGNITION OF FINANCIAL ASSETS

An investment designated at fair value through profit or loss was disposed of during the year under review. The entire investment qualified for derecognition.

The investment comprised of a 3,78% equity interest in Mineral Deposits Limited, an entity listed on the Australian Stock Exchange, and was sold on 2 July 2007 resulting in a net cash inflow of R84,6 million (AUD 14,0 million).

The group did not enter into transactions whereby it transferred assets recognised on its balance sheet whilst retaining the risks and rewards of the transferred asset during the period under review.

28.4 STATEMENT OF CHANGES IN EQUITY

Included in the statement of changes in equity are the following adjustments relating to financial instruments:

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Effective portion of change in fair value of cash flow hedge	(36)	33		
Fair value of cash flow hedges transferred to profit or loss		8		
Amount removed from equity and included in initial carrying amount or cost of non-financial asset	1			
	(35)	41		
The above amounts are split in the reserves as follows:				
Hedging reserve	(35)	41		

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28. FINANCIAL INSTRUMENTS (continued)

28.5 RISK MANAGEMENT

28.5.1 Financial risk management

The group's corporate treasury function (other than Exxaro Australia Sands Pty Limited which operates on a decentralised basis but within the approved group policies), provides financial risk management services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyses exposures 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's management of capital is detailed in the report of the directors.

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 and exposure limits is reviewed by the internal auditors on a continuous basis and results are reported to the board 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 of changes in interest rates, foreign currency exchange rates and commodity prices. Compliance with policies and exposure limits is reviewed by the internal auditors annually, with the results being reported to the audit committee.

28.5.2 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 foreign currency exchange rates (see 28.5.2.1 below), commodity prices (see 28.5.2.2 below) and interest rates (see 28.5.2.3 below). The group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign currency risks and commodity price risks, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of coal, base metal and mineral sands products as well as imported capital expenditure;
- forward interest rate contracts to manage interest rate risk;
- interest rate swaps to manage the risk of rising interest rates;
- forward exchange contracts to hedge the commodity prices arising on the export of zinc and lead.

28.5.2.1 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 Dollars (USD), Euro, and Australian Dollars (AUD). Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts (FEC's), 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 FEC's. Trade-related export exposures are hedged using FEC's and options with specific focus on short-term receivables.

Uncovered foreign debtors at 31 December 2007 amount to US\$nil million (2006: US\$21 million). All capital imports were fully hedged. Imports (other than capital imports) not fully hedged amount to US\$nil million (2006: US\$8 million). Monetary items have been translated at the closing rate at the last day of the reporting period US\$1:R6,80 (2006: US\$1:R6,98).

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

Pre-tax unrealised exchange gains or losses amounting to R93 million (31 December 2006: R41 million) arising from the revaluation of Exxaro Australia Sands (Pty) Limited foreign currency loans which are a natural hedge against specific future export sales revenue, are recognised in equity as hedge accounting has been applied.

28. FINANCIAL INSTRUMENTS (continued)

28.5 RISK MANAGEMENT (continued)

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

	Average spot rate	Average achieved rate	Closing spot rate
2007			
USD	7,03	7,26	6,80
Euro	9,62	9,48	10,02
Canadian Dollar	6,56	6,27	6,96
Australian Dollar	5,89	5,19	6,00
2006			
USD	6,70	6,76	6,98
Euro	8,50	8,24	9,15
Canadian Dollar	5,93	6,44	6,02
Australian Dollar	5,02	5,28	5,53

Foreign currency

Material FEC's and currency options, which relate to specific balance sheet items, that do not form part of a hedging relationship or for which hedge accounting was not applied at 31 December 2007 and 31 December 2006, are summarised as follows:

GROUP	Market related value Rm	Foreign amount million	Contract value Rm	Recognised fair value profits/(losses) Rm
2007				
Exports				
United States Dollar – FEC's	137	20	143	6
2006				
Exports				
United States Dollar – FEC's	105	14	102	(3)
Imports				
United States Dollar – FEC's	72	10	74	(2)

notes to the annual financial statements continued

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28. FINANCIAL INSTRUMENTS (continued)

28.5

RISK MANAGEMENT (continued)

Cash flow hedges – foreign currency risk

The group has entered into certain forward exchange contracts, which relate to specific foreign commitments not yet due and export earnings for which the proceeds are not yet receivable. Details of the contracts at 31 December 2007 and 31 December 2006 are as follows:

GROUP 2007	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
Imports				
United States Dollar – FEC's				
Less than 3 months	62	9	62	
3 months	3		3	
6 months	26	4	27	(1)
1 year	1		1	
Total	92	13	93	(1)
Euro – FEC's				
Less than 3 months	1		1	
Total	1		1	
Exports				
United States Dollar – Note holders loan				
> 3 year	397	60	304	93
Attributable to tax				(31)
Total	397	60	304	62

Note: In respect of a US\$60 million (2006: US\$60 million) loan liability of Exxaro Australia Sands Pty Limited, an economic hedge exists between US\$ revenue and US\$ borrowings. Accordingly, future sales proceeds to be applied to the repayment of US\$ borrowings are recorded at the historical exchange rate effective at the date of loan draw down.

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

	2008 Rm	2009 Rm	>2009 Rm	Total Rm
Expected future cash flows				
– United States Dollar – FEC's	93			93
– Euro - FEC's	1			1
– United States Dollar – Note holders loan			304	304
Expected gain/(loss) in profit or loss				
– United States Dollar – Note holders loan			93	93

28. FINANCIAL INSTRUMENTS (continued)

28.5 RISK MANAGEMENT (continued)

GROUP 2006	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
Imports				
United States Dollar – FEC's				
Less than 3 months	17	2	18	(1)
3 months	6	1	6	
6 months	13	2	13	
1 year	10	1	10	
Total	46	6	47	(1)
Euro – FEC's				
Less than 3 months	9	1	9	
Total	9	1	9	
Canadian Dollar – FEC's				
Less than 3 months	1		1	
Total	1		1	
Australian Dollars – FEC's				
Less than 3 months	4	1	4	
6 months	4	1	4	
1 year	3		3	
Total	11	2	11	
Exports				
United States Dollar – Note holders loan				
> 3 year	407	60	366	41
Attributable to tax				(16)
Total	407	60	366	25

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

	2007 Rm	2008 Rm	2009 Rm	> 2009 Rm	Total Rm
Expected future cash flows					
– United States Dollar – FEC's	37	10			47
– Euro – FEC's	9				9
– Canadian Dollar – FEC's	1				1
– Australian Dollars – FEC's	8	3			11
– United States Dollar – Note holders loan				366	366
Expected gain/(loss) in profit or loss					
– United States Dollar – FEC's	(1)				(1)
– United States Dollar – Note holders loan				41	41

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28. FINANCIAL INSTRUMENTS (continued)

28.5 RISK MANAGEMENT (continued)

COMPANY	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
2007				
Imports				
United States Dollar – FEC's				
Less than 3 months	1	0,2	1	
Total	1	0,2	1	

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

	2008 Rm	2009 Rm	2010 Rm	Total Rm
Expected future cash flows				
– United States Dollar – FEC's	1			1

No gains or losses are expected from these FEC's

	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
2006				
Imports				
United States Dollar – FEC's				
Less than 3 months	1	0,2	1	
Total	1	0,2	1	
Euro – FEC's				
Less than 3 months	5	1	5	
Total	5	1	5	

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

	2007 Rm	2008 Rm	2009 Rm	Total Rm
Expected future cash flows				
– United States Dollar – FEC's	1			1
– Euro – FEC's	5			5

No gains or losses are expected from these FEC's

28. FINANCIAL INSTRUMENTS (continued)

28.5

RISK MANAGEMENT (continued)

Foreign currency sensitivity

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

For exports (US\$), an increase in the exchange rate of the rand (ZAR) against the dollar (US\$) (e.g., FEC taken out on exports at R6,10:US\$1, with actual rate coming out at R6,50:US\$1) represents a weakening of the rand against the US dollar, which results in a loss incurred of R0,40.

Group	Profit or (loss)		Equity	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
US\$	68	90	(29)	(29)
Euro	2	2	2	2
Company				
US\$	21	13		

For imports (Euro), an increase in the exchange rate of the rand (ZAR) against the euro (e.g., FEC taken out on exports at R10,00:€1, with actual rate coming out at R11,00:€1) represents a weakening of the rand against the euro, which results in a gain incurred of R1,00.

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

28.5.2.2 Commodity risk management

The group enters into commodity derivatives to hedge certain of its export product exposures, in terms of lead and zinc prices. As of 31 December 2007 the net fair value of commodity derivatives reflected a R92 million loss (2006: R0 million). The potential loss in fair value for such commodity hedging derivatives from a hypothetical adverse 10% move against Exxaro's position in commodity prices would be approximately R2 million.

Prices for future purchases and sales of goods and services are generally established on normal commercial terms through agents or direct with suppliers and customers. Price hedging is undertaken on a limited scale for future zinc sales at Rosh Pinah Zinc Corporation (Pty) Limited and Exxaro Base Metals (Pty) Limited to secure operating margins and reduce cash flow volatility. Price hedging is also undertaken for future lead sales at Rosh Pinah.

