



Operational excellence: Herman Pelsler, process controller, and Patrick Moyo, plant operator, at Inyanda mine, which performed well in 2008 to increase production and supply higher demand from Eskom. The mine also contributed to Exxaro's increased export tonnages which grew by 80% from 1,8Mt to 3,3Mt in 2008.



GROUP ANNUAL FINANCIAL

STATEMENTS

for the year ended 31 December 2008

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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 only 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 their underlying business plans for the period to 31 December 2009. 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 20 February 2009 and are signed on its behalf by:



SA Nkosi
Chief Executive Officer



DJ van Staden
Financial Director

The external auditors have audited the annual financial statements of the company and group and their unmodified report appears on page 122.

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 2008, 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

23 February 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EXXARO RESOURCES LIMITED

We have audited the annual financial statements and group annual financial statements of Exxaro Resources Limited, which comprise the statement of financial position and the consolidated statement of financial position as at 31 December 2008, the directors' report, the income statement and the consolidated income statement, the statement of comprehensive income and the consolidated statement of comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity and the statement of cash flows and the consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 147 to 229.

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.

Auditors' 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.

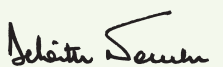
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 2008, 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

23 February 2009

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)

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 2008.

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, mineral sands, 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 62.

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 financial review and business operations reviews on pages 22 to 31 and 32 to 42 respectively.

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 to monitor 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:

	2008	2007
Net debt/equity ratio (%)	18	5
Net financing cost cover – EBITDA (times)	14	10
Return on capital employed (%) (refer definitions on page 120)	36	24

The capital base consists of total shareholders' equity as disclosed, as well as interest-bearing borrowings. As a new generation empowerment company with a 56% 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.

REPORT OF THE DIRECTORS continued

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.

During the year under review the group complied with all its contractually agreed loan covenants with the exception of the stand-alone funding package that was put in place for Rosh Pinah Zinc Corporation (Pty) Limited (RPZC) to facilitate the disposal of a 43% interest to Namibian shareholders. Loan covenants were breached mainly as a result of the collapse in zinc prices which occurred during the second half of 2008. The funding banks have, however, agreed to waive breaches on the basis that Exxaro Resources Limited continues to support RPZC to ensure that it can meet its commitments and conditional upon RPZC settling the funding obtained by no later than 31 March 2009.

As a result of the global economic downturn Exxaro is reviewing its capital expenditure programmes, including sustaining capital to ensure that the group's capital structure remains robust.

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 617 million (2007: R1 296 million).

Shareholders' resolutions

At the seventh annual general meeting of shareholders, held on 25 April 2008, 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 355 036 600. The increase can be summarised as follows:

	Date of issue	Number of shares
Opening balance		352 907 400
Issued in terms of the Kumba Management Share Option Scheme due to options exercised at prices ranging from R7,32 to R47,73	7 January 2008 to 29 December 2008	2 129 200
Closing balance		355 036 600

Shareholders

An analysis of shareholders and shareholdings appears on page 70 of the annual report.

Dividend payments

Dividend number 11

Interim dividend number 11 of 175 cents per share was declared in South African currency in respect of the period ended 30 June 2008. The dividend was paid on Monday, 22 September 2008 to shareholders recorded in the books of the company at the close of business on Friday, 19 September 2008. To comply with the requirements of STRATE the last day to trade cum dividend was Friday, 12 September 2008. The shares commenced trading ex dividend on Monday, 15 September 2008 and the record date was Friday, 19 September 2008.

Dividend number 12

Final dividend number 12 of 200 cents per share was declared in South African currency in respect of the period ended 31 December 2008. The dividend payment date is Monday, 30 March 2009 to shareholders recorded in the books of the company at the close of business on Friday, 27 March 2009. To comply with the requirements of STRATE the last day to trade cum dividend is Friday, 20 March 2009. The shares will commence trading ex dividend on Monday, 23 March 2009 and the record date is Friday, 27 March 2009.

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.

During June 2008 the group announced an empowerment transaction involving Rosh Pinah Zinc Corporation (Pty) Limited. The effective date of the divestment was 1 July 2008 and the group's effective interest in the company reduced from 93,9% to 50,04%. Exxaro manages the mine in terms of a management agreement.

Namakwa Sands and Black Mountain Mining (Pty) Limited (Black Mountain) acquisition

Subsequent to the conversion, cession to Exxaro, and registration of the converted mining rights, Exxaro acquired Namakwa Sands on 1 October 2008 for R2 783 million consisting of a cash consideration of R2 015 million, a working capital adjustment of R199 million, capital expenditure on the mineral separation plant of R448 million, and R121 million to compensate Anglo Operations Limited for its taxation recoupment.

On 1 November 2008 the group acquired 26% of the Black Mountain lead-zinc mine for R221 million. The investment is classified as an associate and is equity accounted.

The group is currently evaluating the proposed divestment of its interests in Glen Douglas Dolomite (Pty) Limited and has decided not to participate in the planned expansion of Chifeng Kumba Hongye Zinc Corporation Limited.

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.

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 58.

The following non-executive directors resigned during 2008:

- 30 April 2008 – Ms PKV Ncetezo
- 29 February 2008 – Ms N Nyembezi-Heita

On 13 August 2008, Ms SEA Mngomezulu and Mr J van Rooyen were appointed as non-executive directors on the board.

On 31 August 2008, Mr MJ Kilbride retired as executive director and on 28 February 2009, Mr DJ van Staden will retire as financial director. Mr WA de Klerk will assume the duties of financial director on 1 March 2009.

In terms of article 15.2 of the articles of association, the following directors appointed to the board with effect from 13 August 2008 will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting:

- SEA Mngomezulu
- J van Rooyen

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:

- VZ Mntambo
- NL Sowazi
- D Zihlangu

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	0111
South Africa	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 2007, except for the early adoption of IFRS 8 *Operating Segments* and the amendments to IAS 1 *Presentation of Financial Statements*, issued in September 2007, during the year. The implementation of IFRS 8 has led to differences in the basis of segmentation compared to previous periods. As a result, new operating segments have been identified.

IAS 1 and IFRS 8 are disclosure standards which have no other impact on the measurement or recognition of items included in the financial statements and accordingly the adoption thereof has had no effect on the profit or equity for this year or previously reported years.

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 Mr MJ Kilbride terminated on 31 August 2008 and the service contract of Mr DJ van Staden will terminate on 28 February 2009.

DIRECTORS' REMUNERATION continued
for the year ended 31 December 2008

Summary of remuneration for the year ended 31 December 2008

	Basic salary R	Fees for services R	Performance bonuses ¹ R	Benefits and allowances ² R	Retirement fund contributions R
Executive directors					
SA Nkosi	3 940 689		1 868 425	141 925	324 773
MJ Kilbride ⁴	1 921 492		3 556 731	359 779	199 583
DJ van Staden	2 986 122		5 772 393	284 288	301 816
	8 848 303		11 197 549	785 992	826 172
Less gains on share scheme					
Add share-based payment expense					
Total remuneration paid by Exxaro					
Non-executive directors					
PM Baum ⁵		181 570			
JJ Geldenhuys		267 083		23 427	
U Khumalo		146 427			
Dr D Konar (chairman)		540 686			
VZ Mntambo		206 990			
RP Mohring		307 146		21 357	
PKV Ncetezo ⁶		68 997		7 314	
NMC Nyembezi-Heita ⁷		38 125			
NL Sowazi		193 284			
D Zihlangu		206 990		8 735	
J van Rooyen ⁸		64 545			
SEA Mngomezulu ⁸		55 642			
		2 277 485		60 833	

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 2008.

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

⁶ Retired on 30 April 2008.

⁷ Retired on 29 February 2008.

⁸ Appointed on 13 August 2008.

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
13 248			4 375	6 293 435
11 776	263 715	5 414 223	2 138	11 729 437
13 248	2 229 942	3 128 218	3 263	14 719 290
38 272	2 493 657	8 542 441	9 776	32 742 162
				(2 493 657)
				1 856 744
				32 105 249
				181 570
				290 510
				146 427
				540 686
				206 990
				328 503
				76 311
				38 125
				193 284
				215 725
				64 545
				55 642
				2 338 318

DIRECTORS' REMUNERATION continued
for the year ended 31 December 2008

Summary of remuneration for the year ended 31 December 2007

	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 2008

Directors' beneficial interest in Exxaro shares at 31 December 2008

	Direct	Indirect
SA Nkosi		8 016 068
DJ van Staden	565	
PM Baum		
JJ Geldenhuys		
U Khumalo		
Dr D Konar	168	
SEA Mngomezulu		
VZ Mntambo		5 529 881
RP Mohring		
NL Sowazi		2 181 590
J van Rooyen		
D Zihlangu		2 818 552

Directors' beneficial interest in Exxaro shares at 31 December 2007

	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		
AJ Morgan		
PKV Ncetezo		724 564
NMC Nyembezi-Heita	1 000	
NL Sowazi		2 181 590
D Zihlangu		2 818 552

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

On 31 December 2008 Mr SA Nkosi held 2,3% (2007: 2,2%) and Mr MZ Mntambo held 1,6% (2007: 1,5%) directly or indirectly in the share capital of the company.

No director held any non-beneficial interest in Exxaro shares at either 31 December 2008 or 2007.

DIRECTORS' REMUNERATION continued

for the year ended 31 December 2008

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 2008

	Options held at 31 December 2008	Exercise price ² R	Exercisable period	Proceeds if exercisable at 31 December 2008 R	Pre-tax gain if exercisable at 31 December 2008 ¹ R
Executive director					
DJ van Staden	12 440	12,90	16/03/2011	894 436	733 960
Total	12 440			894 436	733 960

¹ Based on a share price of R71,90 which prevailed on 31 December 2008.

Management share option scheme for the year ended December 2007

	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 director					
DJ van Staden	12 440	12,90	16/03/2011	1 286 918	1 126 442
Total	12 440			1 286 918	1 126 442

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

Management cash-settled options for the year ended December 2008

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 issue when exercised.

	Options held at 31 December 2008	Exercise price ² R	Exercisable period	Proceeds if exercisable at 31 December 2008 R	Pre-tax gain if exercisable at 31 December 2008 ¹ R
Executive director					
DJ van Staden					

¹ Based on a share price of R71,90 which prevailed on 31 December 2008.

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
17 550	19,62	136,00	2 042 469	13/06/2008

DIRECTORS' REMUNERATION continued
for the year ended 31 December 2008

Management cash-settled options for the year ended December 2007

	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 director					
DJ van Staden	17 550	19,62	22/04/2012	1 815 548	1 471 217

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

Management share appreciation right scheme for the year ended December 2008

	Options held at 31 December 2008	Exercise price ² R	Exercisable period	Proceeds if exercisable at 31 December 2008 R	Pre-tax gain if exercisable at 31 December 2008 ¹ R
Executive director					
SA Nkosi	38 680	60,60	01/03/2014	2 781 092	437 084
	41 780	112,35	01/04/2015		
	80 460			2 781 092	437 084

¹ Based on a share price of R71,90 which prevailed on 31 December 2008.

² It is assumed that directors will not exercise rights which are out of the money.

Management share appreciation right scheme for the year ended December 2007

	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 director					
SA Nkosi	38 680	60,60	01/03/2014	4 001 446	1 657 438

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

Management share scheme – long-term incentive plan for the year ended December 2008

	Options held at 31 December 2008	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2008 R	Pre-tax gain if exercisable at 31 December 2008 ¹ R
Executive director					
SA Nkosi	38 682		01/03/2010	2 781 236	2 781 236
	41 782		01/04/2011	3 004 126	3 004 126
	80 464			5 785 362	5 785 362

¹ Based on a share price of R71,90 which prevailed on 31 December 2008.

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
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Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
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Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
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Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
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DIRECTORS' REMUNERATION continued
for the year ended 31 December 2008

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

	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 director					
SA Nkosi	38 682		01/03/2010	4 001 653	4 001 653

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

Management share scheme – deferred bonus plan for the year ended December 2008

	Options held at 31 December 2008	Exercise price ² R	Exercisable period	Proceeds if exercisable at 31 December 2008 R	Pre-tax gain if exercisable at 31 December 2008 ¹ R
Executive director					
SA Nkosi	361	86,45	01/10/2010		
	718	111,88	01/04/2011		
	2 573	111,88	01/04/2011		
	213	89,61	01/10/2011		
	3 865				

¹ Based on a share price of R71,90 which prevailed on 31 December 2008.

² It is assumed that directors will not exercise rights which are out of the money.