The potential profit or loss in accounting for changes in fair value for such commodity hedging derivatives assuming an adverse 10% move in commodity prices is demonstrated below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2006.

Lead	Profit or (loss)		Equity	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Lead			(2)	

The impact of the zinc sensitivity is less than a million.

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

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28. FINANCIAL INSTRUMENTS (continued)

28.5 RISK MANAGEMENT (continued)

Cash flow hedges – commodity risk

The forward hedged position at balance sheet date is shown below:

2007	Tons	Market related value Rm	Foreign currency value million	Contract in equity Rm	Recognised fair value Rm
Recognised transactions	13 000	213	18	121	(92)
Attributable to:					
– tax					34
– minority shareholders					4
	13 000	213	18	121	(54)

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

	31-Dec-08	31-Dec-09	31-Dec-10	Total
Expected future cash outflows	66	34	21	121
Expected gain/(loss) in profit or loss	(37)	(30)	(25)	(92)

2006

Recognised transactions

28.5.2.3 Interest rate risk management

The group is exposed to interest rate risk as it borrows and deposits funds at both fixed and floating interest rates on the money market. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings taking into account future interest rate expectations. The risk is also managed by entering into interest rate swaps. The financial institutions chosen are subject to compliance with the relevant regulatory bodies. A proportion of term borrowings was entered into at floating interest rates in anticipation of a decrease in the interest rate cycle.

The interest rate repricing profile is summarised below:

	1 – 6 months Rm	7 – 12 months Rm	Beyond 1 year Rm	Total borrowings Rm
At 31 December 2007				
Term borrowings	681		652	1,333
% of total borrowings	51		49	100
At 31 December 2006				
Term borrowings	557		657	1,214
Call borrowings	613			613
	1,170		657	1,827
% of total borrowings	64		36	100

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

	Increase of 50 basis points in interest rate		Decrease of 50 basis points in interest rate	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Profit or (loss)	(3)	(2)	3	2

28. FINANCIAL INSTRUMENTS (continued)

28.5 RISK MANAGEMENT (continued)

28.5.3 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.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment if a payment under the guarantee has become probable.

Financial guarantees are included within other liabilities.

Borrowing capacity is determined by the directors in terms of the articles of association, from time to time:

	Group		Company	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Amount approved	12 254	10 178	2 600	4 648
Total borrowings	1 333	1 827	505	1 024
Unutilised borrowing capacity	10 921	8 351	2 095	3 624

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2007 and 2006 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 performed.

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.

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28. FINANCIAL INSTRUMENTS (continued)

28.5.3 LIQUIDITY RISK MANAGEMENT (continued)

Maturity profile of financial instruments

The following table details the group's contractual maturities of financial liabilities, including interest payments:

	Carrying amount Rm	Contractual cash flows Rm	Maturity			
			0-12 months Rm	1-2 years Rm	2-5 years Rm	More than 5 years Rm
Group 2007						
Financial assets						
Exxaro Environmental Rehabilitation Trust asset	274	274		82	45	147
Richards Bay Coal Terminal (RBCT)	290	290				290
New Africa Mining Fund	2	2			2	
Igoda	25	25				25
Mafube	5	5				5
Ndzalama game reserve	6	6		6		
Long-term receivables	429	429		1		428
Trade and other receivables	1 884	1 884	1 884			
Derivative financial instruments	47	47	47			
Cash and cash equivalents	850	850	850			
	3 812	3 812	2 781	89	47	895
<i>Percentage profile (%)</i>	100	100	73	2	1	24
Financial liabilities						
Interest-bearing borrowings	1 089	1 089	69	96	525	399
Trade and other payables	1 353	1 353	1 353			
Shareholders for dividends						
	2 442	2 442	1 422	96	525	399
<i>Percentage profile (%)</i>	100	100	58	4	22	16
Derivative financial liabilities (included in the above)						
Interest rate swaps used for hedging						
Foreign exchange forward contracts used for hedging						
– Sell	143					
Other forward exchange contracts						
– Buy	91					

28. FINANCIAL INSTRUMENTS (continued)

28.5.3 LIQUIDITY RISK MANAGEMENT (continued)

	Carrying amount	Contractual cash flows	Maturity			
			0-12 months	1-2 years	2-5 years	More than 5 years
	Rm	Rm	Rm	Rm	Rm	Rm
Group						
2006						
Financial assets						
Exxaro Environmental Rehabilitation Trust asset	237	237		24	14	199
New Africa Mining fund	13	13				13
Richard Bay Coal Terminal (RBCT)	23	23				23
Igoda	25	25				25
Mafube	5	5				5
Ndzalama game reserve	6	6			6	
Mineral Deposits Limited	92	92				92
Long-term receivables	271	271		21	31	219
Other	21	21		21		
Trade and other receivables	1 652	1 652	1 652			
Derivative financial instruments	11	11	11			
Cash and cash equivalents	906	906	906			
	3 262	3 262	2 569	66	51	576
<i>Percentage profile (%)</i>	<i>100</i>	<i>100</i>	<i>79</i>	<i>2</i>	<i>1</i>	<i>18</i>
Financial liabilities						
Interest-bearing borrowings	1 584	1 584	619		406	559
Trade and other payables	1 317	1 317	1 317			
Derivative financial instruments	4	4	4			
Shareholders for dividends	4	4	4			
	2 909	2 909	1 944		406	559
<i>Percentage profile (%)</i>	<i>100</i>	<i>100</i>	<i>67</i>		<i>14</i>	<i>19</i>
Derivative financial liabilities (included in the above)						
Recognised transactions						
– Buy	74					
– Sell	102					
Forecast transactions						
– Buy	67					

notes to the annual financial statements continued

for the year ended 31 December 2007

28. FINANCIAL INSTRUMENTS (continued)

28.5.3 LIQUIDITY RISK MANAGEMENT (continued)

	Carrying amount Rm	Contractual cash flows Rm	Maturity			
			0-12 months Rm	1-2 years Rm	2-5 years Rm	More than 5 years Rm
Company						
2007						
Financial assets						
Exxaro Environmental Rehabilitation						
Trust asset	8	8			8	
Other	2	2			2	
Intercompany loan debits	450	450			369	81
Trade and other receivables	4 583	4 583	4 583			
Cash and cash equivalents	306	306	306			
	5 349	5 349	4 889		379	81
<i>Percentage profile (%)</i>	100	100	91		7	2
Financial liabilities						
Interest-bearing borrowings	505	505	55		369	81
Trade and other payables	327	327	327			
Shareholders for dividends						
	832	832	382		369	81
<i>Percentage profile (%)</i>	100	100	46		44	10
Derivative financial liabilities (included in the above)						
Forecasted transactions						
– Buy	2					
2006						
Financial assets						
Exxaro Environmental Rehabilitation						
Trust asset	8	8			8	
New Africa Mining fund	13	13			13	
Other	21	21			21	
Intercompany loan debits	405	405			243	162
Trade and other receivables	5 059	5 059	5 059			
Cash and cash equivalents	290	290	290			
	5 796	5 796	5 349		285	162
<i>Percentage profile (%)</i>	100	100	92		5	3
Financial liabilities						
Interest-bearing borrowings	1 024	1 024	619		243	162
Trade and other payables	646	646	646			
Shareholders for dividends						
	1 670	1 670	1 265		243	162
<i>Percentage profile (%)</i>	100	100	76		14	10
Derivative financial liabilities (included in the above)						
Other forward exchange contracts						
– outflow	7					

28. FINANCIAL INSTRUMENTS (continued)

28.5.4 CREDIT RISK MANAGEMENT

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

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

Trade receivables consist of a number of customers with whom Exxaro has long-standing relationships. A high portion of term supply arrangements exists with such clients resulting in limited credit exposure which exposure, where dictated by customer credit worthiness or country risk assessment, is further mitigated through a combination of confirmed letters of credit and credit risk insurance.

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

At the reporting date, the amount of change in the fair value of financial liabilities designated at fair value through profit or loss, attributable to credit risk is as follows:

	Group		Company	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Cumulative	6	—	—	—
Current financial year	6	—	—	—

Exposure to credit risk

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

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

notes to the annual financial statements continued

for the year ended 31 December 2007

28. FINANCIAL INSTRUMENTS (continued)

28.5.4 CREDIT RISK MANAGEMENT (continued)

Detail of the trade receivables credit risk exposure

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
By industry				
Manufacturing (including structural metal)	70	76		
Public utilities	19	21		
Other	11	3		
	100	100		
By geographical area				
South Africa	50	59		
Asia	4	6		
Europe	20	11		
USA	25	21		
Other	1	3		
	100	100		

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

	Group		Company	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
The carrying amount of the financial assets at reporting date was:				
Neither past due nor impaired	3 560	3 166	5 346	5 796
– trade and other receivables	1 632	1 556	4 580	5 059
– other financial assets	1 031	693	10	42
– intercompany loan debits			450	405
– derivative financial instruments	47	11		
– cash and cash equivalents	850	906	306	290
Past due or impaired	252	96	3	
– trade and other receivables	252	96	3	
Total financial assets	3 812	3 262	5 349	5 796

The group strives to enter into sales contracts with clients which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt, where applicable new payment terms may be arranged to ensure that the debt is fully recovered. Therefore the credit quality of the above assets deemed to be neither past due nor impaired is considered to be within industry norm.