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

	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 director					
SA Nkosi	361	86,45	01/10/2010	37 345	6 137

¹ Based 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
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Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
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Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
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INCOME STATEMENTS AND STATEMENTS OF COMPREHENSIVE INCOME for the year ended 31 December 2008

	Notes	GROUP		COMPANY	
		2008 Rm	2007 Rm	2008 Rm	2007 Rm
INCOME STATEMENTS					
Revenue	2	13 843	10 157	915	636
Operating (expenses)/income	3	(11 376)	(8 713)	758	(697)
NET OPERATING PROFIT/(LOSS)		2 467	1 444	1 673	(61)
Interest income	5	153	96	50	10
Interest expense	5	(394)	(311)	(169)	(94)
Income from investments	6	2	2	1 319	610
Income from equity accounted investments	14	1 663	728		
PROFIT BEFORE TAX		3 891	1 959	2 873	465
Income tax expense	7	(510)	(512)	7	(42)
PROFIT FOR THE YEAR		3 381	1 447	2 880	423
Profit attributable to:					
Owners of the parent		3 405	1 427	2 880	423
Minority interest		(24)	20		
		3 381	1 447	2 880	423
STATEMENTS OF COMPREHENSIVE INCOME					
PROFIT FOR THE YEAR		3 381	1 447	2 880	423
OTHER COMPREHENSIVE INCOME:					
Exchange differences on translating foreign operations		193	176	(3)	
Cash flow hedges		520	(39)		
Share of comprehensive income of associates		187	46		
Share-based payment movement		92	133	66	100
Income tax relating to components of other comprehensive income		(115)	2		
Other comprehensive income for the year, net of tax	28	877	318	63	100
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4 258	1 765	2 943	523
Total comprehensive income attributable to:					
Owners of the parent		4 117	1 749	2 943	523
Minority interest		141	16		
		4 258	1 765	2 943	523
ATTRIBUTABLE EARNINGS PER SHARE (CENTS)					
– basic	8	993	418		
– diluted		943	402		

STATEMENTS OF FINANCIAL POSITION

at 31 December 2008

	Notes	GROUP		COMPANY	
		2008 Rm	2007 Rm	2008 Rm	2007 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	11	11 309	8 235	176	133
Biological assets	12	34	30		
Intangible assets	13	79	76		
Investments in associates and joint ventures	14	1 849	757		
Investments in subsidiaries	15			6 157	1 964
Deferred tax	23	1 083	732	104	97
Financial assets	16	1 577	1 031	41	10
Total non-current assets		15 931	10 861	6 478	2 204
Current assets					
Inventories	17	2 481	1 531		
Trade and other receivables	18	2 924	1 931	5 073	4 583
Current tax receivable		2			8
Cash and cash equivalents		1 769	850	478	306
Total current assets		7 176	4 312	5 551	4 897
Non-current assets classified as held for sale	19	78	2	13	
TOTAL ASSETS		23 185	15 175	12 042	7 101
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	20	2 098	2 067	2 276	2 244
Other components of equity		2 190	1 502	946	883
Retained earnings		8 708	6 235	5 025	3 118
Equity attributable to owners of the parent		12 996	9 804	8 247	6 245
Minority interest		128	19		
Total equity		13 124	9 823	8 247	6 245
Non-current liabilities					
Interest-bearing borrowings	21	3 650	1 259	2 708	450
Non-current provisions	22	1 746	1 329	24	24
Financial liabilities		31		31	
Deferred tax	23	1 257	1 077		
Total non-current liabilities		6 684	3 665	2 763	474
Current liabilities					
Trade and other payables	24	2 366	1 449	817	327
Interest-bearing borrowings	21	500	74	205	55
Current tax payable		440	137	10	
Current provisions	22	21	27		
Total current liabilities		3 327	1 687	1 032	382
Non-current liabilities classified as held for sale	19	50			
TOTAL EQUITY AND LIABILITIES		23 185	15 175	12 042	7 101
NET DEBT		2 381	483	2 435	199

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2008

	Notes	GROUP		COMPANY	
		2008 Rm	2007 Rm	2008 Rm	2007 Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated by/(utilised in) operations	25.1	3 574	2 308	(140)	164
Net financing costs	25.2	(193)	(116)	(117)	(83)
Tax (paid)/received	25.3	(487)	(462)	18	(55)
Dividends paid	25.4	(984)	(223)	(973)	(211)
		1 910	1 507	(1 212)	(185)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investments to maintain operations	25.5	(1 147)	(569)	(61)	(34)
Investments to expand operations	25.6	(470)	(727)	(2)	
Investment in intangible assets			(1)		
Proceeds from disposal of property, plant and equipment		29	50		
Investment in other non-current assets	25.7	(179)	(249)	(50)	33
Acquisition of joint ventures and associates	26	(221)			
Acquisition of subsidiaries and other business operations	27	(2 757)	(8)		
Income from equity-accounted investments	25.8	1 042	377		
Income from investments	6	2	2	1 319	610
Foreign currency translations	25.9	(55)	6	1	5
		(3 756)	(1 119)	1 207	614
		(1 846)	388	(5)	429
NET CASH (OUTFLOW)/ INFLOW					
CASH FLOWS FROM FINANCING ACTIVITIES					
Non-current interest-bearing borrowings raised		2 725	437	2 463	300
Net movement of other non-current interest-bearing borrowings				(2 113)	(69)
Non-current interest-bearing borrowings repaid		(418)	(465)	(355)	(195)
Current interest-bearing borrowings raised/(repaid)		426	(539)	150	(563)
Proceeds from issuance of share capital		31	114	32	114
Increase in loans from minority shareholders		1			
		2 765	(453)	177	(413)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of year		850	(65)	172	16
Special purpose entities consolidated			906	306	290
			9		
CASH AND CASH EQUIVALENTS AT END OF YEAR					
		1 769	850	478	306

	Notes	GROUP		COMPANY	
		2008 Rm	2007 Rm	2008 Rm	2007 Rm
CALCULATION OF MOVEMENT IN NET DEBT					
Net cash (outflow)/inflow as above		(1 846)	388		
<i>Add:</i>					
– shares issued		31	114		
– loans from minority shareholders		1			
– increase in net debt on acquisition of subsidiary			(25)		
– special purpose entities consolidated			9		
– non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency		(352)	59		
– non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities	25.9	282	(107)		
– hedging of share-based payment exposure		(14)			
(INCREASE)/DECREASE IN NET DEBT		(1 898)	438		

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

	Share capital Rm	Share premium Rm
OPENING BALANCE AT 1 JANUARY 2007	4	5 135
Total comprehensive income		
Issue of share capital ¹		23
Share placement ²		91
– issue		640
– repurchase		(460)
– expenses		(89)
Transfer to retained income		
Minority share buy-out		
Special purpose entities now consolidated		
Dividends paid ³		
Prior year dividend in specie reclassification		(3 186)
BALANCE AT 31 DECEMBER 2007	4	2 063
Total comprehensive income		
Issue of share capital ¹		31
Minority share additional contributions		
Liquidation dividend from subsidiary		
Net profit on dilution of interest in a subsidiary		
Dividends paid ³		
BALANCE AT 31 DECEMBER 2008	4	2 094
Dividend paid per share (cents) in respect of the 2007 financial year	160	
Dividend paid per share (cents) in respect of the 2008 interim period	175	
Final dividend paid per share (cents) in respect of 2008 financial year	200	

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

² Repurchase of ten million shares from Anglo South Africa (Pty) Limited on 13 April 2007 at R45,99 per share and the subsequent re-issue of ten million new Exxaro shares at R64 per share. STC on the share repurchase of R57,5 million is included in net profit.

³ The STC on these dividends amount to Rnil million after taking into account STC credits (2007: Rnil).

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.

Other components of equity

Foreign currency translations Rm	Financial instruments revaluation Rm	Equity- settled reserve Rm	Retained income Rm	Attributable to owners of the parent Rm	Minority interest Rm	Total equity Rm
379	24	802	1 798	8 142	27	8 169
148	(17)	182	1 436	1 749	16	1 765
				23		23
				91		91
				640		640
				(460)		(460)
				(89)		(89)
		(16)	16		(13)	(13)
			7	7		7
			(208)	(208)	(11)	(219)
			3 186			
527	7	968	6 235	9 804	19	9 823
437	138	113	3 429	4 117	141	4 258
				31		31
					2	2
			1	1		1
			(957)	(957)	(7)	(7)
					(27)	(984)
964	145	1 081	8 708	12 996	128	13 124

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

	Other components of equity						Total equity Rm
	Share capital Rm	Share premium Rm	Foreign currency translations Rm	Financial instruments revaluation Rm	Equity-settled reserve Rm	Retained income Rm	
OPENING BALANCE AT 1 JANUARY 2007	4	5 312			783	(280)	5 819
Total comprehensive income					100	423	523
Cash dividends paid ¹						(211)	(211)
Issue of share capital ²		23					23
Share placement ³		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
Total comprehensive income			(3)		66	2 880	2 943
Cash dividends paid ¹						(973)	(973)
Issue of share capital ²		32					32
BALANCE AT 31 DECEMBER 2008	4	2 272	(3)		949	5 025	8 247
Dividend paid per share (cents) in respect of the 2007 financial year				160			
Dividend paid per share (cents) in respect of the 2008 interim period				175			
Final dividend paid per share (cents) in respect of 2008 financial year				200			

¹ The STC on these dividends amount to Rnil million after taking into account STC credits (2007: Rnil).

² Issued to the Kumba Resources Management Share Trust due to options exercised.

³ Repurchase of ten million shares from Anglo South Africa (Pty) Limited on 13 April 2007 at R45,99 per share and the subsequent re-issue of ten million new Exxaro shares at R64 per share. STC on the share repurchase of R57,5 million is included in net profit.

NOTES TO ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2008

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, except for the revaluation to fair value of financial instruments and biological assets. 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 2008:

- 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 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.

The implementation of IFRIC 11 has no impact on the measurement or recognition of the group and treasury share transactions as the group has already accounted for the transaction as required by IFRIC 11. The adoption of IFRIC 12 will lead to certain assets being classified as financial assets or intangible assets, rather than property, plant and equipment. The group has no defined benefit funds therefore IFRIC 14 is not applicable.

The following standards have been early adopted and have been applied, where relevant, to the financial statements for the period ended 31 December 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, revision requiring a statement of comprehensive income.

The implementation of IFRS 8 has led to differences in the basis of segmentation compared to previous periods. As a result, new operating segments have been identified. IAS 1 and IFRS 8 are disclosure standards and have no other impact on the measurement or recognition of items included in the financial statements and accordingly the adoption thereof has had no effect on the profit or equity for the year.

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

- Amended IFRS 2 *Share-based Payments*, effective for annual periods beginning on or after 1 January 2009.

- Revised IFRS 3 *Business Combinations*, effective for annual periods beginning on or after 1 July 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 IAS 28 *Investments in Associates*, effective for annual periods beginning on or after 1 July 2009.
- Revised IAS 31 *Interests in Joint Ventures*, effective for annual periods beginning on or after 1 July 2009.
- Revised IAS 39 *Financial Instruments: Recognition and measurement*, effective for annual periods beginning on or after 1 July 2009.
- IFRIC 13 *Customer Loyalty Programmes*, effective for annual period beginning on or after 1 July 2008.
- IFRIC 15 *Agreements for the Construction of Real Estate*, effective for annual period beginning on or after 1 January 2009.
- IFRIC 16 *Hedges of Net Investment in a Foreign Operation*, effective for annual period beginning on or after 1 October 2008.
- IFRIC 17 *Distributions of Non-cash Assets to Owners*, effective for annual periods beginning on or after 1 July 2009.
- IFRIC 18 *Transfers of Assets from Customers*, effective from 1 July 2009.

On 22 May 2008, the International Accounting Standards Board issued its latest standard, titled *Improvements to Financial Reporting Standards 2008*. The standard included 35 amendments to various standards.

- Amended IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, effective for annual periods beginning on or after 1 July 2009.
- Amended IAS 16 *Property, Plant and Equipment*, effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 19 *Employee Benefits*, effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 27 *Consolidated and Separate Financial Statements*, effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 28 *Investments in Associates*, effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 29 *Financial Reporting in Hyper-inflationary Economies*, effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 31 *Interests in Joint Ventures*, effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 32 *Financial Instruments: Presentation*, effective for annual periods beginning on or after 1 January 2009.

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

- Amended IAS 36 *Impairment of Assets*, effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 38 *Intangible Assets*, effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 39 *Financial Instruments: Recognition and measurement*, effective from 1 January 2009.
- Amended IAS 40 *Investment Property*, effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 41 *Agriculture*, effective for annual periods beginning on or after 1 January 2009.

Adoption of IFRS 3, together with IAS 27, IAS 28 and IAS 31 will have a significant impact on the accounting and disclosure of business combinations and the accounting of the carrying value of investments on partial disposals of investments for transactions effected on or after the effective date.

The directors believe that none of the other 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.

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 and joint ventures is carried in the statement of financial position 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 lives 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.

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

2008	Coal	Mineral sands
Buildings and infrastructure (including residential buildings)	2 – 25 years	3 – 40 years
Mineral properties	2 – 25 years	3 – 29 years
Fixed plant and equipment	2 – 25 years	2,5 – 29 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
Loose tools and computer equipment	2 – 10 years	2,5 – 10 years
Development costs	8 – 20 years	4 – 10 years
Refractory relines	n/a	4 – 6 years
Site preparation, mining development and exploration	2 – 25 years	3 – 29 years

	Base metals	Industrial minerals	Other
Buildings and infrastructure (including residential buildings)	2 years – indefinite	10 – 25 years	20 – 25 years
Mineral properties	n/a	n/a	n/a
Fixed plant and equipment	2 – 50 years	5 – 25 years	5 – 10 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	2 – 15 years	5 – 15 years	5 years
Loose tools and computer equipment	2 – 8 years	5 years	3 – 5 years
Development costs	n/a	n/a	n/a
Refractory relines	n/a	n/a	n/a
Site preparation, mining development and exploration	7 – 25 years	20 years	6 years

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	n/a
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	n/a
Refractory relines	n/a	4 – 6 years	n/a
Site preparation, mining development and exploration	2 – 25 years	3 – 25 years	n/a

	Industrial minerals	Other
Buildings and infrastructure (including residential buildings)	10 – 25 years	20 – 25 years
Mineral properties	n/a	n/a
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

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment (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 statement of financial position. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance charge is charged against income over the lease period using the effective interest rate method.

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

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

Arrangements that contain the right to use an asset are evaluated for recognition, classification as a finance-

or operating lease, measured, and accounted for accordingly.

Biological assets

Biological assets are measured on initial recognition and at each financial year-end 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 financial year-end 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 financial year-end to determine whether there is any indication of impairment.

1. ACCOUNTING POLICIES (continued)

Impairment of assets

The carrying amounts of assets are reviewed at each financial year-end 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 timeframe 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.

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

The rights and obligations retained in the transfer of financial instruments are recognised separately as

assets and liabilities as appropriate. In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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 statement of cash flows. 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.

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 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 statement of financial position 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 recalculated 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.

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

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission expenses relate mainly to transaction and service fees and are expensed as the services are received.

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.

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 reporting 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 the reporting 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 the reporting 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 USD1: R8,25 (2007: USD1: R7,03) has been used to translate the income statements and statements of cash flows while the statements of financial position have been translated at the closing rate at the last day of the reporting period USD1: R9,356 (2007: USD1: R6,7964).

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.

Income tax expense

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 financial year-end 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.

1. ACCOUNTING POLICIES (continued)

Provisions (continued)

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 tax

Deferred tax 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 tax purposes.

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

Deferred tax is calculated using taxation rates that have been enacted at the financial year-end. The effect on deferred tax of any changes in tax 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 tax 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.

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 the reporting period, 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 reporting date.

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

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 reporting date, but are disclosed in the statements of changes in equity and 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.

Discounted 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 a non-current asset 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

Exxaro is a mining group of companies focusing on extracting and processing a range of minerals and metals including coal, mineral sands, 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.

The group has adopted the new IFRS 8 *Operating Segments* in advance of its effective date, with effect 1 January 2008. The implementation of the new IFRS 8 *Operating Segments* has led to differences in the basis of segmentation compared to previous periods. As a

result, new operating segments have been identified as reportable segments that were previously not reported as such.

Segments are based on the group's different products and operations as well as the physical location of these operations and associated products. The group's reportable segments are tied coal operations, commercial coal operations, KZN Sands, Namakwa Sands, Australia Sands, Rosh Pinah, Zincor, other base metals and other. The basis of segment reporting is representative of the internal structure used for management reporting.

Cash and cash equivalents

For the purpose of the statements of cash flows, 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 approximates 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 30);
- 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 Payments*, 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 32);
- 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;
- in applying IFRS 8 *Operating Segments*, the identification of reportable operating segments of the group.

1. ACCOUNTING POLICIES (continued)

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 reporting 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 appropriate.

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 22.

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 22.

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 includes the estimation of cash flows and discount rates used. In estimating the cash flows, management base cash flow projections on reasonable and supportable assumptions that represent 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.

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 33.

Deferred tax assets

Deferred tax 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 tax asset to be raised. Refer note 23.

Useful life and residual values

The depreciable amount of assets is allocated on a systematic basis over its useful life. In determining the depreciable amount management makes certain assumptions with regard 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 is expensed through the income statement.

NOTES TO ANNUAL FINANCIAL STATEMENTS continued
for the year ended 31 December 2008

	Notes	GROUP		COMPANY	
		2008 Rm	2007 Rm	2008 Rm	2007 Rm
2. REVENUE					
Sale of goods		13 843	10 157		
Services				915	636
		13 843	10 157	915	636
3. OPERATING EXPENSES					
Cost by type					
– Raw materials and consumables		3 497	3 089	52	28
– Staff costs					
– salaries and wages		2 644	2 112	427	318
– share-based payments		84	105	42	37
– termination benefits		12	4	11	4
– pension and medical costs		215	185	35	27
– Income from sale of investment		(7)		(1 726)	
– General charges		2 139	1 447	374	283
– Share-based payment: BEE credential expense		2			
– Railage and transport		677	446	1	1
– Repairs and maintenance		1 434	1 068	8	4
– Impairment charges and reversals	4	20	17	(1)	
– Energy		481	382	4	5
– Depreciation of property, plant and equipment	11	894	760	15	10
– Amortisation of intangible assets	13	4	3		
– Movement in inventories		(612)	(840)		
– Own work capitalised		(100)	(40)		
– Sublease rentals received		(8)	(25)		(20)
		11 376	8 713	(758)	697
Cost by function					
– Costs of goods sold/services rendered		10 746	8 287	969	717
– Selling and distribution costs		625	434		
– Sublease rentals received		(8)	(25)		(20)
– Impairment charges and reversals	4	20	17	(1)	
– Income from sale of investment		(7)		(1 726)	
		11 376	8 713	(758)	697

	Notes	GROUP		COMPANY	
		2008 Rm	2007 Rm	2008 Rm	2007 Rm
3. OPERATING EXPENSES (continued)					
Cost by function (continued)					
The above costs are stated after including:					
Auditors' remuneration					
– audit fees		15	12	5	4
– other services		3	1	1	1
Consultancy fees		149	75	74	22
Contingent rentals paid		10	9		
Contingent rentals received		(27)	(22)		
Currency exchange differences					
– net realised (profits)/losses on currency exchange differences		(476)	42	1	12
– net unrealised losses on currency exchange differences		(39)	32	(6)	2
Depreciation and amortisation					
– buildings	11	3	2		
– mineral properties	11	165	164		
– residential buildings	11	5	3		
– buildings and infrastructure	11	99	74		
– machinery, plant and equipment	11	584	486	15	10
– leased assets under finance lease	11	10	10		
– site preparation, mining development, exploration and rehabilitation	11	28	21		
– amortisation of intangible assets	13	4	3		
Directors' emoluments (refer to the report of the directors, page 123)					
– executive directors					
– remuneration received as directors of the company				12	13
– bonuses and cash incentives				11	11
– compensation on retirement from executive office				9	4
– non-executive directors					
– remuneration received as directors of the company				2	2
Exploration expenditure (of which R10 million equates to exploration cash flow for the year)		50	54		
Fair value losses/(gains) on financial assets at fair value through profit or loss:					
– designated upon initial recognition		11	(51)		(2)
– held for trading		130	(54)	(8)	(1)
– ineffectiveness arising from cash flow hedges (gains)/losses		(54)			
Fair value losses/(gains) on financial liabilities at fair value through profit or loss:					
– designated upon initial recognition		55		3	
– held for trading		(7)	(7)	(3)	

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

	Notes	GROUP		COMPANY	
		2008 Rm	2007 Rm	2008 Rm	2007 Rm
3. OPERATING EXPENSES (continued)					
(Gain)/loss on held to maturity investments disclosed at amortised cost		(40)		(40)	
Impairment charges and reversals	4	20	17	(1)	
Inventories write down to net realisable value		128	155		
Inventories previously written down reversed		(136)			
Movement in provisions	22	236	241	4	2
Net losses on disposal or scrapping of property, plant and equipment		65	13	5	
Net profit on disposal of investment		(7)		(1 726)	
Operating lease rentals expenses					
– property		46	30	41	32
– equipment		61	51	14	15
Operating sublease rentals received					
– property		(8)	(25)		(20)
Reconditionable spares usage		1	4		
Research and development costs		5	6	2	4
Share-based payment: BEE credentials		2			
Impairment charges, reversals and write-offs of trade and other receivables		2	1	(2)	3

Note:

Pensions

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

Operating lease arrangements – contingent rent received

The group has entered into various operating 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.

Operating lease arrangements – contingent rent paid

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

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
4. IMPAIRMENT CHARGES				
Included in operating expenses are the following impairment losses:				
Impairment on property, plant and equipment ¹	21	23		
Total impairment charges	21	23		
Reversal of impairment of property, plant and equipment	(1)		(1)	
Reversal of impairment of investments ²		(6)		
Total impairment reversals	(1)	(6)	(1)	
Total impairments and reversals before and after tax	20	17	(1)	

¹ The carrying value of expenditure capitalised during the development phase on the Market Coke and Belfast projects were impaired based on the uncertainty on the recoverable amount.

² The impairment reversal in 2007 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.

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
5. NET FINANCING COSTS				
Interest expense and loan costs	283	153	167	93
Finance leases – interest	63	59		
Interest income	(153)	(96)	(50)	(10)
Net interest expense	193	116	117	83
Interest adjustment on non-current provisions (refer note 22)	48	99	2	1
	241	215	119	84
No financing costs were capitalised during the year (2007: Rnil)				
Included in net interest expense is the following:				
Interest expense on financial liabilities measured at amortised cost	250	128	163	50
Interest expense on bank overdrafts	4	3	4	3
Included in interest income is the following:				
Interest income on unimpaired held to maturity investments		(2)		
Interest income on unimpaired loans and receivables	(37)	(11)		(1)
Interest income on cash and cash equivalents	(69)	(83)	(49)	(7)
Net fee costs on financial liabilities not at fair value through profit or loss	11	5	8	5

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
6. INCOME FROM INVESTMENTS				
Subsidiaries				
Unlisted shares				
– dividends			142	193
– net interest received			138	42
			280	235
Associates				
– dividends			1 037	373
Other				
Listed shares				
– dividends	2	2	2	2
Total	2	2	1 319	610
7. INCOME TAX EXPENSE				
Charge to income				
South African normal tax				
– Current – current year	757	298		
– prior year		2		5
	757	300		5
– Deferred – current year	(95)	(40)	(9)	(21)
– prior year		(8)	(1)	
– rate adjustment	(12)		3	
	(107)	(48)	(7)	(21)
Foreign normal tax				
– Current – current year	8	168		
– prior year		(4)		
	8	164		
– Deferred – current year	(97)	5		
– prior year	(68)	22		
	(165)	27		
Secondary Tax on Companies	1	58		58
Non-residents withholding tax	16	11		
Total	510	512	(7)	42

	GROUP		COMPANY	
	2008 %	2007 %	2008 %	2007 %
7. INCOME TAX EXPENSE (continued)				
Reconciliation of tax rates				
Tax as a percentage of profit before tax	13,1	26,1	(0,2)	9,0
Tax effect of				
– assessed losses (not provided for)	(0,3)	(0,2)		
– capital profits	0,2	0,5	17,2	
– disallowable expenditure	(0,7)	(2,1)	(0,4)	(2,0)
– reclassification of previously disallowable expenditure	1,1			
– exempt income	1,0	0,3	11,4	35,5
– special tax allowances		0,2		
– share of associates' and joint ventures'	11,9	10,8		
– tax rate differences	0,4	(2,1)		
– rate change on deferred tax balance	0,3			
– Secondary Tax on Companies (STC)	(0,1)	(2,9)		(12,4)
– withholding tax	(0,4)	(0,5)		
– Controlled Foreign Company profits (CFC)	(0,1)	(0,3)		
– foreign exchange differences	(0,1)	(0,1)		
– prior year adjustment	1,7	(0,7)		(1,1)
Standard tax rate	28,0	29,0	28,0	29,0
Effective tax rate for operations, excluding income from equity accounted investments, impairment charge and share of tax thereon	22,7	41,0		

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

	GROUP	
	2008 Rm	2007 Rm
8. 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 10)	3 630	1 448
Weighted average number of ordinary shares in issue (million)	343	341
Headline earnings per share (cents)	1 058	425
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	343	341
Adjusted for options and net purchased shares in terms of the Management Share Scheme (million)	18	14
Weighted average number for diluted headline earnings per share (million)	361	355
Diluted headline earnings per share (cents)	1 006	408
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)	3 405	1 427
Weighted average number of ordinary shares in issue (million)	343	341
Basic earnings per share (cents)	993	418
For the diluted attributable earnings per share the weighted average number of ordinary shares is adjusted as above.		
Diluted earnings per share (cents)	943	402
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	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
9. DIVIDEND				
Dividends paid during the year:				
Cash dividends	957	208	(973)	(211)
Paid to minorities	27	11		
	984	219	(973)	(211)

STC on these dividends amounts to nil (2007: nil) after taking into account STC credits.

For the year ended 31 December 2008

	Gross Rm	Tax Rm	Net Rm
10. RECONCILIATION OF GROUP HEADLINE EARNINGS			
Profit for the year attributable to owners of the parent			3 405
Adjusted for:			
– IAS 16 Impairment of property, plant and equipment	21		21
– IAS 16 Gains or losses on disposal of property, plant and equipment	66	(20)	46
– IAS 16 Reversal of impairment of property, plant and equipment	(1)		(1)
– IAS 27 Gains on disposal of subsidiary	(7)		(7)
– IAS 28 Share of associates' IAS 16 – Gains or losses on disposal of property, plant and equipment	2	(1)	1
– IAS 28 Share of associates' 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	4		4
– IAS 28 Share of associates' IAS 16 – Impairment of property, plant and equipment	161		161
HEADLINE EARNINGS	246	(21)	3 630

For the year ended 31 December 2007

	Gross Rm	Tax Rm	Net Rm
Profit for the year attributable to owners of the parent			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 associates' IAS 16 – Gains or losses on disposal of property, plant and equipment	(3)	1	(2)
– IAS 28 Share of associates' 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	24	(3)	1 448

GROUP HEADLINE EARNINGS PER SHARE FOR THE YEAR ENDED 31 DECEMBER

	2008	2007
HEADLINE EARNINGS PER SHARE (CENTS) (Refer note 8)		
– basic	1 058	425
– diluted	1 006	408

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

11. 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								
2008								
Gross carrying amount								
At beginning of year	169	2 200	101	1 746	7 886	665	1 131	13 898
Additions	12		19	152	543	39	852	1 617
Changes in decommissioning assets				8	60		36	104
Acquisition of subsidiary and other business operations	19	1	28	280	1 703		241	2 272
Disposals of items of property, plant and equipment			(1)	(7)	(383)	(2)	(4)	(397)
Net reclassification to non- current assets classified as held for sale	(1)		(1)	(18)	(78)	(1)	(2)	(101)
Exchange differences on translation	2	30		21	154	31	2	240
Other movements	(17)	31	1	127	175	44	(369)	(8)
At end of year	184	2 262	147	2 309	10 060	776	1 887	17 625
Accumulated depreciation								
At beginning of year	12	381	37	644	3 464	316		4 854
Depreciation charges	3	165	5	99	594	28		894
Accumulated depreciation on disposals of items of property, plant and equipment			(1)	(9)	(291)	(2)		(303)
Net reclassification to non- current assets classified as held for sale			(1)	(9)	(55)	(1)		(66)
Exchange differences on translation		10		12	79	13		114
Other movements	(14)	19	2	(10)	(4)	1		(6)
At end of year	1	575	42	727	3 787	355		5 487
Impairment of assets								
At beginning of year		6		227	496	63	17	809
Impairment reversals					(1)			(1)
Impairment charges							21	21
At end of year		6		227	495	63	38	829
Net carrying amount at end of year								
	183	1 681	105	1 355	5 778	358	1 849	11 309

11. 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
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

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

Assets held under finance leases (refer note 21)

– cost

– accumulated depreciation

2008 Rm	2007 Rm
196	200
60	53
136	147

For detail 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 ANNUAL FINANCIAL STATEMENTS continued
for the year ended 31 December 2008

11. 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								
2008								
Gross carrying amount								
At beginning of year				11	82		80	173
Additions					2		61	63
Disposals of items of property, plant and equipment					(7)			(7)
Other movements					37		(37)	
At end of year				11	114		104	229
Accumulated depreciation								
At beginning of year				5	34			39
Depreciation charges					15			15
Accumulated depreciation on disposals of items of property, plant and equipment					(1)			(1)
At end of year				5	48			53
Impairment of assets								
At beginning of year					1			1
Impairment reversals					(1)			(1)
At end of year								
Net carrying amount at end of year				6	66		104	176

11. 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

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

12. BIOLOGICAL ASSETS GROUP 2008

Carrying amount

At beginning of year
Gains attributable to physical and price changes
Disposals
Net reclassification from inventory
At end of year
Fair value of biological assets can be split as follows:
– mature
– immature

	Plantation Rm	Livestock Rm	Game Rm	Total Rm
At beginning of year	6	6	18	30
Gains attributable to physical and price changes	3		3	6
Disposals	(1)	(1)	(2)	(4)
Net reclassification from inventory		1	1	2
At end of year	8	6	20	34
Fair value of biological assets can be split as follows:				
– mature	6	6	20	32
– immature	2			2
	8	6	20	34

The plantation was valued by Mr JM Potgieter, an independent appraiser, on 20 November 2008.