There were no financial assets with re-negotiated terms during the 2007 or 2006 reporting periods.

28. FINANCIAL INSTRUMENTS (continued)

28.5.4 CREDIT RISK MANAGEMENT (continued)

Age analysis of financial assets

	Group		Company	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Past due but not impaired				
1 – 30 days overdue	190	67		
31 – 60 days overdue	16	14		
61 – 90 days overdue	18	17		
90+ days overdue	27	1		
Total carrying amount of financial instruments past due but not impaired	251	99		
Past due and impaired				
90+ days overdue	1	(3)	3	
Total carrying amount of financial instruments past due and impaired	1	(3)	3	
Total carrying amount of financial instruments past due or impaired	252	96	3	

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

No collateral was held by the Exxaro group as security and other enhancement over the financial assets during the years ended 31 December 2007 or 2006.

Loans and receivables designated at fair value through profit or loss

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

Collateral

The group may require collateral in respect of the credit risk on derivative transactions with a third party. The amount of credit risk is the positive fair value of the contract. Collateral may be in the form of cash or in the form of a lien over a debtor's assets, entitling the group to make a claim for current and future liabilities.

The group is also exposed to a situation where a third party may require collateral with respect to the transaction with that third party.

The carrying value of financial assets that may be re-pledged or re-sold by counterparties are as follows:

	Group		Company	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Cash and cash equivalents	11	2		

These transactions are conducted under terms that are usual and customary to standard lending and borrowing activities.

No financial assets were re-pledged during the year under review for collateral purposes.

Guarantees

The group did not during the period obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees.

There were no guarantees provided by banks to secure financing during the financial years ended 31 December 2007 or 2006.

28.5.5 OTHER PRICE RISKS

The group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The group does not actively trade these investments.

notes to the annual financial statements continued

for the year ended 31 December 2007

29. RELATED PARTY TRANSACTIONS

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are no less favourable than those arranged with third parties.

ASSOCIATES AND JOINT VENTURES

Details of investments in associates and joint ventures are disclosed in note 15 and annexure 2 whilst income is disclosed in note 15. There were no finance costs or expenses in respect of bad debts or doubtful debts incurred with regard to the joint ventures or the associates during the financial years ended 31 December 2007 or 2006.

Items of income and expense incurred during the year are as follows:	2007		2006	
	Joint ventures Rm	Associates Rm	Joint ventures Rm	Associates Rm
– group sales of goods	1	86		7
– group purchases of goods and services	3	205		78
The outstanding balances at year end are as follows:				
– included in trade and other receivables (refer note 19)		2		11
– included in trade and other payables (refer note 25)	16	6		31
– included in cash and cash equivalents (refer annexure 2)	337	184	394	
– included in financial assets (refer note 28 and annexure 2)	74			20

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

SUBSIDIARIES

Details of income from, and investments in subsidiaries are disclosed in notes 5 and 16 respectively, as well as in annexure 3.

Corporate service fee from subsidiaries

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

	2007 Rm	2006 Rm
Sishen Iron Ore Company (Pty) Limited		58
Exxaro Coal (Pty) Limited	94	57
Exxaro Base Metals (Pty) Limited	52	17
Exxaro Sands (Pty) Limited	41	15
	187	147

SPECIAL PURPOSE ENTITIES

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

Entity	Nature of business
Ferrosure (South Africa) Insurance Company Limited	Insurance captive
Exxaro Environmental Rehabilitation Fund	Trust fund for mine closure
Exxaro Employee Empowerment Participation Scheme Trust	Employee share incentive trust
Exxaro Foundation	Local social economic development ¹
Exxaro Chairman's Fund	Local social economic development ¹
Exxaro People Development Initiative	Local social economic development–bridging classes ¹
Kumba Resources Management Share Trust	Management share incentive trust
Merrill Lynch Insurance PCC Limited	Offshore insurance captive

¹Non-profit organisations.

29. RELATED PARTY TRANSACTIONS (continued)

DIRECTORS

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

SENIOR EMPLOYEES

Details relating to option and share transactions are disclosed in note 31.

KEY MANAGEMENT PERSONNEL

For Exxaro Resources Limited other than the executive and non-executive directors, no other key management personnel were identified. Refer to page 161 for details on directors' remuneration.

For the group, the directors of the major subsidiaries have been identified as being key management personnel. The major subsidiaries are considered to be the following:

Sishen Iron Ore Company (Pty) Limited¹
Exxaro Coal (Pty) Limited
Exxaro TSA Sands (Pty) Limited
Exxaro Sands (Pty) Limited
Exxaro Australia Sands Pty Limited
Exxaro Base Metals (Pty) Limited
Kumba International BV¹
Exxaro International BV

	2007 Rm	2006 Rm
Short-term employee benefits	59	43
Termination benefits	9	5
Share-based payments – related expense	4	23
Total compensation paid to key management personnel	72	71

¹ Major subsidiary until 31 October 2006.

ANGLO GROUP

For the period until 31 October 2006 Kumba Resources's majority shareholder and parent was Anglo American Capital Limited, with the ultimate controlling party being Anglo American plc. During 2006, Kumba Resources group purchased goods and services to the value of R295 million from, and sold goods to the value of R52 million to fellow subsidiaries of the Anglo group.

From 1 November 2006, Anglo American Capital Limited and its subsidiaries were no longer considered to be a related party.

There were no outstanding balances at either 31 December 2007 or 2006.

SHAREHOLDERS

The principal shareholders of the company at 31 December 2007 are detailed in the "Analysis of Shareholders" schedule on page 90 of the annual report.

CONTINGENT LIABILITIES

Details are disclosed in note 32.

notes to the annual financial statements continued

for the year ended 31 December 2007

30. SEGMENT REPORTING

	Iron ore		Coal		Mineral sands	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm
BUSINESS SEGMENTATION						
Segment revenue – continuing operations						
– Total revenue			5 087	2 882	2 172	1 859
– Inter-group revenue						
External revenue			5 087	2 882	2 172	1 859
Segment revenue discontinued operations						
Segment net operating profit/(loss) – continuing operations		6 483	885	599	(97)	(698)
Segment net operating profit – discontinued operations		3 098				
Depreciation and amortisation of intangible assets		226	384	208	296	303
Impairment charge and reversals			18			784
Excess over cost of acquisition of minority interest						(36)
Net surplus on disposal of investment		(1 571)				
Fair value adjustment on unbundling on subsidiary						
Other non-cash flow items not disclosed above		14	264	217	47	20
Cash inflow from operations		1 767	1 551	1 024	246	373
Cash generated by operations		3 286	1 577	804	304	235
Income/(loss) from equity accounted investments	746	118				
Capital expenditure		1 214	876	338	193	266
Segment assets and liabilities						
– Assets			4 171	2 905	660	644
– Investments in associates and joint ventures						
– Deferred tax assets			2		526	533
Total assets			4 173	2 905	1 186	1 177
– Liabilities			1 707	1 035	1 175	1 185
– Deferred tax liabilities			903	863	134	194
– Taxation			77	78		(4)
Total liabilities			2 687	1 976	1 309	1 375
Number of employees (number)			5 942	5 782	641	943

	Base metals		Industrial minerals		Other		Total	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm
	2 732	2 379	159	146	12	32	10 162	7 298
				(24)	(5)	(11)	(5)	(35)
	2 732	2 379	159	122	7	21	10 157	7 263
								6 483
	688	609	(3)	26	(29)	17 063	1 444	17 599
								3 098
	66	60	6	6	11	10	763	813
	(1)						17	784
								(36)
		(3)		20		1 515		(39)
						(17 963)		(17 963)
	5	14	2		7	687	325	952
	758	680	5	52	(11)	1 312	2 549	5 208
	521	348	7	24	(101)	371	2 308	5 068
	(18)	41					728	159
	170	116	15	5	42	71	1 296	2 010
	1 014	723	53	103	7 788	7 958	13 686	12 333
	116	161			641	223	757	384
	3	5	8		193	210	732	748
	1 133	889	61	103	8 622	8 391	15 175	13 465
	530	525	23	21	703	1 347	4 138	4 113
	22	43	9	7	9	9	1 077	1 116
	44	(21)		1	16	13	137	67
	596	547	32	29	728	1 369	5 352	5 296
	1 229	1 186	194	146	682	757	8 688	8 814

notes to the annual financial statements continued

for the year ended 31 December 2007

30. SEGMENT REPORTING (continued)

GEOGRAPHICAL SEGMENTATION

	Segment revenue – continuing operations	Segment revenue – continuing operations	Segment revenue – discontinued operations	Segment revenue – discontinued operations	Carrying amount of segment assets	Carrying amount of segment assets	Additions to property plant and equipment (accrued cash flow)	Additions to property plant and equipment (accrued cash flow)
	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm
– South Africa	7 156	4 828		788	13 527	10 523	1 073	1 796
– Africa	5	3			509	382	84	61
– Europe	996	559		1 919	22	18		
– Asia	397	384		3 776	136	113		
– Australia	9	8			225	1 631	139	153
– Other	1 594	1 481			24	50		
Total segment	10 157	7 263		6 483	14 443	12 717	1 296	2 010

Total segment revenue, which excludes value added tax and sales between group companies, represents the gross value of goods invoiced. Export revenue is recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred.