2007

Carrying amount

At beginning of year
Acquisitions
Gains arising from changes attributable to physical changes and price changes
Disposals
Net reclassification to inventory
At end of year
Fair value of biological assets can be split as follows:
– mature
– immature

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)
Net 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

Plantations consist of wattle and blue gum trees.

Livestock consists of cattle and horses.

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

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
13. INTANGIBLE ASSETS				
Patents, licences and franchises				
Gross carrying amount				
At beginning of year	108	96		
Additions		1		
Transfers from other assets	4	2		
Exchange differences	9	9		
At end of year	121	108		
Accumulated amortisation				
At beginning of year	32	27		
Amortisation charge	4	3		
Transfers from other assets	4			
Exchange differences	2	2		
At end of year	42	32		
Net carrying amount at end of year	79	76		
14. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES				
ASSOCIATED COMPANIES				
– unlisted	1 848	757		
	1 848	757		
JOINT VENTURES (unlisted)				
– incorporated	1			
	1			
Total	1 849	757		

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

	ASSOCIATE COMPANIES			JOINT VENTURES		
	Investments Rm	Loans Rm	Total Rm	Investments Rm	Loans Rm	Total Rm
2008						
GROUP						
At beginning of year	757		757			
Additional interests acquired	2	219	221			
Transfer (to)/from other assets				1		1
Net share of results	1 850	(187)	1 663			
Dividends paid	(1 042)		(1 042)			
Exchange difference adjustments	62		62			
Share of reserve movements	187		187			
At end of year (refer annexure 2)	1 816	32	1 848	1		1

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

14. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

	ASSOCIATE COMPANIES		
	Investments Rm	Loans Rm	Total Rm
2007			
GROUP			
At beginning of period as previously disclosed	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 (refer annexure 2)	<u>757</u>		<u>757</u>
		2008	2007
		Rm	Rm
Aggregate post-acquisition reserves:			
– associate companies		1 515	470
– joint ventures		2 525	2 396
Total		<u>4 040</u>	<u>2 866</u>

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
15. INVESTMENTS IN SUBSIDIARIES				
Shares at cost less impairment losses			3 290	1 514
Indebtedness				
– by subsidiaries			7 895	4 966
– to subsidiaries			(626)	(178)
Total (refer annexure 3)			<u>7 269</u>	<u>4 788</u>
Less current portion included in trade and other receivables			(5 028)	(4 516)
Less current portion included in trade and other payables			626	178
Non-current portion			<u>2 867</u>	<u>450</u>
			<u>6 157</u>	<u>1 964</u>
Aggregate attributable after tax profits and losses of subsidiaries:				
– profits	13 469	10 262		
– losses	(10 897)	(7 390)		
16. FINANCIAL ASSETS				
Environmental Rehabilitation Trust asset	342	274	10	8
Long-term receivables	488	429		
Derivatives	360		31	
Investments (refer annexure 2)	387	328		2
	<u>1 577</u>	<u>1 031</u>	<u>41</u>	<u>10</u>
For detail refer to note 29 on financial instruments.				
17. INVENTORIES				
Finished products	1 022	650		
Work-in-progress	467	292		
Raw materials	465	334		
Plant spares and stores	522	249		
Merchandise	5	6		
	<u>2 481</u>	<u>1 531</u>		

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. Included in inventories are R86 million (2007: Rnil) pledged as security for liabilities.

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
18. TRADE AND OTHER RECEIVABLES				
Trade receivables	2 183	1 585		
Other receivables	496	306	33	70
Indebtedness by subsidiaries (refer note 15)			5 028	4 516
Derivative instruments (refer note 29.1)	256	47	13	
Specific allowances for impairment	(9)	(4)	(1)	(3)
Collective allowances for impairment	(2)	(3)		
	2 924	1 931	5 073	4 583
Trade receivables are stated after the following allowances for impairment:				
Specific allowances for impairment				
At beginning of year	(4)	(5)	(3)	
Impairment loss recognised	(5)	(3)		(3)
Impairment loss reversals	4	3	2	
Other reconciling items	(4)	1		
At end of year	(9)	(4)	(1)	(3)
Of which relates to:				
Trade receivables	(8)	(3)		
Other receivables	(1)	(1)	(1)	(3)
	(9)	(4)	(1)	(3)
Collective allowances for impairment				
At beginning of year	(3)	(2)		
Impairment loss recognised	(1)	(1)		
Other reconciling items	2			
At end of year	(2)	(3)		
Of which relates to:				
Trade receivables	(2)	(3)		
19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE				
Assets				
Property, plant and equipment	36	2		
Financial assets	15			
Inventories	8			
Trade and other receivables	14		13	
Tax receivable	5			
	78	2	13	
Liabilities				
Other long-term payables				
Non-current provisions	(27)			
Deferred tax liabilities	(7)			
Trade and other payables	(16)			
	(50)			
Total at end of year	28	2	13	

Included above are the assets and liabilities of a subsidiary, Glen Douglas Dolomite (Pty) Limited, classified as held for sale (disposal group) and other assets and liabilities classified as held for sale.

Management is committed to the sale of the disposal group and the assets and liabilities which will be disposed of within the next 12 months.

The disposal group is included in the other segment results and the other assets and liabilities are included in the commercial coal operations segment.

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
20. 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>				
355 036 600 (2007: 352 907 400) ordinary shares of R0,01 each	4	4	4	4
Share premium	2 272	2 240	2 272	2 240
Shares held by Kumba Resources Management Share Trust and the Exxaro Employee Empowerment Participation Scheme Trust (MPower)	(178)	(177)		
Total	2 098	2 067	2 276	2 244
The Kumba Resources Management Share Trust and the MPower have been consolidated.				
Refer to statement of changes in equity (pages 144 to 146) for details of movements.				
Reconciliation of authorised shares not issued (million)				
Number of authorised unissued ordinary shares at beginning of year	147	149	147	149
Number of shares repurchased during the year		10		10
Number of shares issued during the year	(2)	(12)	(2)	(12)
Number of unissued authorised shares at end of year	145	147	145	147

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

- 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).
- 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 30 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 30 day period a ruling will be obtained from the committee of the JSE.
- 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, exceeds 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	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
21. INTEREST-BEARING BORROWINGS				
NON-CURRENT BORROWINGS				
Summary of loans by financial year of redemption				
2008		74		
2009	500	100	205	
2010	328	44	278	
2011	419	43	369	
2012	794	452	669	369
2013	1 611	220	1 392	81
2014 onwards	498	400		
Total non-current borrowings (refer annexure 1)	4 150	1 333	2 913	450
Current portion included in current liabilities	(500)	(74)	(205)	
Total	3 650	1 259	2 708	450
Details of interest rates payable on borrowings are shown in annexure 1.				
INTEREST-BEARING BORROWINGS				
Non-current borrowings	3 650	1 259	2 708	450
Short-term borrowings				55
Current portion of non-current borrowings	500	74	205	
Total short-term borrowings	500	74	205	55
Total	4 150	1 333	2 913	505
Included in the above interest-bearing borrowings are obligations relating to finance leases (refer note 11). Details are:				
Minimum lease payments:				
– less than one year	59	54		
– more than one year and less than five years	255	254		
– more than five years	3 367	3 427		
Total	3 681	3 735		
Less: Future finance charges	3 428	3 491		
Present value of lease liabilities	253	244		
Representing lease liabilities:				
– current	5	4		
– non-current (more than one year and less than five years)	17	18		
– non-current (more than five years)	231	222		
Total	253	244		

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.

Rosh Pinah Corporation (Pty) Limited (Rosh Pinah), a subsidiary in which Exxaro holds 50,0264%, is, however, in breach of certain provisions of a facilities agreement entered into with a number of financial institutions. The breach has been waived by the financial institutions conditional upon Rosh Pinah settling the funding obtained by no later than 31 March 2009. The liability is included in the current portion of non-current borrowings.

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for the year ended 31 December 2008

22. 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						
2008						
At beginning of year	1 020	263	31	36	6	1 356
Charge to operating expenses	222	2		9	3	236
Additional provision	222	2		10	6	240
Unused amounts reversed				(1)	(3)	(4)
Interest adjustment (refer note 5)	35	8	4	1		48
Provisions capitalised to property, plant and equipment		104				104
Acquisition of subsidiary and other business operations	27	13		22		62
Utilised during year	(10)		(8)		(6)	(24)
Exchange differences	5	7				12
Reclassification to non-current assets held for sale	(25)	(2)				(27)
At end of year	1 274	395	27	68	3	1 767
Current portion included in current liabilities	(15)		(6)			(21)
Total non-current provisions	1 259	395	21	68	3	1 746
2007						
At beginning of year	770	156	32		3	961
Charge to operating expenses	175	25		36	5	241
Additional provision	183	25		36	5	249
Unused amounts reversed	(8)					(8)
Interest adjustment (refer note 5)	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

22. PROVISIONS (continued)

	Environ- mental rehabili- tation Rm	Decom- missioning Rm	Restruc- turing Rm	Post- retirement medical obligation Rm	Cash- settled share- based payment Rm	Total Rm
COMPANY						
2008						
At beginning of year	19				5	24
Charge to operating expenses					4	4
Additional provision					7	7
Unused amounts reversed					(3)	(3)
Interest adjustment (refer note 5)	2					2
Utilised during year					(6)	(6)
Total non-current provisions	21				3	24
2007						
At beginning of year	18				3	21
Charge to operating expenses – additional provision					2	2
Additional provisions – charge to subsidiaries					2	2
Interest adjustment (refer note 5)	1					1
Utilised during year					(2)	(2)
Total non-current provisions	19				5	24

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

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 R349 million (2007: R284 million) at year end.

Of this amount R342 million (2007: R274 million) is included in financial assets and R7 million (2007: R10 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 Hlobane and Durnacol mines.

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 emerged 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. An actuarial valuation of the employer liability at 31 December 2008 is R42 million (2007: R36,3 million) of which the entire liability is raised as a receivable being recoverable from Eskom as part of the coal supply agreements.

As part of the business combination with Namakwa Sands on 1 October 2008 a post-retirement medical obligation was acquired. The post-retirement liability is of a defined benefit nature, and consists of an implicit promise to pay a portion of members' post-retirement medical aid contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical aid upon the death of the primary member, either pre- or post-retirement. This benefit, which is no longer offered, applied to employees employed prior to 2001 by Namakwa Sands and was actuarially valued at R25 million at 31 December 2008.

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 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.

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
23. DEFERRED TAX				
The movement on the deferred tax account is as follows:				
At beginning of year	345	368	(97)	(76)
Revaluation of opening balance	(7)			
Items charged directly to other components of equity				
– current	115	(2)		
Transferred to non-current assets held for sale	(7)			
Income statement charge – current (refer note 7)	(192)	(35)	(9)	(21)
– prior	(68)	14	(1)	
– rate change	(12)		3	
At end of year	174	345	(104)	(97)
Comprising:				
Deferred tax liabilities				
– property, plant and equipment	1 154	1 137		
– bad debt reassessment	(1)	(1)		
– foreign tax losses carried forward	(20)	(3)		
– inventories	(2)	16		
– leave pay accrual	(30)	(26)		
– financial instruments	201	(20)		
– provisions	(40)	(16)		
– Exxaro Environmental Rehabilitation asset	81	71		
– lease liability		(1)		
– decommissioning provision	(5)	(5)		
– share-based payments	2			
– hedge premium	(1)			
– restoration provision	(77)	(91)		
– prepayments	5	3		
– unrealised profits	(7)	15		
– assessed losses	(3)	(2)		
	1 257	1 077		
Deferred tax assets				
– provisions	(1)	(8)	(1)	
– property, plant and equipment	399	274	2	
– Exxaro Environmental Rehabilitation asset	15	12	4	4
– decommissioning provision	(10)	(9)		
– income received in advance	(3)			
– financial instruments	(99)			
– share-based payments	4		3	
– hedge premium	(4)		(3)	
– unrealised foreign exchange loss	(102)	(4)		
– restoration provision	(157)	(52)	(6)	(5)
– inventories		(3)		
– bad debt reassessment	(1)	(1)		(1)
– lease liability	(70)	(70)		
– leave pay accrual	(28)	(23)	(8)	(7)
– prepayments	6	1		
– tax losses carried forward	(870)	(755)	(95)	(88)
– foreign tax losses carried forward	(162)	(94)		
	(1 083)	(732)	(104)	(97)
	174	345	(104)	(97)
CALCULATED TAXATION LOSSES				
– Tax losses utilised to reduce deferred tax against South African taxable income included above	3 118	2 610	339	303
– Tax losses utilised to reduce deferred tax against foreign taxable income included above	650	334		

The total deferred tax assets raised with regard to assessed losses amount to R1 055 million (2007: R854 million), and is mainly attributable to the ramp-up phase of the mineral sands project.

The total deferred tax assets not raised amount to R100 million (2007: R54 million).

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
24. TRADE AND OTHER PAYABLES				
Trade payables	935	644	17	22
Other payables	1 150	536	130	102
Leave pay accrual	218	173	31	25
Indebtedness to subsidiaries (refer note 15)			626	178
Derivative instruments (refer note 29.1)	63	96	13	
	2 366	1 449	817	327
25. NOTES TO THE CASH FLOW STATEMENT				
25.1 CASH GENERATED BY/(UTILISED IN) OPERATIONS				
Net operating income/(loss)	2 467	1 444	1 673	(61)
Adjusted for non-cash movements				
– liquidation dividend	1			
– depreciation and amortisation	898	763	15	10
– impairment charges and reversals	20	17	(1)	
– provisions	236	241	4	2
– exploration cost	40			
– foreign exchange revaluations and fair value adjustments	(10)	(35)	(6)	1
– reconditionable spares usage	1	4		
– net loss/(profit) on disposal or scrapping of property, plant and equipment	65	13	5	
– net profit on disposal of investments	(7)		(1 726)	
– share-based payment expenses	81	102	37	34
	3 792	2 549	1	(14)
Working capital movements				
– increase in inventories	(513)	(107)		
– increase in trade and other receivables	(471)	(69)	(691)	(24)
– increase/(decrease) in trade and other payables	790	(42)	556	204
– utilisation of provisions (refer note 22)	(24)	(23)	(6)	(2)
Cash generated by/(utilised in) operations	3 574	2 308	(140)	164
25.2 NET FINANCING COSTS				
Net financing costs	(241)	(215)	(119)	(84)
Financing costs not involving cash flow (refer note 22)	48	99	2	1
	(193)	(116)	(117)	(83)
25.3 NORMAL TAXATION PAID				
Amounts (unpaid)/receivable at beginning of year	(137)	(67)	8	16
Amounts charged to the income statements	(782)	(532)		(63)
Arising on translation of foreign entities	(1)			
Amounts unpaid/(receivable) at end of year	433	137	10	(8)
	(487)	(462)	18	(55)
25.4 DIVIDENDS PAID				
Amounts unpaid at beginning of year		(4)		
Dividends declared and paid	(957)	(208)	(973)	(211)
Dividends declared and paid by subsidiaries to minorities	(27)	(11)		
	(984)	(223)	(973)	(211)

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
25. NOTES TO THE CASH FLOW STATEMENT (continued)				
25.5 INVESTMENTS TO MAINTAIN OPERATIONS				
Replacement of property, plant and equipment	(1 119)	(534)	(61)	(34)
Reconditional spares	(28)	(35)		
	(1 147)	(569)	(61)	(34)
25.6 INVESTMENTS TO EXPAND OPERATIONS				
Expansion and new technology	(470)	(727)	(2)	
	(470)	(727)	(2)	
25.7 INVESTMENT IN OTHER NON-CURRENT ASSETS				
Increase in associates, joint ventures and other investments		(268)		
Increase in investments in subsidiaries			(49)	(1)
(Increase)/decrease in non-current financial assets	(179)	19	(1)	34
	(179)	(249)	(50)	33
25.8 INCOME FROM EQUITY-ACCOUNTED INVESTMENTS				
Income from equity-accounted investments as per income statement	1 663	728		
Dividends received from equity-accounted investments	1 042	377		
Non-cash flow income from equity-accounted investments	(1 663)	(728)		
	1 042	377		
25.9 FOREIGN CURRENCY TRANSLATION RESERVE				
At beginning of year	527	379		
Closing balance	964	527	(3)	
Movement	437	148	(3)	
Transfers from non-distributable reserves (NDR)		16		
Unrealised profits/(losses) in relation to foreign transactions	84	(37)	1	2
Revaluation of long-term loans	(199)	(169)		3
Less: arising on translation of foreign entities	377	(48)	(3)	
– inventories	51	32		
– trade and other receivables	71	33		
– financial assets	(5)	15		
– trade and other payables	(10)	(15)		
– utilisation of provision	(12)	(12)		
– taxation paid	10		1	
– property, plant and equipment acquired	124	123		
– intangible assets	6	6		
– investments acquired	72	(50)		
– non-current loans	282	(107)	(4)	
– share capital	(212)	(73)		
	(55)	6	1	5
25.10 TRANSLATION OF FOREIGN CASH AND CASH EQUIVALENTS				
Translation differences on cash and cash equivalents	32	36		

26. ACQUISITION OF ASSOCIATE

On 1 November 2008, the group acquired 26% of the issued share capital of Black Mountain Mining (Pty) Limited, which is included in the other base metals segment results, for R221 million. The acquired business contributed an equity-accounted loss of R189 million to the group for the period from 1 November 2008 to 31 December 2008.

27. BUSINESS COMBINATIONS

On 11 April 2008, the group acquired 76% of the issued share capital of Exxaro Madencilik Sanayi Ve Ticaret A.S., Turkey (Madencilik), which is included in the other segment results. The acquired business contributed nil revenue and R7 million operating loss to the group for the period from 11 April 2008 to 31 December 2008.

On 1 July 2008, the group acquired 100% of the issued share capital of Skyprops 112 (Pty) Limited, which is included in the other segment results. The acquired business contributed neither revenue nor profits to the group for the period from 1 July 2008 to 31 December 2008.

On 1 October 2008, the group acquired the assets and liabilities of Namakwa Sands operations, which is reported as a separate reportable segment, Namakwa mineral sands operating segment. The acquired business contributed R491 million revenue and R155 million operating profits to the group for the period from 1 October 2008 to 31 December 2008.

	Madencilik 2008 Rm	Skyprops 2008 Rm	Namakwa Sands Rm	Total 2008 Rm
Details of assets and liabilities acquired are as follows:				
Purchase consideration:				
– cash paid on acquisition	(30)	(65)	(2 662)	(2 757)
– purchase consideration outstanding			(121)	(121)
– fair value of assets acquired	30	65	2 783	2 878
Goodwill				
The assets and liabilities arising from the acquisition are as follows:				
– property, plant and equipment		65	2 207	2 272
– intangible assets	30			30
– financial assets			16	16
– inventories			399	399
– trade and other receivables			371	371
– trade and other payables			(148)	(148)
– non-current provisions			(62)	(62)
Fair value of net assets	30	65	2 783	2 878
Total purchase consideration	(30)	(65)	(2 783)	(2 878)
Purchase consideration outstanding			121	121
Cash outflow on acquisition of subsidiaries and other business operations	(30)	(65)	(2 662)	(2 757)

28. OTHER COMPREHENSIVE INCOME

	2008			2007		
	Before-tax amount Rm	Tax Rm	Net-of-tax amount Rm	Before-tax amount Rm	Tax Rm	Net-of-tax amount Rm
GROUP						
Exchange differences on translating foreign operations	193	57	250	176	(18)	158
Currency translation differences	215	57	272	176	(18)	158
– Less: reclassification adjustments for exchange differences realised on liquidation of subsidiaries	22		22			
Share of other comprehensive income of associates	187		187	46		46
Share-based payments movements	92		92	133		133
Financial instruments fair value movements recognised in equity on cash flow hedges:	520	(172)	348	(39)	20	(19)
Gains/(losses) arising during the year	520	(172)	348	(40)	20	(20)
– Less: reclassification adjustments for gains/(losses) included in profit or loss				(1)		(1)
	992	(115)	877	316	2	318
COMPANY						
Currency translation differences	(3)		(3)			
Share-based payments movement	66		66	100		100
	63		63	100		100

NOTES TO ANNUAL FINANCIAL STATEMENTS continued
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29. FINANCIAL INSTRUMENTS

29.1 CARRYING AMOUNTS AND FAIR VALUE 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		
2008		
ASSETS		
Non-current assets		
Property, plant and equipment		
Biological assets		
Intangible assets		
Investments in associates and joint ventures		
Deferred tax		
Financial assets, consisting of:	360	348
– Exxaro Environmental Rehabilitation Trust asset		342
– Richards Bay Coal Terminal (RBCT)		
– Igoda		
– Mafube		
– Ndzalama game reserve		6
– Derivatives	360	
– Long-term receivables		
Total non-current assets	360	348
Current assets		
Inventories		
Trade and other receivables		
Current tax receivable		
Derivative financial instruments	256	
Cash and cash equivalents		
Total current assets	256	
Non-current assets classified as held for sale (NCACHFS)		15
Total assets	616	363
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Other components of equity		
Retained earnings		
Equity attributable to owners of the parent		
Minority interest		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		127
Non-current provisions		
Derivative financial instruments	31	
Deferred tax		
Total financial non-current liabilities	31	127
Current liabilities		
Trade and other payables		
Derivative financial instruments	63	
Interest-bearing borrowings		123
Current tax payable		
Current provisions		
Total current liabilities	63	123
Non-current liabilities classified as held for sale		
Total liabilities	94	250

Held-to-maturity investments at amortised cost Rm	Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm
				11 309	11 309	
				34	34	
				79	79	
				1 849	1 849	
				1 083	1 083	
	488	381			1 577	1 577
					342	342
		351			351	351
		25			25	25
		5			5	5
					6	6
					360	360
	488				488	488
	488	381		14 354	15 931	
				2 481	2 481	
	2 668				2 668	2 668
	2				2	2
					256	256
	1 769				1 769	1 769
	4 439			2 481	7 176	
	19			44	78	78
	4 946	381		16 879	23 185	
				2 098	2 098	
				2 190	2 190	
				8 708	8 708	
				12 996	12 996	
				128	128	
				13 124	13 124	
			3 274	249	3 650	3 463
				1 746	1 746	
					31	31
				1 257	1 257	
			3 274	3 252	6 684	
			2 303		2 303	2 303
					63	63
			373	4	500	532
			440		440	440
				21	21	
			3 116	26	3 327	
				50	50	
			6 390	16 451	23 185	

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

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29. FINANCIAL INSTRUMENTS (continued)

29.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

	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 tax		
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		
Other components of equity		
Retained earnings		
Equity attributable to owners of the parent		
Minority interest		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		82
Non-current provisions		
Deferred tax		
Total financial non-current liabilities		82
Current liabilities		
Trade and other payables		
Derivative financial instruments	96	
Interest-bearing borrowings		69
Current tax payable		
Current provisions		
Total current liabilities	96	69
Total liabilities	96	151

As disclosed in the table above, financial liabilities with a carrying amount and fair value of R251 million (2007: R151 million) have been designated at fair value through profit or loss. The carrying amount of the financial liabilities designated at fair value through profit or loss at 31 December 2008 was the same as the contractual amount at maturity date for the year ended 31 December 2008 (2007: R2 million lower than the contractual amount) for the group.

Held-to-maturity investments at amortised cost Rm	Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments 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
					47	47
	850				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	137
				27	27	
			1 490	32	1 687	
			2 428	12 500	15 175	

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

29. FINANCIAL INSTRUMENTS (continued)

29.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

	At fair value through profit or loss	
	Held for trading Rm	Designated Rm
COMPANY		
2008		
ASSETS		
Non-current assets		
Property, plant and equipment		
Investments in subsidiaries		
Deferred tax		
Financial assets, consisting of:	31	10
– Exxaro Environmental Rehabilitation Trust asset		10
– Derivatives	31	
Total non-current assets	31	10
Current assets		
Trade and other receivables		
Derivative financial instruments	13	
Cash and cash equivalents		
Total current assets	13	
Non-current assets classified as held for sale		
Total assets	44	10
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Other components of equity		
Retained earnings		
Equity attributable to owners of the parent		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		
Derivatives	31	
Non-current provisions		
Total financial non-current liabilities	31	
Current liabilities		
Trade and other payables		
Derivative financial instruments	13	
Interest-bearing borrowings		
Current tax payable		
Total current liabilities	13	
Total equity and liabilities	44	

Held-to-maturity investments at amortised cost Rm	Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm
	2 867			176	176	
				3 290	6 157	2 867
				104	104	
					41	41
					10	10
					31	31
	2 867			3 570	6 478	41
	5 060				5 060	5 060
					13	13
	478				478	478
	5 538				5 551	
	13				13	13
	8 418			3 570	12 042	
				2 276	2 276	
				946	946	
				5 025	5 025	
				8 247	8 247	
				8 247	8 247	
			2 708		2 708	2 708
					31	31
				24	24	
			2 708	24	2 763	
			804		804	804
					13	13
			205		205	205
			10		10	10
			1 019		1 032	
			3 727	8 271	12 042	

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

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29. FINANCIAL INSTRUMENTS (continued)

29.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

	At fair value through profit or loss	
	Held for trading Rm	Designated Rm
COMPANY		
2007		
ASSETS		
Non-current assets		
Property, plant and equipment		
Intercompany loans debits		
Investments in subsidiaries		
Deferred tax		
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
Current tax receivable		
Cash and cash equivalents		
Total current assets		5
Total assets		15
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Other components of equity		
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		
Total current liabilities		
Total liabilities		

As disclosed in the table above, there were no financial liabilities designated at fair value through profit or loss as at 31 December 2008 for the company.