Total segment revenue further includes operating revenues directly and reasonably allocable to the segments.

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

Segment net operating profit equals segment revenue less segment expenses and includes impairment charges and goodwill amortisation.

Segment expenses represent direct or reasonably allocable operating expenses on a segment basis. Segment expenses exclude interest, losses on investments and income tax expenses, but include corporate costs.

Segment assets and liabilities include directly and reasonably allocable operating assets, investments in associates and joint ventures and liabilities.

31. EMPLOYEE BENEFITS

Retirement funds

Independent funds provide retirement and other benefits for all permanent employees, retired employees, and their dependants. At the end of the financial year, the main defined contribution retirement funds to which Exxaro was a participating employer, were as follows:

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

In compliance with the Pension Fund Act after the unbundling of Kumba Iron Ore Limited, Sishen Iron Ore Company employees were transferred to the newly created Kumba Iron Ore Selector Pension and Provident Fund during the current financial year after all regulatory approvals had been obtained.

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

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

31. EMPLOYEE BENEFITS (continued)

Defined contribution funds

Membership of each fund at 31 December 2007 and 31 December 2006 and employer contributions to each fund were as follows:

GROUP	Working members	Working members	Employer contributions	Employer contributions
	2007 Number	2006 ¹ Number	2007 Number	2006* Number
Exxaro Selector Funds	2 323	3 496	52	66
Iscor Employees' Provident Fund	3 402	5 699	28	33
Mine Workers' Provident Fund ²	1 914	1 696	14	2
Sentinel Mining Industry Retirement Fund ³	754	623	20	5
Other funds	924	811	30	20
	9 317	12 325	144	126

¹Contributions of Sishen Iron Ore Company (SIOC) employees is for the 10-months period to 31 October 2006, however membership numbers at 31 December 2006 still include SIOC members.

²Contributions for two months only in 2006, due to the acquisition of Eyesizwe Coal (Pty) Ltd effective 1 November 2006.

³Contributions in 2006 are for the former Kumba employees for the full year to December 2006 and Eyesizwe Coal employees for the two months to December 2006.

COMPANY	Working members	Working members	Employer contributions	Employer contributions
	2007 Number	2006 Number	2007 Number	2006 Number
Exxaro Selector Funds	611	576	18	18
Iscor Employees' Provident Fund	146	116	1	1
Sentinel Mining Industry Retirement Fund ³	23	8	1	
	780	700	20	19

³Contributions in 2006 are for the former Kumba employees for the full year to December 2006 and Eyesizwe Coal employees for the two months to December 2006.

Due to the nature of these funds the accrued liabilities by definition equate to the total assets under control of these funds.

Defined benefit funds

Exxaro previously disclosed its interest as a participating employer in the closed defined benefit funds namely the Mittal Steel South Africa Pension funds and Iscor Retirement Fund. Such interest was disclosed while final confirmation was awaited on either the approval by the Registrar of Pension Funds of the scheme for the apportionment of an existing surplus, or the permission to not submit a surplus apportionment scheme in terms of section 15B of the Act. Both such final confirmations have now been received.

Medical funds

The group and company contribute to defined benefit 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 amounted to R61 million (2006: R64 million). Exxaro has a post-retirement medical obligation to a limited number of in-service and retired employees belonging to two medical schemes for which an actuarially determined liability has been raised. Eyesizwe's contribution to the post-retirement medical aid obligation for the year ended 31 December 2007 amounted to R1 million (2006: R1 million)

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for the year ended 31 December 2007

31. EMPLOYEE BENEFITS (continued)

Equity compensation benefits

The shareholders of Kumba Resources approved on 2 November 2006 an empowerment transaction which in essence entailed the unbundling of Kumba's iron ore business. Kumba Iron Ore Limited (Kumba Iron Ore) which listed on 20 November 2006, owned 74% of Sishen Iron Ore Company (Pty) Limited (Sishen Iron Ore) in December 2006. Kumba Resources was renamed Exxaro Resources on 27 November 2006.

As Sishen Iron Ore Company was a wholly owned subsidiary of Kumba Resources before the unbundling of Kumba Iron Ore Limited, senior employees and directors of Sishen Iron Ore Company were eligible to participate in the Kumba Resources management share incentive plans.

In order to place, as far as possible, all participants in the Kumba Resources Management Share Option Scheme in the position they would have been in if they were shareholders of Kumba Resources at the time of the implementation of the empowerment transaction, the schemes continued in Exxaro and in Kumba Iron Ore, subject to certain amendments that were made to the Kumba Resources Management Share Option Plan.

Kumba Resources operated the Kumba Management Deferred Purchase Share Scheme and the Kumba Management Share Option Scheme for senior employees and executive directors of Kumba.

The Kumba Management Deferred Purchase Share Scheme consisted of a combination of an option scheme, a purchase scheme and a deferred purchase scheme and governed to maturity the share scheme rights and obligations of employees which were in existence at the time of transfer of the employees from Iscor to Kumba on unbundling of Kumba effective July 2001.

Participants of the Exxaro and Kumba Iron Ore Management Deferred Purchase schemes who have been granted deferred purchase shares received an Exxaro share and a Kumba Iron Ore share for every deferred purchase share held under the original purchase agreement.

The Kumba Management Share Option Scheme consisted of the granting of options in respect of ordinary Kumba shares, at market value, to eligible participants.

Shares and/or options held in terms of Exxaro Management Deferred Purchase Share Scheme are released in five equal tranches commencing on the second anniversary of an offer date and expire on the ninth anniversary of an offer date.

Options granted in terms of the Exxaro Management Share Option Scheme can be exercised over five years commencing on the first anniversary of the offer date. If the options are accepted by participants, the vesting periods, unless decided otherwise by the directors, are as follows:

- 10% after first anniversary of offer date;
- additional 20% after second anniversary of offer date;
- additional 20% after third anniversary of offer date;
- additional 25% after fourth anniversary of offer date;
- additional 25% after fifth anniversary of offer date;

The options not exercised lapse by the seventh anniversary of the offer date.

Participants of the Exxaro and Kumba Iron Ore Management Share Option schemes exchanged each of their Kumba Resources options for an Exxaro option and a Kumba Iron Ore option. The strike price of each Kumba Resources option was apportioned between the Exxaro option and the Kumba Iron Ore option with reference to the volume weighted average price (VWAP) at which Exxaro and Kumba Iron Ore traded for the first 22 days post the implementation of the empowerment transaction. The VWAP was calculated as 32,81% for Exxaro and 67,19% for Kumba Iron Ore.

The Exxaro employees' options in the Exxaro Management Share Option schemes are released on the dates that the original options would have vested.

Their options relating to Kumba Iron Ore are released on the earlier of:

- the date that the original options would have vested; or
- 24 months from the date of unbundling.

The Kumba Iron Ore options held by Exxaro employees lapse 42 months after the date of unbundling.

The same periods apply to Kumba Iron Ore employees' options in Exxaro.

31. EMPLOYEE BENEFITS (continued)

According to the rules of the Long-term Incentive Plan (LTIP) executive directors and senior employees of Exxaro Resources and its subsidiaries are awarded rights to a number of ordinary Exxaro shares. The vesting of the LTIP awards are conditional upon the achievement of group performance levels (established by the Transformation, Remuneration, Human Resources and Nomination committee of the Board) over a performance period of three years. The extent to which the performance conditions are met governs the number of shares that vest. The performance conditions set for the initial grant were as follows:

- the total shareholder return (TSR) condition: the Exxaro TSR will be compared to the TSR of a peer group over the three-year performance period, averaged over a six-month period. The peer group comprises of at least 16 members.
- the return on capital employed (ROCE) condition: the ROCE measure is a return on capital employed measure with a number of adjustments.

Targets are set by the committee based on existing ROCE performance in the base year of an LTIP and planned ROCE performance in the final year of the LTIP performance period.

Kumba, at its election, would have settled the conditional awards by issuing new shares or by instructing any third party to acquire and deliver the shares to the participants. Kumba however, elected to collapse the scheme before the implementation of the empowerment transaction, since it would have been difficult to firstly measure the performance post the unbundling and also to take into account that employees of both Exxaro and Kumba Iron Ore needed to be compensated for accrued/vested benefits up to the date of the unbundling.

The extent to which the conditions were satisfied up to the date of the unbundling, determined the number of shares deemed to vest for each participant. The cash settlement amount payable to each participant was determined by multiplying the number of shares deemed to vest in each participant by the 30-day VWAP of Kumba Resources shares as at the last practicable date prior to the posting of the transaction documentation to Kumba shareholders.

According to the Deferred Bonus Plan (DBP) rules, executive directors and senior employees of Kumba and its subsidiaries had the opportunity to acquire shares (pledged shares) on the open market with 50% of the after tax component of their annual bonus. After the pledged shares have been acquired, the shares are held by an escrow agent for the absolute benefit of the participant for a pledge period of three years.