Held-to-maturity investments at amortised cost Rm	Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm
	450			133	133	
				1 514	1 514	450
				97	97	
					10	10
					8	8
					2	2
	450			1 744	2 204	
21	4 557				4 583	4 583
	8				8	8
	306				306	306
21	4 871				4 897	4 897
21	5 321			1 744	7 101	
				2 244	2 244	
				883	883	
				3 118	3 118	
				6 245	6 245	
			450		450	405
				24	24	
			450	24	474	
			327		327	327
			55		55	55
			382		382	
			832	6 269	7 101	

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29. FINANCIAL INSTRUMENTS (continued)

29.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

The Exxaro Environmental Rehabilitation Trust Fund (EERF) was created and complies with the requirements of both the Minerals and Petroleum Resources Development Act.

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. R143 million (2007: R179 million) of the investments designated at fair value through profit or loss and the EERF are equity investments listed on JSE Limited.

Included in the long-term receivables is an amount of R481 million (2007: R388 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 22).

A 2% increase in the JSE industry average at reporting date would have increased equity by R1,1 million (2007: R2,8 million) after tax, an equal change in the opposite direction would have decreased equity by R1,1 million (2007: R0,9 million). The impact on profit or loss would have been an increase or decrease of R1,1 million (2007: R1,9 million) after tax. The analysis has been performed on the same basis for 2007.

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 2008 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 2008 and 2007, 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 2008 or 2007.

For the financial year ended 31 December 2008, 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. Exxaro acquired 8 662 shares (1,20% stake) in RBCT through the merger of the former Eyesizwe (Pty) Limited and Kumba Resources Limited which were valued at R2 million on 1 November 2006. An additional 10 000 shares were acquired in RBCT on 30 June 2007 for R213 million. These shares were purchased at a price of US\$30 million. The 10 000 ordinary shares entitle Exxaro to a 1,39% shareholding in RBCT. The 10 000 shares also entitle Exxaro to 1Mt of export allocation. All the shareholders in RBCT acquire equity instruments in order to obtain the right to export coal. The South Dunes Coal Terminal Co. (Pty) Limited (SDCT) also holds an investment in RBCT, of which Exxaro Coal (Pty) Limited (a 100% subsidiary of Exxaro Resources Limited) holds 33% in SDCT, with the effective value of R136 million at 31 December 2008 (2007: R74 million).

29. FINANCIAL INSTRUMENTS (continued)

FAIR VALUES (continued)

All this coupled with minor wharfage expenses, results in the overall investment in RBCT with a carrying value of R351 million (2007: 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 items such as freight rates would cause the valuation to vary significantly.

The fair value of the 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 R351 million (2007: R290 million).

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

29.2 RECLASSIFICATION OF FINANCIAL ASSETS

No reclassification of financial assets occurred during the period.

29.3 DERECOGNITION OF FINANCIAL ASSETS

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, as an investor participant to the fund, has committed to contribute towards the fund. The Fund Manager can draw down this balance or any portion as and when required, by serving a ten-day notice to Exxaro. The commitment period commenced on 1 March 2003 and expires on 28 February 2009. Exxaro has contributed R10 million towards the fund since March 2003 (refer to commitments in note 34). During 2008, New Africa Mining Fund distributed the capital contribution back to Exxaro, which resulted in the derecognition of the investment.

29.4 STATEMENT OF CHANGES IN EQUITY

Included in the statement of "other comprehensive income non-owner related movements" are the following pre-tax adjustments relating to financial instruments:

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Effective portion of change in fair value of cash flow hedge	256	(36)		
Amount removed from equity and included in initial carrying amount or cost of non-financial asset		1		
	256	(35)		

The above amounts are all included in the hedging reserve.

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT

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

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The group enters into financial instruments to manage and reduce the possible adverse impact on earnings and cash flows of changes in interest rates, foreign currency exchange rates and commodity prices. Compliance with policies and exposure limits is reviewed by the internal auditors annually, with the results being reported to the audit, risk and compliance committee.

29.5.2 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 29.5.2.1 below), commodity prices (see 29.5.2.2 below) and interest rates (see 29.5.2.3 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 (FECs) and currency options 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; and
- forward exchange contracts to hedge the commodity prices arising on the export of zinc and lead.

29.5.2.1 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 (US\$), Euro (€), and Australian Dollars (AU\$). Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts (FECs), currency options and currency swap agreements.

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

Uncovered foreign debtors at 31 December 2008 amount to US\$65 million (2007: US\$nil), whereas uncovered cash and cash equivalents amount to R53 million (2007: Rnil).

All capital imports were fully hedged. There were no imports (other than capital imports) which were not fully hedged during both 2008 and 2007. Monetary items have been translated at the closing rate at the last day of the reporting period US\$1: R9,36 (2007: US\$1: R6,80).

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

Pre-tax unrealised exchange losses amounting to R9 million (31 December 2007: R93 million gains) arising from the revaluation of Exxaro Australia Sands Pty Limited foreign currency loans for which an economic hedge exists through specific future export sales revenue, are recognised in equity as hedge accounting has been applied.

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.2.1 Foreign currency 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
2008			
United States Dollar	8,25	8,10	9,36
Euro	12,04	11,90	13,18
Canadian Dollar	7,71	7,98	7,67
Australian Dollar	6,93	7,07	6,48
2007			
United States Dollar	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

Foreign currency

Material FECs 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 2008 and 31 December 2007, are summarised as follows:

	Market related value Rm	Foreign amount million	Contract value Rm	Recognised fair value profits Rm
GROUP				
2008				
Exports				
United States Dollar – FECs	47	5	53	6
2007				
Exports				
United States Dollar – FECs	137	20	143	6

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.2.1 Foreign currency 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 2008 and 31 December 2007 are as follows:

	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
GROUP				
2008				
Imports				
United States Dollar – FECs				
Less than 3 months	3		3	
3 months	1		1	
Total	4		4	
Euro – FECs				
Less than 3 months	18	1	19	(1)
Total	18	1	19	(1)
Exports				
United States Dollar – FECs				
Less than 3 months	75	8	57	(18)
3 months	56	6	44	(12)
6 months	37	4	41	4
United States Dollar – Note holders loan				
> 3 year	561	60	552	(9)
Attributable to tax				3
Total	730	78	694	(32)

Note: In respect of a US\$60 million (2007: 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 regard to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2009 Rm	2010 Rm	>2010 Rm	Total Rm
Expected future cash flows				
– United States Dollar – FECs	141			141
– Euro – FECs	19			19
– United States Dollar – Note holders loan			561	561
Expected gain/(loss) in profit or loss (at maturity)				
– United States Dollar – FECs	(27)			(27)
– Euro – FECs	(1)			(1)
– United States Dollar – Note holders loan			(9)	(9)

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.2.1 Foreign currency risk management (continued)

	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
GROUP				
2007				
Imports				
United States Dollar – FECs				
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 – FECs				
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 (2007: 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 regard 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 – FECs	93			93
– Euro – FECs	1			1
– United States Dollar – Note holders loan			304	304
Expected gain/(loss) in profit or loss (at maturity)				
– United States Dollar – Note holders loan			93	93

	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
COMPANY				
2008				
Imports				
United States Dollar – FECs				
3 months	1	0,1	1	
Total	1	0,1	1	

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.2.1 Foreign currency risk management (continued)

With regard 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 – FECs	1			1
	Market related value Rm	Foreign currency million	Contract value Rm	Recog- nised fair value in equity Rm

COMPANY

2007

Imports

United States Dollar – FECs

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 – FECs	1			1

Foreign currency sensitivity

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

	PROFIT OR (LOSS)		EQUITY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
GROUP				
United States dollar	248	68	(4)	(29)
Euro		2		2
COMPANY				
United States dollar	115	21		

For imports (Euro), an increase in the exchange rate of the Rand (ZAR) against the Euro (eg, 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. The opposite applies for a decrease in the exchange rate.

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.

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.2.2 Commodity risk management

The group entered into commodity derivatives to hedge certain of its export product exposures, in terms of lead and zinc prices. Cash flow price hedges for coal at year-end are insignificant due to limited hedged exports and fixed price agreements.

As of 31 December 2008 the net fair value of commodity derivatives reflected a R583 million loss (2007: R92 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 R21 million (2007: 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 2007. There is no impact on the profit or loss for both 2008 and 2007.

	EQUITY	
	2008 Rm	2007 Rm
Lead	(3)	(2)
Zinc	(18)	

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.

Cash flow hedges – commodity risk

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

	Tons	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
2008					
Recognised transactions					
<i>Lead</i>					
Price	18 825	161	30	276	115
Currency		314	30	276	(38)
<i>Zinc</i>					
Price	81 750	939	173	1 356	417
Currency		1 337	130	1 166	(171)
Attributable to:					
– tax					(134)
– minority shareholders					(99)
		2 751	363	3 074	90

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

	2009	2010	2011	2012	Total
Expected future cash outflows					
<i>Lead</i>	138	151	214	49	552
<i>Zinc</i>	736	847	867	71	2 521
Expected gain/(loss) in profit or loss (at maturity)					
<i>Lead</i>	201	190	177	15	583
<i>Zinc</i>					

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29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.2.2 Commodity risk management (continued)

	Tons	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
2007					
Recognised transactions					
<i>Lead</i>					
Price	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:

	2008	2009	2010	Total
Expected future cash outflows	66	34	21	121
Expected gain/(loss) in profit or loss (at maturity)	(37)	(30)	(25)	(92)

29.5.2.3 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 where borrowings were entered into at floating interest rates in anticipation of a decrease in the interest rate cycle. The interest rate repricing profile is summarised below:

	1 – 6 months Rm	7 – 12 months Rm	Beyond 1 year Rm	Total borrowings Rm
At 31 December 2008:				
Term borrowings (under the IFRS 7 scope)	3 336		561	3 897
Percentage of total borrowings (%)	86		14	100
At 31 December 2007:				
Term borrowings (under the IFRS 7 scope)	681		408	1 089
Percentage of total borrowings (%)	63		37	100

The group makes use of interest rate derivatives to hedge specific exposures in the interest rate repricing profile of existing borrowings.

The value of borrowings hedged by interest rate derivatives, the instruments used and the respective rates applicable to these contracts are as follows:

	Borrowings hedged Amount	Floating interest payable %	Floating interest receivable %	Fixed interest payable %	Fixed interest receivable %	Recognised fair value gain/(loss) %
LOCAL						
At 31 December 2008						
Interest rate derivatives beyond 1 year:						
– Interest rate swaps	675		3m Jibar	11,1		1,5
At 31 December 2007						

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.2.3 Interest rate risk management (continued)

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

	INCREASE		DECREASE	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Profit or (loss)	(16)	(3)	16	3

The impact on equity is less than a million.

29.5.3 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:

	2008 Rm	2007 Rm
Amount approved	16 245	12 254
Total borrowings	4 150	1 333
Unutilised borrowing capacity	12 095	10 921

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2008 and 2007 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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29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.3 Liquidity risk management (continued)

Maturity profile of financial instruments

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

	Carrying amount Rm	Con- tractual cash flows Rm	MATURITY			
			0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	More than 5 years Rm
GROUP						
2008						
Financial assets						
Exxaro Environmental Rehabilitation Trust asset	342	342	4	4	53	281
Richards Bay Coal Terminal (RBCT)	351	351		25	98	228
Igoda	25	25				25
Mafube	5	5				5
Ndzalama game reserve	6	6				6
Derivatives	616	616	220	363	33	
Long-term receivables	488	488			1	487
Trade and other receivables	2 668	2 668	2 668			
Taxation receivable	2	2	2			
Cash and cash equivalents	1 769	1 769	1 769			
NCACHFS	34	34	34			
	6 306	6 306	4 697	392	185	1 032
<i>Percentage profile (%)</i>	100	100	75	6	3	16
Financial liabilities						
Interest-bearing borrowings	3 897	3 897	495	323	2 812	267
Trade and other payables	2 303	2 303	2 303			
Derivatives	94	94	63	75	(44)	
Current tax payable	440	440	440			
	6 734	6 734	3 301	398	2 768	267
<i>Percentage profile (%)</i>	100	100	49	6	41	4
Derivative financial liabilities (included in the above)						
Foreign exchange forward contracts used for hedging						
– Sell (Rand inflow)	53					
Other forward exchange contracts						
– Buy (Rand outflow)	23					

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.3 Liquidity risk management (continued)

	Carrying amount Rm	Con- tractual 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			
	<u>3 812</u>	<u>3 812</u>	<u>2 781</u>	<u>89</u>	<u>47</u>	<u>895</u>
<i>Percentage profile (%)</i>	<i>100</i>	<i>100</i>	<i>73</i>	<i>2</i>	<i>1</i>	<i>24</i>
Financial liabilities						
Interest-bearing borrowings	1 089	1 089	69	96	525	399
Trade and other payables	1 353	1 353	1 353			
Derivative financial instruments	96	96	96			
Current tax payable	137	137	137			
	<u>2 675</u>	<u>2 675</u>	<u>1 655</u>	<u>96</u>	<u>525</u>	<u>399</u>
<i>Percentage profile (%)</i>	<i>100</i>	<i>100</i>	<i>62</i>	<i>4</i>	<i>19</i>	<i>15</i>
Derivative financial liabilities (Included in the above)						
Foreign exchange forward contracts used for hedging – Sell (Rand inflow)	143					
Other forward exchange contracts						
– Buy (Rand outflow)	91					

NOTES TO ANNUAL FINANCIAL STATEMENTS continued
for the year ended 31 December 2008

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.3 Liquidity risk management (continued)

	MATURITY					
	Carrying amount Rm	Con- tractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	More than 5 years Rm
COMPANY						
2008						
Financial assets						
Exxaro Environmental Rehabilitation Trust asset	10	10			10	
Trade and other receivables	32	32	32			
Derivative financial instruments	44	44	13		31	
Intercompany loan debits	7 895	7 895	5 028	727	2 140	
Cash and cash equivalents	478	478	478			
NCACHFS	13	13	13			
	8 472	8 472	5 564	727	2 181	
<i>Percentage profile (%)</i>	100	100	65	9	26	
Financial liabilities						
Interest-bearing borrowings	2 913	2 913	205	278	2 430	
Trade and other payables	804	804	804			
Derivatives	44	44	13	31		
Current tax payable	10	10	10			
	3 771	3 771	1 032	309	2 430	
<i>Percentage profile (%)</i>	100	100	27	8	65	
Derivative financial liabilities (Included in the above)						
Foreign exchange forward contracts used for hedging – Buy (Rand outflow)	1					

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.3 Liquidity risk management (continued)

	Carrying amount Rm	Con-tractual 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	
New Africa Mining fund	2	2			2	
Intercompany loan debits	4 966	4 966	4 516		369	81
Trade and other receivables	67	67	67			
Current tax receivable	8	8	8			
Cash and cash equivalents	306	306	306			
	5 357	5 357	4 897		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			
	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					

29.5.4 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 continually 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 creditworthiness 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.