A participant may at its election dispose of and withdraw the pledged shares from escrow at any stage. However, if the pledged shares are withdrawn from escrow, before the expiry of the pledge period, the participant forfeits the matching award. The participant will qualify for a matching award at the end of the pledge period on condition that the participant is still employed and the pledged shares are still in escrow. The matching award entitles a participant to a number of shares equal in value to the pledged shares. Upon vesting, the pledged shares and the matching award are transferred and released to the participant and rank *pari passu* in all respects with the existing issued shares of Exxaro.

The company may settle the matching award by issuing new shares or alternatively, instruct any third party to acquire and deliver the shares to the participant. The scheme was also collapsed before the implementation of the empowerment transaction. Participants received 6 012 matching shares in total.

After the collapse of Kumba's LTIP and DBP schemes, Exxaro Resources awarded and will in future award rights in accordance to the rules of the new schemes.

As a result of restrictions related to the empowerment transaction of Kumba Resources, certain executives and senior managers who participated in the Kumba Resources Management Share Option Scheme were not able to receive certain grants of options which would normally have been made in the ordinary course of operations. The Human Resources and Remuneration Committee of Kumba consequently awarded "phantom options" to the affected participants within the following framework:

- awards of "phantom options" were made, with the grant price, vesting dates, and lapse periods set to be the same as those of the options awardable;
- on exercise, the participants are paid (in cash) the difference between the market price (volume weighted average price on the day preceding exercise) and the grant price;
- all other rules and arrangements in respect of the amended Kumba Resources Management Share Option Scheme were replicated for the Kumba Resources Phantom Share Option Scheme;
- the Kumba Resources Phantom Share Option Scheme was replicated for Kumba Iron Ore;
- Exxaro and Kumba Iron Ore entered into an agreement that facilitates the settlement of obligations towards participants of the Phantom Option Schemes.

Accounting costs for Exxaro and Kumba Iron Ore Phantom Option Schemes require recognition under IFRS 2 *Share-based Payment* using the treatment for cash-settled share-based payments. This treatment is more volatile than that of the conventional (equity-settled) scheme and the liability will require marking to market at each reporting period. Under the above scheme 98 140 shares are outstanding at 2007 and 2006.

notes to the annual financial statements continued

for the year ended 31 December 2007

31. EMPLOYEE BENEFITS (continued)

Exxaro made the first annual grant in the Share Appreciation Right Scheme (SARS) to participants in 2007, as well as new appointments. Under the rules of the scheme, participants obtain the right to receive a number of Exxaro shares to the value of the difference between the exercise price and the grant (or offer) price.

The performance period's first review is on 1 March 2010 when the rights will vest if Exxaro's headline earnings per share (HEPS) increased by a minimum of CPI plus six percent in the three years. In 2011 and 2012 the minimum increase in HEPS to achieve is CPI plus eight percent and CPI plus 10% respectively. The committee has the discretion to determine the settlement method, being shares or cash.

Exxaro also created an Employee Empowerment Participation Scheme (MPOWER) whereby employees in junior levels are given the opportunity to share in the growth of the company. Employees are awarded share units which entitle them to dividends of Exxaro in the five-year period ending November 2011. By the end of the five-year period or capital appreciation period, the units that employee beneficiaries hold in the Trust, will be sold. The capital distribution is the profit that is made on the share units after it is sold, and the outstanding loan (used to buy the shares) to Exxaro is settled.

Exxaro will be limited to issuing a maximum of 30 million shares, which amounts to approximately 10% of the number of issued shares as at the date of the general meeting where approval was given. Notwithstanding the foregoing, Exxaro may on instruction of the Exxaro board and the Transformation, Remuneration, Human Resources and Nomination Committee, and as a fallback provision only, pay any Exxaro employee participating in the share incentive plans an equivalent amount in cash in lieu of any Exxaro shares.

The maximum number of Exxaro shares to which any one eligible participant is entitled in total in respect of all schemes albeit by the way of an allotment and issue of Exxaro shares and/or the grant of options shall not exceed one percent of the shares then in issue in the share capital of Exxaro.

As at 31 December 2007, the maximum number of shares approved and allocated by shareholders for the purposes of the schemes (30 million) represent 8,5% of the issued shares. Of the total of 30 million shares, 21,1 million shares are available in the share scheme for future offers to participants, while 8,9 million shares (2,5% of the issued shares) are allocated as options, LTIP, DBP, deferred purchase shares, or SARS to participants.

Details are as follows:

	Million
Number of shares approved by shareholders	30,0
Options, LTIP, DBP, Deferred purchase instruments and SARS held by Exxaro employees/participants	(7,0)
Options and Deferred purchase instruments held by Kumba Iron Ore employees/participants	(1,9)
	21,1

At 31 December 2007 the company's loan from the Kumba Resources Management Share Trust amounted to R67 142 835 (2006: R96 741 038). The loan is interest free and has no fixed repayment terms. This amount is reflected as an inter company loan in the company's accounts and eliminated at group level.

The market value of the shares available for utilisation at the end of the year amounted to R2 188 055 019 (2006: R1 605 933 336).

Details of the schemes and plans are:

	Options			
	Exxaro employees		Kumba Iron Ore employees	
	December 2007 '000	December 2006 '000	December 2007 '000	December 2006 '000
Outstanding at beginning of year	6 451	13 923	2 258	
Issued		2 632		
Transferred to Kumba Iron Ore ¹	(333)	(2 264)	333	2 264
Transferred from Kumba Iron Ore ²	102		(102)	
Adjustments	10		9	
Exercised	(1 044)	(7 432)	(569)	(6)
Lapsed/cancelled ³	(116)	(408)	(60)	
Outstanding at end of year	5 070	6 451	1 869	2 258

¹Exercise price range for transferred to Kumba Iron Ore: R8,48 – R42,32 (2006: R7,85 – R97,74).

²Exercise price range for transferred from Kumba Iron Ore: R8,48 – R33,47 (2006: R0).

³Exercise price range for lapsed/cancelled options: R8,48 – R60,60 (2006: R14,09 – R102,00).

31. EMPLOYEE BENEFITS (continued)

	Deferred Purchase			
	Exxaro employees		Kumba Iron Ore employees	
	December 2007	December 2006	December 2007	December 2006
Outstanding at beginning of year	6 560	96 520	820	
Transferred to Kumba Iron Ore		(820)		820
Exercised	(1 360)	(89 140)	(420)	
Outstanding at end of year	5 200	6 560	400	820

	Deferred Bonus Plan		Long-term Incentive Plan ¹	
	December 2007 '000	December 2006 '000	December 2007 '000	December 2006 '000
Outstanding at beginning of year		1		216
Issued	2	4	491	14
Exercised		(5)		(217)
Lapsed/cancelled ⁴			(10)	(13)
Outstanding at end of year	2		481	

¹There is no amount payable by participants on vesting. They will be awarded rights to ordinary shares in the company.

	Phantom scheme		SARS	
	December 2007 '000	December 2006 '000	December 2007 '000	December 2006 '000
Outstanding at beginning of year	98			
Issued		217	1,453	
Exercised		(119)		
Lapsed/cancelled			(31)	
Outstanding at end of year	98	98	1,422	

	Options		Long-term Incentive Plan	
	December 2007	December 2006	December 2007	December 2006
Details of issues during the period are as follows:				
Expiry date		2010/2013	2009	2010/2013
Exercise price (Share price range) (R)		58,20 –145,47	60,60 - 72,84	62,74 –144,39
Total proceeds if options are immediately exercised/deferred purchase shares immediately paid (R million)		295,6	29,9	1,5

	Deferred Bonus Plan		Deferred Purchase	
	December 2007	December 2006	December 2007	December 2006
Expiry date	2009	2010/2013		
Exercise price (Share price range) (R)	86,45	125,06 –128,15		
Total proceeds if options are immediately exercised/deferred purchase shares immediately paid (R million)	0,2	0,5		

	Phantom scheme		SARS	
	December 2007	December 2006	December 2007	December 2006
Expiry date		2012	2014	
Exercise price per share (Share price range) (R)		56,00 –100,10	58,33 – 87,22	
Total proceeds if options are immediately exercised/deferred purchase shares immediately paid (R million)			88,4	

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31. EMPLOYEE BENEFITS (continued)

Details of options/deferred purchase shares exercised during the year are as follows:

	Options		Long-term Incentive Plan	
	December 2007	December 2006	December 2007	December 2006
Exercise price per share (Share price range) (R)				
– Kumba Resources employees (pre-unbundling)		100,80 – 159,00		131,45
– Exxaro employees in Exxaro (post-unbundling)	51,74 – 110,00	54,40 – 55,00		
– Exxaro employees in Kumba Iron Ore (post-unbundling)	109,90 – 300,00	108,80 – 111,00		
– Kumba Iron Ore employees in Exxaro (post-unbundling)	53,15 – 108,03	54,50 – 54,99		
Total proceeds if shares are issued (R million)	325,1	791,8		34,0
	Deferred Bonus Plan		Deferred Purchase	
	December 2007	December 2006	December 2007	December 2006
Exercise price per share (Share price range) (R)			65,00	54,40 – 159,00
Total proceeds if shares are issued (R million)			0,1	8,6
	Phantom scheme		SARS	
	December 2007	December 2006	December 2007	December 2006
Exercise price per share (Share price range) (R)		56,00 – 64,80		