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.4 Credit risk management (continued)

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 was as follows:

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Cumulative	(2)	6		
Current financial year	(8)	6		

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

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

Details of the trade receivables credit risk exposure

	GROUP		COMPANY	
	2008 %	2007 %	2008 %	2007 %
By industry				
Manufacturing (including structural metal and steel)	53	70		
Public utilities	23	19		
Other	24	11		
	100	100		
By geographical area				
South Africa	48	50		
Asia	15	4		
Europe	22	20		
USA	14	25		
Other	1	1		
	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	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
The carrying amount of the financial assets at reporting date				
Neither past due nor impaired	6 257	3 560	8 472	5 346
– trade and other receivables	2 619	1 632	32	4 580
– other financial assets	1 217	1 031	10	10
– intercompany loan debits			7 895	450
– derivative financial instruments	616	47	44	
– tax receivable	2			
– NCACHFS	34		13	
– cash and cash equivalents	1 769	850	478	306
Past due or impaired	49	252		3
– trade and other receivables	49	252		3
Total financial assets	6 306	3 812	8 472	5 349

The group strives to enter into sales contracts with clients which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt, where applicable new payment terms may be arranged to ensure that the debt is fully recovered. Therefore the credit quality of the above assets deemed to be neither past due nor impaired is considered to be within industry norms. There were no financial assets with renegotiated terms during the 2008 or 2007 reporting periods.

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.4 Credit risk management (continued)

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Age analysis of financial assets				
Past due but not impaired				
1 – 30 days overdue	28	190		
31 – 60 days overdue	15	16		
61 – 90 days overdue	4	18		
>90 days overdue	7	27		
Total carrying amount of financial instruments past due but not impaired	54	251		
Past due and impaired				
>90 days overdue	(5)	1		3
Total carrying amount of financial instruments past due and impaired	(5)	1		3
Total carrying amount of financial instruments past due or impaired	49	252		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.

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 regard to the transaction with that third party.

The carrying value of financial assets that may be repledged or resold by counterparties are as follows:

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Non-current other financial assets	360			
Trade and other receivables	272			
Cash and cash equivalents	102	11		
	734	11		

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

No financial assets of the group were repledged during the year under review for collateral purposes.

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.4 Credit risk management (continued)

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 2008 or 2007.

For all other guarantees, refer to note 33 on contingent liabilities.

29.5.5 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.

30. RELATED PARTY TRANSACTIONS

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

ASSOCIATES AND JOINT VENTURES

Details of investments in associates and joint ventures are disclosed in note 14 and annexure 2 whilst income is disclosed in note 14. 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 2008 or 2007.

	2008		2007	
	Joint ventures Rm	Associates Rm	Joint ventures Rm	Associates Rm
Items of income and expense incurred during the year are as follows:				
– group sales of goods	3	65	1	86
– group purchases of goods and services	5	34	3	8
The outstanding balances at year-end are as follows:				
– included in trade and other receivables	1	2		2
– included in trade and other payables	22	9	16	6
– included in cash and cash equivalents	217		337	
– included in financial assets	135		74	

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 6 and 15 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:

	2008 Rm	2007 Rm
Exxaro Coal (Pty) Limited	145	94
Exxaro Base Metals (Pty) Limited	46	52
Exxaro Sands (Pty) Limited	40	41
	231	187

30. RELATED PARTY TRANSACTIONS (continued)

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 ¹	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 ²
Exxaro Chairman's Fund	Local social economic development ²
Exxaro People Development Initiative	Local social economic development – bridging classes ²
Kumba Resources Management Share Trust	Management share incentive trust
Merrill Lynch Insurance PCC Limited ³	Offshore insurance captive

¹ Consolidated until September 2008.

² Non-profit organisations.

³ Consolidated until July 2008.

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 32.

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 127 for details on directors' remuneration.

For the group, for 2008, the executive committee has been identified as being key management personnel.

For the group, for 2007, the directors of the major subsidiaries have been identified as being key management personnel. The major subsidiaries are considered to be the following:

- Exxaro Coal (Pty) Limited
- Exxaro TSA Sands (Pty) Limited
- Exxaro Sands (Pty) Limited
- Exxaro Australia Sands Pty Limited
- Exxaro Base Metals (Pty) Limited
- Exxaro International BV

	2008 Rm	2007 Rm
Short-term employee benefits	47	59
Termination benefits	9	9
Share-based payments – related expense	7	4
Total compensation paid to key management personnel	63	72

SHAREHOLDERS

The principal shareholders of the company at 31 December 2008 are detailed in the "Analysis of Shareholders" schedule on page 70 of the annual report.

CONTINGENT LIABILITIES

Details are disclosed in note 33.

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

31. OPERATING SEGMENTS

Information regarding the group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

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

	Coal			
	Tied operations		Commercial operations	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Segment revenue				
Total revenue	2 492	1 768	6 548	3 319
Inter-segmental				
External	2 492	1 768	6 548	3 319
Segment net operating profit/(loss)	83	88	2 571	797
Interest income (external)	1	1	30	15
Interest expense (external)		14	35	6
Interest (income)/expense on non-current provisions	(38)	33	54	29
Depreciation and amortisation of intangible assets	42	45	370	339
Impairment charge and (reversals)			21	18
Income tax expense/(income)	33	25	705	229
Net surplus on disposal of investment				
Other non-cash flow items not disclosed above	111	217	71	47
Cash inflow/(outflow) from operations	237	350	3 033	1 201
Cash generated by/(utilised in) operations	199	394	2 780	1 183
Income/(loss) from equity-accounted investments				
Capital expenditure			740	876
Segment assets and liabilities				
Deferred tax assets			2	2
Assets (external excluding deferred tax)	1 491	1 285	9 790	6 793
Investments in associates (equity accounted)				
Total assets	1 491	1 285	9 792	6 795
Liabilities (external)	795	665	1 486	1 042
Deferred tax liabilities	133	141	763	762
Current tax payable (receivable)	22	11	409	66
Total liabilities	950	817	2 658	1 870
Additions in non-current assets ¹			740	1 144
Number of permanent employees	3 535	3 385	2 746	2 486

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

Mineral sands						Base metals						Other		Total	
KZN Sands		Namakwa Sands		Australia Sands		Rosh Pinah		Zincor		Other		2008 Rm	2007 Rm	2008 Rm	2007 Rm
2008 Rm	2007 Rm	2008 Rm	2007 Rm	2008 Rm	2007 Rm	2008 Rm	2007 Rm	2008 Rm	2007 Rm	2008 Rm	2007 Rm				
974	984	491		1 311	1 188	436	941	1 393	1 791			198	166	13 843	10 157
974	984	491		1 311	1 188	(340)	(767)	340	767						
974	984	491		1 311	1 188	96	174	1 733	2 558			198	166	13 843	10 157
31	(157)	155		(82)	60	(14)	457	(95)	298	(63)	(67)	(119)	(32)	2 467	1 444
5	11	21		18	37	13	7	2	2	7	11	56	12	153	96
62	62			66	37	16						167	93	346	212
1	2	5		10	9	(2)	3	15	22			3	1	48	99
170	162	32		168	134	42	34	42	30		2	32	17	898	763
											(1)	(1)		20	17
29	(100)	21		(180)	57	(4)	176	(75)	87	5	(6)	(24)	44	510	512
										(7)				(7)	
(113)	52	23		131	(5)	(2)	(2)	94	5	3	2	96	9	414	325
88	57	210		218	189	26	489	41	333	(67)	(64)	6	(6)	3 792	2 549
30	142	121		86	162	85	441	319	153	(84)	(73)	38	(94)	3 574	2 308
										(193)	(18)	1 856	746	1 663	728
259	61	126		187	132	93	84	133	86			79	57	1 617	1 296
502	485	(12)		211	41			63		20	3	297	201	1 083	732
3 252	2 576	3 571		2 924	2 990	1 097	490	1 002	1 126	67	39	(2 941)	(1 613)	20 253	13 686
										202	116	1 647	641	1 849	757
3 754	3 061	3 559		3 135	3 031	1 097	490	1 065	1 126	289	158	(997)	(771)	23 185	15 175
496	432	448		1 025	743	316	187	505	339	1	4	3 292	726	8 364	4 138
				109	134	284	10		12	(44)		12	18	1 257	1 077
						(4)	4		85	(21)	(31)	34	2	440	137
496	432	448		1 134	877	596	201	505	436	(64)	(27)	3 338	746	10 061	5 352
259	62	2 789		187	132	97	84	133	86	252	7	325	61	4 782	1 576
653	642	1 025		333	343	532	571	671	679	15	16	948	909	10 458	9 031

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

31. OPERATING SEGMENTS (continued)

The group relies on two of its major customers for its revenue from the tied coal operations, commercial coal operations, Zincor and the other reportable segments. These two external customers account for at least 10% or more individually of the group's revenues (20% and 28% (2007: 22% and 27%)). The total amount of revenue from these two customers was R2 626 million and R3 800 million respectively (2007: R2 217 million and R2 760 million, respectively).

	External revenue		Carrying amount of non-current assets ¹	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Information about geographical areas				
Sourced from country of domicile				
– South Africa	8 758	7 156	12 423	7 112
Sourced from foreign countries				
– Rest of Africa	19	5	206	230
– Europe	2 823	996	1	22
– Asia	959	397	74	110
– Australia	33	9	645	1 626
– Other	1 251	1 594		
Total segment	13 843	10 157	13 349	9 100

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

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

Total segment revenue, which excludes value added tax, represents the gross value of goods invoiced. Export revenue are recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred. The group uses the basis of significant marketing regions to allocate external revenues to the individual countries. 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, -reversals and negative goodwill.

Segment expenses represent direct or reasonably allocable operating expenses on a segment basis.

Segment assets and liabilities include directly and reasonably allocable assets and liabilities. This information is not regularly provided to the chief decision-maker. There are no differences in the way segment assets and liabilities are measured for reportable segments or group purposes.

There are no differences in the way segment profit or loss is measured in comparison to the previous annual period nor between the reportable segments' profits or losses and the group's profit or loss.

32. 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;
- Namakwa Sands Employees Provident Fund;
- Sentinel Mining Industry Retirement Fund.

In compliance with the Pension Funds 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 previous 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).

Defined contribution funds

Membership of each fund at 31 December 2008 and 31 December 2007 and employer contributions to each fund were as follows:

	Working members 2008 Number	Working members 2007 Number	Employer contri- butions 2008 Rm	Employer contri- butions 2007 Rm
GROUP				
Exxaro Selector Funds	2 470	2 323	62	52
Iscor Employees' Provident Fund	3 587	3 402	34	28
Mine Workers Provident Fund	870	1 914	2	14
Namakwa Sands Employees Provident Fund	1 900		15	
Sentinel Mining Industry Retirement Fund	830	754	22	20
Other funds	478	924	31	30
	10 135	9 317	166	144
COMPANY				
Exxaro Selector Funds	668	611	23	18
Iscor Employees' Provident Fund	144	146	1	1
Sentinel Mining Industry Retirement Fund	30	23	2	1
	842	780	26	20

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

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

32. EMPLOYEE BENEFITS (continued)

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.

The approval by the Registrar for the fund not to submit a surplus apportionment was received in 2007.

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 R70 million (2007: R61 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. The corresponding asset which represents the amount recoverable from Eskom for the captive mines has been recognised and is included in long-term receivables. Exxaro Coal Mpumalanga's (previously known as Eyesizwe Coal) contribution to the post-retirement medical aid obligation for the year ended 31 December 2008 amounted to R1,5 million (2007:R1 million).

As part of the business combination with Namakwa Sands on 1 October 2008 a post-retirement medical obligation was acquired. The post-retirement liability is of a defined benefit nature, and consists of an implicit promise to pay a portion of members' post-retirement medical aid contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical aid on the death of the primary member, either pre- or post-retirement. This benefit, which is no longer offered, applied to employees employed prior to 2001 by Namakwa Sands. Contributions, if any, will be offset against the liability. No contributions were made for the two months ended 31 December 2008.

Equity compensation benefits

The shareholders of Kumba Resources Limited (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) from December 2006. Kumba Resources was renamed Exxaro Resources Limited (Exxaro) 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 Resources.

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 Resources on unbundling of Kumba Resources 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 consists of the granting of options in respect of ordinary Kumba Resources shares, at market value, to eligible participants.

Shares and/or options held in terms of Kumba 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 Kumba 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 4th anniversary of offer date;
- additional 25% after 5th anniversary of offer date.

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

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

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 options 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 Exxaro 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.