Terms of the options and deferred purchase shares outstanding at 31 December 2007 are as follows:

Share options held by Exxaro employees in Exxaro:

	Expiry date	Options		Long-term Incentive Plan	
		Exercise price R	Outstanding '000	Exercise price R	Outstanding '000
	2008	8,48 – 20,34	697		
	2009	9,48 – 20,34	409	60,60 – 72,84	481
	2010	7,52 – 19,62	194		
	2011	11,09 – 14,78	941		
	2012	13,72 – 32,84	1 378		
	2013	33,47 – 47,73	1 451		
TOTAL			5 070		481
Total proceeds if shares are issued (R million)			112,7		29,6
	Expiry date	Deferred Bonus Plan		Deferred Purchase	
		Exercise price R	Outstanding '000	Exercise price R	Outstanding
	2009		2	6,97 – 9,17	4,000
	2010			18,36 – 23,26	1,200
TOTAL			2		5,200
Total proceeds if shares are issued (R million)			0,2		0,1

31. **EMPLOYEE BENEFITS** (continued)

Share options held by Exxaro employees in Exxaro: (continued)

Expiry date	SARS		Phantom scheme	
	Exercise price R	Outstanding '000	Exercise price R	Outstanding '000
2012			59,80 – 100,10	98
2014	58,33 – 87,22	1 422		
TOTAL		1 422		98
Total proceeds if shares are issued (R million)		87,9		

Share options held by Exxaro employees in Kumba Iron Ore:

Expiry date	Options	
	Exercise price R	Outstanding '000
2008	17,37 – 41,66	517
2009	19,42 – 41,66	338
2010	11,11 – 97,74	3 877
TOTAL		4 732
Total proceeds if shares are issued (R million)		222,4

Share options held by Kumba Iron Ore employees in Exxaro:

Expiry date	Options		Deferred Purchase	
	Exercise price R	Outstanding '000	Exercise price R	Outstanding
2008	8,48 – 19,93	159		
2009	3,84 – 16,11	207		
2010	6,91 – 47,73	1 503	21,06	400
TOTAL		1 869		400
Total proceeds if shares are issued (R million)		42,4		

notes to the annual financial statements continued

for the year ended 31 December 2007

31. EMPLOYEE BENEFITS (continued)

The exercise prices of the options held by Exxaro employees in Exxaro and Kumba Iron Ore respectively at 31 December 2007, have been recalculated with reference to the VWAP split of 32,81% for Exxaro and 67,19% for Kumba Iron Ore. The last date for exercising these options is 2 May 2010.

Terms of the options and deferred purchase shares outstanding at 31 December 2006 are as follows:

Share options held by Exxaro employees in Exxaro:

Expiry date	Options		Deferred Purchase	
	Exercise price R	Outstanding '000	Exercise price R	Outstanding
2007	3,86	29		
2008	5,67 – 9,20	1 025	17,31	1 360
2009	9,48 – 15,49	624	6,97 – 9,17	4 000
2010	4,49 – 12,31	287	18,36 – 23,26	1 200
2011	11,09 – 15,50	1 287		
2012	13,72 – 32,84	1 641		
2013	33,47 – 47,73	1 558		
TOTAL		6 451		6 560
Total proceeds if shares are issued (R million)		138,1		0,1

Expiry date	Phantom scheme	
	Exercise price R	Outstanding '000
2012	59,80 – 100,10	98
TOTAL		98
Total proceeds if shares are issued (R million)		

Share options held by Exxaro employees in Kumba Iron Ore:

Expiry date	Options	
	Exercise price R	Outstanding '000
2007	7,89	29
2008	17,37 – 41,66	1 006
2009	6,97 – 41,66	609
2010	7,80 – 97,74	4 834
TOTAL		6 478
Total proceeds if shares are issued (R million)		273

Share options held by Kumba Iron Ore employees in Exxaro:

Expiry date	Options		Deferred Purchase	
	Exercise price R	Outstanding '000	Exercise price R	Outstanding
2007	3,86	10		
2008	8,48 – 9,20	424		
2009	3,84 – 16,11	265		
2010	6,91 – 47,73	1 559	21,06 – 23,06	820
TOTAL		2 258		820
Total proceeds if shares are issued (R million)		47,7		

31. EMPLOYEE BENEFITS (continued)

Share options held by Kumba Iron Ore employees in Exxaro:

	Options		Deferred Purchase	
	December 2007	December 2006	December 2007	December 2006
Details of options vested but not sold during the year are as follows:				
Kumba Resources employees (pre-unbundling)				
Number of shares		2 395 280		6 370
Exercise price (Share price range) (R)		6,97 – 145,47		9,70 – 18,36
Exxaro employees in Exxaro (post-unbundling)				
Number of shares	1 559 130	1 665 160		
Exercise price (Share price range) (R)	3,86 – 47,73	3,86 – 33,47		
Exxaro employees in Kumba Iron Ore (post-unbundling)				
Number of shares	1 221 160	1 623 730		
Exercise price (Share price range) (R)	15,38 – 97,74	7,89 – 67,26		
Kumba Iron Ore employees in Exxaro (post-unbundling)				
Number of shares	570,070	667,260		
Exercise price (Share price range) (R)	3,84 – 47,73	3,84 – 32,84		

	Options '000	Long-term Incentive Plan '000	Deferred Bonus Plan '000	Deferred Purchase '000	SARS '000	Total '000
Exxaro shares/options only						
Number of shares vesting at beginning of year	8 710			7		8 717
– Exxaro employees in Exxaro	6 451			7		6 458
– Kumba Iron Ore employees in Exxaro	2 259					2 259
Net change during year	(1 771)	481	2	(2)	1 422	132
Number of shares vesting at end of year	6 939	481	2	5	1 422	8 849
– Exxaro employees in Exxaro	5 070	481	2	5	1 422	6 980
– Kumba Iron Ore employees in Exxaro	1 869					1 869

Directors' interests in shares

For details refer to the report of the directors.

notes to the annual financial statements continued

for the year ended 31 December 2007

31. EMPLOYEE BENEFITS (continued)

Fair value of equity-settled share-based payment transactions with employees

The group applies IFRS 2 to grants of shares, share options or other equity instruments that are granted.

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

The group applied the transitional provisions of IFRS 2 and applied the principles to grants that were granted after 7 November 2002.

Kumba Resources listed on 26 November 2001 and the volatility of its share price since then has been used to determine the calculations.

The changes to the schemes brought about by the empowerment transaction were treated as a modification. The services received were measured at the grant date fair value of the original equity instruments granted. Any incremental increase in the fair value of the equity instruments granted is recognised over the revised vesting period.

The fair value of the options issued under the Management Share Option Scheme was determined immediately before and after the modification using the Black-Scholes option pricing model.

The weighted average incremental fair value granted per option at the original strike price as a result of the modification amounted to R12,55 while the incremental fair value for a re-priced option amounted to R14,93.

As discussed above, the LTIP and DBP have been collapsed before the implementation of the empowerment transaction. 415 884 shares were granted and settled in cash in terms of the rules of the scheme and approved by the Transformation, Remuneration, Human Resources and Nomination Committee of the board.

A volume weighted average price of R131,45 per share was used and the total amount paid out amounted to R34 million.

	2007		Before unbundling	2006	
	Exxaro	Kumba Iron Ore		Exxaro	Kumba Iron Ore
The Black-Scholes methodology is used to calculate the fair value of options granted to employees.					
The inputs to the model are as follows:					
Share price (R)	49	110,00	142,00	49	110,00
Weighted average exercise price range – original strike price (R)	34,76	71,18	105,94	34,76	71,18
– re-priced strike price (R)	13	26,86	39,98	13	26,86
Annualised expected volatility (%)	37,90	37,90	37,90	37,90	37,90
Option life (years) (weighted average)	3,11	3,08	3,10	3,11	3,08
Dividend yield (%)	4	4	4	4	4
Risk-free interest rate (%) (weighted average)	8,26	8,26	8,26	8,26	8,26
Expected employee attrition (%)	6,69	6,69	9,42	9,42	9,42

The Black-Scholes methodology is used to calculate the fair value of Share Appreciation Rights (SARs) granted to employees.

	SARs vesting	SARs vesting	SARs vesting
	in 3 years	in 4 years	in 5 years
The inputs to the model are as follows:			
Share price (R)	61,24	61,24	61,24
Weighted average exercise price range (R)	60,60	60,60	60,60
Annualised expected volatility (%)	36,78	36,78	36,78
Option life (years) (weighted average)	5	5,5	6
Dividend yield (%)	2,98	3,13	3,08
Risk-free interest rate (%) (weighted average)	7,70	7,64	7,64
Expected employee attrition (%)	6,69	6,69	6,69

31. EMPLOYEE BENEFITS (continued)

Fair value of equity-settled share-based payment transactions with employees

The Monte Carlo valuation methodology is used to calculate the fair value of LTIP, DBP and MPOWER grants to employees.

The inputs to the LTIP model for 2007 are as follows:

Date of grant	28/2/2007
Share price at grant date (R)	61,24
Risk-free rate (%)	7,68
Dividend yield (%)	2,63
Expected volatility (%)	34,88
Time to vesting	three years from date of grant
Expected employee attrition (%)	5,54

The inputs to the DBP model for 2007 are as follows:

Date of grant	28/2/2007
Share price at grant date (R)	86,45
Risk-free rate (%)	8,50
Dividend yield (%)	3,15
Time to vesting	three years from date of grant
Expected employee attrition (%)	4,45

The inputs to the MPower model for 2007 are as follows:

Date of grant	31/1/2007
Share price at grant date (R)	71,00
Risk-free rate (%)	8,20
Dividend yield (%)	3,00
Expected volatility (%)	37,0
Vest date	28/11/2011
Vesting probability (%)	100,0

The inputs to the Phantom scheme for 2007 are as follows:

Date of grant	22/4/2005 – 1/12/2005
Share price at grant date (R)	18,37 – 32,84
Risk-free rate (%)	8,54 – 8,70
Dividend yield (%)	4,12
Expected volatility (%)	34,24
Time to vesting	Mainly over five years in tranches
Vesting probability (%)	100,0

notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
32. CONTINGENT LIABILITIES				
Contingent liabilities at balance sheet date, not otherwise provided for in these annual financial statements, arising from:				
– guarantees in the normal course of business from which it is anticipated that no material liabilities will arise	165	83	1	1
– other ¹	36	17		

¹Includes the group's share of contingent liabilities of associates and joint ventures of R22 million (2006: R5 million).

These contingent liabilities have no tax impact.

The timing and occurrence of any possible outflows are uncertain.

33. COMMITMENTS

Capital commitments at balance sheet date

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Capital expenditure contracted for plant and equipment	450	842	33	60
Capital expenditure authorised for plant and equipment but not contracted	1 278	732	24	5
The above includes the group's share of capital commitments of associates and joint ventures.	157	521		
Capital expenditure will be financed from available cash resources, funds generated from operations and available borrowing capacity.				
Capital expenditure contracted relating to captive mines Tshikondeni, Arnot and Matla, which will be financed by ArcelorMittal (SA) Limited and Eskom respectively.	72	8		

33. COMMITMENTS (continued)

Capital commitments at balance sheet date (continued)

A trust known as The New Africa Mining Fund was established during 2003 to make portfolio investments in junior mining projects within the Republic of South Africa and elsewhere on the continent of Africa. Exxaro Resources, as an investor participant to the fund, has committed to contribute R20 million towards the fund. The Fund Manager can draw down this balance or any portion as and when required, by serving a 10-day notice to Exxaro. The commitment period commenced on 1 March 2003 and expires on 28 February 2009. Exxaro has contributed R9 million towards the fund since March 2003. The fair value of the trust fund on 31 December 2006 was R12,9 million. During 2007 the New Africa Mining Fund distributed R12 million back to Exxaro, the book value of the investment in the fund at 31 December 2007 is R1,8 million. On 19 January 2007 Exxaro announced that, pursuant to the empowerment transaction, it had exercised the options to acquire the Namakwa Sands mineral sands operation and a 26% interest in a company to be formed to hold the Black Mountain lead-zinc mine and the Gamsberg zinc project. Shareholders approval for the acquisition have since been obtained with assumption of operational control now only subject to conversion of mining rights and cession thereof to Exxaro. The value of the transaction is estimated at R2 353 million.

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– less than one year	70	54	46	37
– more than one year and less than five years	48	64	8	43
– more than five years	8	6		
Total	126	124	54	80
Included in above operating lease commitments is an operating lease commitment relating to a building, which terminates in 2008.				
Various options are available to both the lessor and lessee on mutual agreement on termination of the operating lease.				
Exxaro received R20 million from Sishen Iron Ore Company as part of their commitment to the building lease which has been terminated.				
This is included in operating sublease rentals received.				
Operating sublease				
Non-cancellable operating lease rentals are receivable as follows:				
– less than one year	1	2		
– more than one year and less than five years		5		
– more than five years		3		
Total	1	10		

annexure 1

non-current interest-bearing borrowings

	Final repayment date	Rate of interest per year (payable half-yearly)		Rate of interest per year (payable half-yearly)		GROUP		COMPANY	
		2007		2006		2007 Rm	2006 Rm	2007 Rm	2006 Rm
		Fixed %	Floating %	Fixed %	Floating %				
LOCAL									
Unsecured loans									
	2009		6,890			151			
	2012		12,360			300		300	
	2013		12,460		10,200	150	405	150	405
	2016		12,300		10,020	80	25		
						681	430	450	405
LOCAL									
Secured loan									
	2008				10,520		10		
	2011	12,130		12,130		3	4		
	2011	17,490		17,490		2	2		
	2012	11,420		11,420		1	2		
	2013			19,840			4		
	2013	13,540		13,540		11	12		
	2025	8,330		8,330		25	26		
	2026	10,710		10,710		13	13		
	2031	22,200		22,200		81	78		
	2032	32,930		32,930		106	96		
						242	247		

	Final repayment date	Rate of interest per year (payable half-yearly)		Rate of interest per year (payable half-yearly)		GROUP		COMPANY	
		2007		2006		2007	2006	2007	2006
		Fixed %	Floating %	Fixed %	Floating %	Rm	Rm	Rm	Rm
FOREIGN									
Unsecured loans (US\$)									
	2016	6,640		6,640	7,440	¹² 408	535		
						408	535		
FOREIGN									
Secured loan (AU\$)									
	2010	7,850		7,850		¹³ 2	2		
						2	2		
Total non-current interest-bearing borrowings (refer note 22)						1 333	1 214	450	405

¹ The interest is based on US PPI and is settled in rands based on the US\$/ZAR exchange rate. The PPI NACS on 31 December 2007 was 6,89%.

² Finance lease agreement in respect of machinery and equipment with a book value of nil (2006: R4 million).

Finance leases recognised due to IFRIC 4 Determining whether an Agreement contains a Lease:

³ Finance lease agreement between Exxaro Sands (Pty) Limited and Mhlathuze Water in respect of a plant with a book value of R2 million (2006: R3 million).

⁴ Finance lease agreement between FerroAlloys (Pty) Limited and African Oxygen Limited (Afrox) in respect of machinery and equipment with a book value of nil (2006: R1 million).

⁵ Finance lease agreement between Exxaro Sands (Pty) Limited and Eskom in respect of buildings with a book value of R1 million (2006: R1 million).

⁶ Finance lease agreement between Exxaro Base Metals (Pty) Limited and Thuthuka Project Managers in respect of plant with a book value of nil (2006: R3 million).

⁷ Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Air Products in respect of plant with a book value of R8 million (2006: R9 million).

⁸ Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Mhlathuze Water in respect of plant with a book value of R23 million (2006: R24 million).

⁹ Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Eskom in respect of buildings with a book value of R14 million (2006: R15 million).

¹⁰ Finance lease agreement between Exxaro Sands (Pty) Limited and Kusasa Bulk Terminals (Phase 1) in respect of plant with a book value of R47 million (2006: R49 million).

¹¹ Finance lease agreement between Exxaro Sands (Pty) Limited and Kusasa Bulk Terminals (Phase 2) in respect of plant with a book value of R51 million (2006: R53 million).

¹² US\$60 million senior notes issued by Tigor Finance (A.C.T.) Pty Limited, an entity controlled by Exxaro Australia Sands (Pty) Limited, and a syndicated loan facility of US\$60 million, of which US\$17 million was drawn on 31 December 2007.

¹³ Finance lease agreements in respect of computer equipment with a book value of R1 million (2006: R2 million).

annexure 2

investments in associates, joint ventures and other investments

	Nature of business ¹	Country of incorporation ²	Number of shares held	Percentage holding	2006 %	Group carrying amount	Company carrying amount		2006 Rm
				2007 %		2007 Rm	2007 Rm		
ASSOCIATED COMPANIES									
Unlisted									
Chifeng Kumba Hongye Zinc Corporation Limited	A & M	CH	58 520 000	38,00	38,00	95	124		
Chifeng NFC Kumba Hongye Zinc Corporation Limited	A & M	CH	42 500 000	25,00	25,00	21	37		
Sishen Iron Ore Company (Pty) Limited	A	RSA	240 000 000	20,00	20,00	641	223		
Total associated companies (refer note 15)						757	384		
JOINT VENTURES									
Incorporated									
Unlisted									
RoshSkor Township (Pty) Limited	C	NAM	50	50,00	50,00				
South Dunes Coal Terminal Co. (Pty) Limited	A	RSA	1 333	33,33	33,33				
Thakweneng Mineral Resources (Pty) Limited	E	RSA	1	50,00	50,00				
Unincorporated									
Moranbah Coal Project	A			50,00					
Tiwest	A			50,00	50,00				
INVESTMENT COMPANIES									
Listed									
Mineral Deposits Limited	A	AUS	11 299 435		3,78		92		
Unlisted									
Other						328	93	2	34
Total other investments (refer note 17)						328	185	2	34
TOTAL INVESTMENTS						1 085	569	2	34
The investments are valued at balance sheet date. Listed shares are valued at market value and unlisted shares at directors' value.									
Unlisted investments in associates									
– directors' valuation						9 110	4 812		
Listed other investments									
– market value							92		
Unlisted other investments									
– directors' valuation						328	93		

¹A – Mining, C – Service, E – Exploration, M – Manufacturing.

²RSA – Republic of South Africa, CH – People's Republic of China, HK – Hong Kong, NAM – Namibia, AUS – Australia

annexure 2

investments in associates, joint ventures and other investments (continued)

The group's effective share of balance sheet, income statement and cash flow items in respect of associated companies and joint ventures is as follows:

	Associated companies		Joint ventures	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
INCOME STATEMENTS				
Revenue	2 935	1 072	1 192	1 082
Operating expenses	(1 749)	(890)	(1 112)	(904)
NET OPERATING PROFIT	1 186	182	80	178
Net financing (costs)/income	(68)	(9)	6	10
PROFIT BEFORE TAXATION	1 118	173	86	188
Taxation	(356)	(47)	1	(1)
PROFIT AFTER TAXATION	762	126	87	187
NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	762	126	87	187
BALANCE SHEETS				
Non-current assets	1 333	907	1 643	1 473
Current assets	898	840	1 120	1 092
TOTAL ASSETS	2 231	1 747	2 763	2 565
Equity and liabilities				
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT	757	377	2 324	2 215
Non-current liabilities				
Interest-bearing borrowings	241	594	81	26
Non-current provisions	63	31	152	132
Deferred taxation and other	315	132	16	16
Current liabilities				
Interest-bearing borrowings	537	269	1	1
Other	318	344	189	175
TOTAL EQUITY AND LIABILITIES	2 231	1 747	2 763	2 565
CASH FLOW STATEMENTS				
Net cash flows from operating activities	498	(587)	258	235
Net cash flows from investing activities	(482)	(104)	(204)	(18)
Net cash flows from financing activities	(44)	861	(89)	(209)
Foreign currency translations	(15)	(13)	(31)	(11)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(43)	157	(66)	(3)

annexure 3

investment in subsidiaries¹

	Country of incorporation ²	Nature of business ³	Issued capital-unlisted ordinary shares	Interest of company				
				R	Investment in shares		Indebtedness	
					2007 R	2006 R	2007 Rm	2006 Rm
DIRECT INVESTMENTS								
AlloyStream (Pty) Limited	RSA	M	1	1	1			
AlloyStream Holdings (Pty) Limited ⁴	RSA	H	1	746 163		10		
Clipeus Investment Holdings (Pty) Limited	RSA	H	1	1	1			
Colonna Properties (Pty) Limited	RSA	B	200	2 518 966	2 518 966			
Cullinan Refractories Limited	RSA	A	1 000	1 000	1 000			
Exxaro Base Metals and Industrial Minerals Holdings (Pty) Limited	RSA	H	1	1	1			
Exxaro Base Metals (Pty) Limited	RSA	M	5 500 000	247 712 500	247 712 500	222	191	
Exxaro Chairman's Fund	RSA	T						
Exxaro Coal (Pty) Limited	RSA	A	1	1 000	1 000	1 783	1 823	
Exxaro Employee Empowerment Participation Scheme Trust	RSA	T						
Exxaro Environmental Rehabilitation Fund	RSA	T						
Exxaro FerroAlloys (Pty) Limited	RSA	M	1	1	1	(7)	(2)	
Exxaro Foundation	RSA	T						
Exxaro Holdings (BVI) SA ⁵	BVI & RSA	H	566 827	459 517 297	12 161 942	5		
Exxaro People Development Initiative	RSA	E						
Exxaro Properties (Groenkloof) (Pty) Limited	RSA	B	1	1	1		(2)	
Exxaro Properties (Kloofzicht) (Pty) Limited	RSA	B	1	1	1			
Exxaro Properties (Princess Grant) (Pty) Limited	RSA	B	1	1	1			
Exxaro TSA Sands (Pty) Limited	RSA	M	510	510	510	2 205	2 154	
Exxaro Sands (Pty) Limited	RSA	A	200	6 003 355	6 003 355	710	845	
Ferroland Grondtrust (Pty) Limited	RSA	D	2	2	2			
Ferrosure (South Africa) Insurance Company Limited	RSA	I			10			
Glen Douglas Dolomite (Pty) Limited	RSA	A	10 000	10 000	10 000	4	(32)	
Kumba Base Metals Namibia (Pty) Limited	NAM	C	1	1	1			
Kumba Resources Management Share Trust	RSA	T				(67)	(97)	
Merrill Lynch Insurance PCC Limited	ILE	I			2			
Mineral Exploration Company of Southern Africa (Pty) Limited	RSA	B	200	200	200			
Rocsi Holdings (BVI) Limited	BVI & RSA	H	647 044 943	653 722 945	1 101 078 300	(40)	255	
Ticor (Bermuda) Holdings Limited	BER	H	74 836	143 502 000	143 502 000			
INDIRECT INVESTMENTS								
Bertini Pty Limited ⁶	AUS	C	10					
Coastal Coal (Pty) Limited	RSA	A	5 000			(63)	(73)	
Crisa Pty Limited ⁶	AUS	C	10					
Exxaro Australia Pty Limited	AUS	C	11			(1)		
Exxaro Australia Sands Pty Limited	AUS	A	2 038 299 354			1	(164)	
Exxaro Base Metals (Namibia) (Pty) Limited	NAM	H	100				(1)	
Exxaro Base Metals China Limited	HK	C	1 354					
Exxaro Base Metals International BV	NE	A	119 209				(68)	
Exxaro Coke (Pty) Limited	RSA	M	1					
Exxaro Finance Ireland	IRL	C	893 656 391					

	Country of incorporation ²	Nature of business ³	Issued capital-unlisted ordinary shares	Interest of company			
				Investment in shares		Indebtedness	
				R	2007 R	2006 R	2007 Rm
INDIRECT INVESTMENTS (continued)							
Exxaro Mineral Sands BV ⁷	NE	A	134 973				
Exxaro Holdings (Australia) Pty Limited	AUS	H	5				
Exxaro Holdings Sands (Pty) Limited	RSA	H	40 000				
Exxaro International BV	NE	H	662 037				
Exxaro International Trading BV	NE	C	172 866				
Exxaro International Coal Trading BV	NE	C	172 866				
Exxaro Investments (Australia) Pty Limited	AUS	H	5				
Exxaro Reductants (Pty) Limited ⁶	RSA	M	1				
Exxaro Sands Holdings BV	NE	H	169 999				
Eyesizwe Coal (Pty) Limited	RSA	A	100 000			21	148
Inyanda Coal (Pty) Limited	RSA	A	1 000				
Magnetic Minerals Pty Limited	AUS	A	31 740 964				
Omacor Sac	PERU	C	10				
Oreco Leasing Limited	MAU	F	1				
Pigment Holdings Pty Limited	AUS	C	10				
Rocit Investments (Pty) Limited	RSA	H	1 000				
Rosh Pinah Mine Holdings (Pty) Limited	NAM	H	1 000				
Rosh Pinah Zinc Corporation (Pty) Limited (93,9%)	NAM	A	2 280			5	(1)
Senbar Holdings Pty Limited	AUS	C	10				
Synthetic Rutile Holdings Pty Limited	AUS	C	10				
The Durban Navigation Collieries (Pty) Limited ⁶	RSA	A	516 000				
The Vryheid (Natal) Railway Coal and Iron Company Limited	RSA	A	3 675				
Ticor (Bermuda) Minerals Limited	BER	H	74 836				
Ticor (Overseas) Holdings Pty Limited	AUS	H	10				
Ticor Chemical Company Pty Limited	AUS	M	10				
Ticor Chemicals Ghana Pty Limited	GHANA	C	10				
Ticor Energy Pty Limited	AUS	F	10				
Ticor Finance (A.C.T.) Pty Limited	AUS	F	10				
Ticor Resources Pty Limited	AUS	H	8 111 062				
Ticor Titanium Australia Pty Limited	AUS	H	10				
Tific Pty Limited	AUS	H	10				
TiO2 Corporation NL	AUS	A	85 101 240				
Yalgoo Minerals Pty Limited	AUS	H	48 216 010				
TOTAL INVESTMENTS IN SUBSIDIARIES (refer note 16)				1 513 735 958	1 512 989 795	4 788	4 976

¹ At 100% holding except where otherwise indicated

² RSA – Republic of South Africa, AUS – Australia, NAM – Namibia, HK – Hong Kong, BVI – British Virgin Islands, ILE – Ilse of Man, IRL – Ireland, MAU – Mauritius, NE – Netherlands, BER – Bermuda

³ A – Mining, B – Property, C – Service, D – Land management, E – Section 21 company, F – Finance, H – Holdings, I – Insurance, M – Manufacturing, T – Trust,

⁴ Ipcor NV was converted into a South African company as AlloyStream Holdings (Pty) Limited

⁵ Previously Kumba Holdings (BVI) SA

⁶ Deregistered during 2007

⁷ Previously Exxaro Heavy Minerals BV