According to the rules of the Long-term Incentive Plan (LTIP) executive directors and senior employees of Exxaro 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, human resources, remuneration and nominations 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 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 Resources, 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 Resources, however, elected to collapse the scheme before the implementation of the empowerment transaction, since it would have been impractical 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 Resources shareholders.

According to the Deferred Bonus Plan (DBP) rules, executive directors and senior employees of Kumba Resources 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 Resources 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 Resources 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;

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

- 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 73 690 shares are outstanding at 31 December 2008 (2007: 98 140).

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 Consumer Price Index (CPI) plus 6% in the three years. In 2011 and 2012 the minimum increase in HEPS to achieve is CPI plus 8% 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 entitles 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.

No further awards will be made in terms of the old (Kumba) share incentive plans. The awards already granted and still outstanding are being phased out. Only SARs, LTIPs, DBPs and MPower schemes remain.

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, human resources, remuneration and nomination committee, and as a fallback provision only, pay an 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 1% of the shares then in issue in the share capital of Exxaro.

As at 31 December 2008, the maximum number of shares approved and allocated by shareholders for the purposes of the schemes, 30 million (2007: 30 million) represent 8,5% (2007: 8,5%) of the issued shares. Of the total of 30 million shares, 21,1 million (2007: 21,1 million) shares are available in the share scheme for future offers to participants, while 8,9 million (2007: 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:

	2008 Million	2007 Million
Number of shares approved by shareholders	30,0	30,0
Options, LTIP, DBP, deferred purchase instruments and SARS held by Exxaro employees/participants	(6,6)	(7,0)
Options and deferred purchase instruments held by Kumba Iron Ore employees/participants	(1,3)	(1,9)
	22,1	21,1

At 31 December 2008 the company's loan from the Kumba Resources Management Share Trust amounted to R51 199 278 (2007: R67 142 835).

The loan is interest free and has no fixed repayment terms. This amount is reflected as an intercompany current 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 R1 358 122 343 (2007: R2 188 055 019).

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

Details of the schemes and plans are:

	Options ⁴			
	Exxaro employees		Kumba Iron Ore employees	
	Dec 2008 '000	Dec 2007 '000	Dec 2008 '000	Dec 2007 '000
Outstanding at beginning of year	5 070	6 451	1 869	2 258
Issued				
Transferred to Kumba Iron Ore ¹		(333)		333
Transferred from Kumba Iron Ore ²		102		(102)
Adjustments		10		9
Exercised	(1 464)	(1 044)	(560)	(569)
Lapsed/cancelled ³	(52)	(116)	(37)	(60)
Outstanding at end of year	3 554	5 070	1 272	1 869

¹ Exercise price range for transferred to Kumba Iron Ore: nil (2007: R8,48 – R42,32).

² Exercise price range for transferred from Kumba Iron Ore: nil (2007: R8,48 – R33,47).

³ Exercise price range for lapsed/cancelled options: R7,52 – R40,18 (2007: R8,48 – R60,60).

⁴ No further grants are made under these schemes and plans that are being phased out have been replaced by the new share incentive plans.

	Deferred purchase ²			
	Exxaro employees		Kumba Iron Ore employees	
	Dec 2008 '000	Dec 2007 '000	Dec 2008 '000	Dec 2007 '000
Outstanding at beginning of year	5 200	6 560	400	820
Exercised		(1 360)		(420)
Lapsed/cancelled	(1 000)			
Outstanding at end of year	4 200	5 200	400	400

	Deferred bonus plan		Long-term incentive plan ¹	
	Dec 2008 '000	Dec 2007 '000	Dec 2008 '000	Dec 2007 '000
Outstanding at beginning of year	2		481	
Issued	16	2	462	491
Exercised			(3)	
Lapsed/cancelled			(34)	(10)
Outstanding at end of year	18	2	906	481

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

² No further grants are made under these schemes and plans that are being phased out have been replaced by the new share incentive plans.

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

	Phantom scheme		SARs	
	Dec 2008 '000	Dec 2007 '000	Dec 2008 '000	Dec 2007 '000
Outstanding at beginning of year	98	98		
Issued			1 422	1 453
Conversion to deferred purchase scheme			1 820	
Exercised	(24)		(5)	
Lapsed/cancelled			(140)	(31)
Outstanding at end of year	74	98	3 097	1 422

Details of issues during the period are as follows:

	Long-term incentive plan ¹		Deferred bonus plan	
	Dec 2008	Dec 2007	Dec 2008	Dec 2007
Expiry date	2009	2009	2009	2009
Exercise price (share price range) (R)	102,14 – 112,35	60,60 – 72,84	89,61 – 111,88	86,45
Total proceeds if options are exercised at reporting date/deferred purchase shares at reporting date paid (R million)	51,8	29,9	2,0	0,2

	SARs	
	Dec 2008	Dec 2007
Expiry date	2014/2015	2014
Exercise price per share (share price range) (R)	98,38 – 155,69	58,33 – 87,22
Total proceeds if options are exercised at reporting date (R million)	200,0	88,4

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

	Options		Long-term incentive plan	
	Dec 2008	Dec 2007	Dec 2008	Dec 2007
Exercise price per share (share price range) (R)				
– Exxaro employees in Exxaro (post-unbundling)	48,00 – 160,85	51,74 – 110,00	60,6	
– Exxaro employees in Kumba Iron Ore (post-unbundling)	107,00 – 376,00	109,90 – 300,00		
– Kumba Iron Ore employees in Exxaro (post-unbundling)	3,86 – 47,73	53,15 – 108,03		
Total proceeds (R million)	424,8	325,1	0,2	

32. **EMPLOYEE BENEFITS** (continued)

Equity compensation benefits (continued)

	Deferred bonus plan		Deferred purchase	
	Dec 2008	Dec 2007	Dec 2008	Dec 2007
Exercise price per share (share price range) (R)	86,45		65,00	65,00
Total proceeds (R million)			0,1	

	Phantom scheme ¹		SARs	
	Dec 2008	Dec 2007	Dec 2008	Dec 2007
Exercise price per share (share price range) (R)	136,00 – 136,09		60,60	
Total proceeds (R million)			0,3	

¹ The phantom option awards are classified as cash-settled since no shares will be issued when exercised.

Terms of the options and deferred purchase shares outstanding at 31 December 2008 are as follows:

	Options		Long-term incentive plan	
	Exercise price R	Out-standing '000	Exercise price R	Out-standing '000
Expiry date				
2009	9,60 – 20,34	287	60,60 – 102,14	465
2010	7,52 – 19,62	150	112,35	441
2011	11,09 – 16,62	737		
2012	13,72 – 32,84	1 080		
2013	33,47 – 47,73	1 300		
Total		3 554		906
Total proceeds if options are exercised at reporting date (R million)		89,9		78,2

Equity compensation benefits held by Exxaro employees in Exxaro

	Deferred bonus plan		Deferred purchase	
	Exercise price R	Out-standing '000	Exercise price R	Out-standing '000
Expiry date				
2010	86,45	2	6,97 – 9,17	4
2011	86,60 – 111,88	16	18,36	
Total		18		4
Total proceeds if options are exercised at reporting date/deferred purchase shares at reporting date paid (R million)		2,0		

	SARs		Phantom scheme	
	Exercise price R	Out-standing '000	Exercise price R	Out-standing '000
Expiry date				
2012			59,80 – 100,10	74
2014	58,33 – 104,99	1 338		
2015	112,35	1 759		
Total		3 097		74
Total proceeds if options are exercised at reporting date (R million)		276,2		

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

Share options held by Exxaro employees in Kumba Iron Ore:

Expiry date	Options	
	Exercise price R	Out-standing '000
2009	22,04 – 41,66	217
2010	14,98 – 97,74	2 819
Total		3 036
Total proceeds if options are exercised at reporting date (R million)		157,5

Share options held by Kumba Iron Ore employees in Exxaro:

Expiry date	Options		Deferred purchase	
	Exercise price R	Out-standing '000	Exercise price R	Out-standing '000
2009	40,62 – 16,11	148		
2010	6,91 – 47,73	1 118	21,06	400
2011	12,90 – 13,62	4		
2012	19,62	2		
Total		1 272		400
Total proceeds if options are exercised at reporting date/deferred purchase shares at reporting date paid R million)		33,1		

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 volume-weighted average price (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 2007 are as follows:

Share options held by Exxaro employees in Exxaro:

Expiry date	Options		Long-term incentive plan	
	Exercise price R	Out-standing '000	Exercise price R	Out-standing '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 options are exercised at reporting date (R million)		112,7		29,6
Expiry date	Deferred bonus plan		Deferred purchase	
	Exercise price R	Out-standing '000	Exercise price R	Out-standing '000
2009		2	6,97 – 9,17	4 000
2010			18,36 – 23,26	1 200
Total		2		5 200
Total proceeds if options are exercised at reporting date/deferred purchase shares at reporting date paid (R million)		0,2		0 1

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

	SARs		Phantom scheme	
	Exercise price R	Out-standing '000	Exercise price R	Out-standing '000
Expiry date				
2012			59,80 – 100,10	98
2014	58,33 – 87,22	1 422		
Total		1 422		98
Total proceeds if options are exercised at reporting date (R million)		87,9		

Share options held by Exxaro employees in Kumba Iron Ore:

	Options	
	Exercise price R	Out-standing '000
Expiry date		
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 options are exercised at reporting date (R million)		222,4

Share options held by Kumba Iron Ore employees in Exxaro:

	Options		Deferred purchase	
	Exercise price R	Out-standing '000	Exercise price R	Out-standing '000
Expiry date				
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 options are exercised at reporting date/deferred purchase shares at reporting date paid (R million)		42,4		

Details of options vested but not sold during the year are as follows:

	Dec 2008	Dec 2007
Exxaro employees in Exxaro (post-unbundling)		
Number of shares	4 977 311	1 559 130
Exercise price (share price range) (R)	3,84 – 47,43	3,86 – 47,73
Exxaro employees in Kumba Iron Ore (post-unbundling)		
Number of shares	3 036 340	1 221 160
Exercise price (share price range) (R)	7,80 – 97,74	15,38 – 97,74
Kumba Iron Ore employees in Exxaro (post-unbundling)		
Number of shares	1 271 560	570 070
Exercise price (share price range) (R)	6,91 – 47,73	3,84 – 47,73

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32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

	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	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
Net change during the year	(2 113)	425	16		1 675	3
Number of shares vesting at end of year	4 826	906	18	5	3 097	8 852
– Exxaro employees in Exxaro	3 554	906	18	5	3 097	7 580
– Kumba Iron Ore employees in Exxaro	1 272					1 272

Directors' interests in shares

For details refer to the report of the directors.

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 repriced option amounted to R14,93.

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

	2008		2007	
	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)	49,00	110,00	49,00	110,00
Weighted average exercise price range – original strike price (R)	34,76	71,18	34,76	71,18
Weighted average exercise price range – repriced strike price (R)	13,12	26,86	13,00	26,86
Annualised expected volatility (%)	37,90	37,90	37,90	37,90
Option life (years) (weighted average)	3,11	3,08	3,11	3,08
Dividend yield (%)	4	4	4	4
Risk-free interest rate (%) (weighted average)	8,26	8,26	8,26	8,26
Expected employee attrition (%)	9,26	9,26	6,69	6,69

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

The inputs to the model as at 31 December 2008 are as follows:

	SARs vesting in 3 years	SARs vesting in 4 years	SARs vesting in 5 years
Share price (R)	86,25	86,25	86,25
Weighted average exercise price range	18,11	18,11	18,11
Annualised expected volatility (%)	40,40	40,40	40,40
Option life (years) (weighted average)	3	4	5
Dividend yield (%)	9,20	9,59	9,48
Risk-free interest rate (%) (weighted average)	8,89	8,94	8,94
Expected employee attrition (%)	5	5,5	6

The inputs to the model as at 31 December 2007 were as follows:

Share price (R)	61,24	61,24	61,24
Weighted average exercise price range	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

The Monte Carlo valuation methodology is used to calculate the fair value of long-term incentive plan, deferred bonus plan and MPower grants to employees.

NOTES TO ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

The inputs to the LTIP model are as follows:

	2008	2007
Date of grant	01/04/2008	28/2/2007
Share price at grant date (R)	110,35	61,24
Risk-free rate (%)	8,88	7,70
Dividend yield (%)	2,81	4,08
Expected volatility (%)	N/A	36,80
Time to vesting	three years from date of grant	three years from date of grant
Expected employee attrition (%)	13,24	5,54

The inputs to the DBP model are as follows:

	01/04/2008	28/2/2007
Date of grant	01/04/2008	28/2/2007
Share price at grant date (R)	111,88	61,24
Risk-free rate (%)	8,88	7,70
Dividend yield (%)	2,77	4,08
Expected volatility (%)	N/A	36,80
Time to vesting	three years from date of grant	three years from date of grant
Expected employee attrition (%)	9,00	4,45

The inputs to the MPower model are as follows:

	31/01/2007	31/1/2007
Date of grant	31/01/2007	31/1/2007
Share price at grant date (R)	71,00	71,00
Risk-free rate (%)	8,20	8,20
Dividend yield (%)	3,00	3,00
Expected volatility (%)	37,00	37,0
Vest date	28/11/2011	28/11/2011
Vesting probability	100	100

The inputs to the Phantom scheme model are as follows:

	22/4/2005 – 1/12/2005	22/4/2005 – 1/12/2005
Date of grant	22/4/2005 – 1/12/2005	22/4/2005 – 1/12/2005
Share price at grant date (R)	71,90	56,00 – 100,10
Risk-free rate (%)	8,47 – 8,58	8,54 – 8,70
Dividend yield (%)	11,32 – 12,96	4,12
Expected volatility (%)	48,50	34,25
Time to vesting	Over three years in tranches	Mainly over five years in tranches
Expected employee attrition (%)	0	0

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
33. CONTINGENT ASSETS AND LIABILITIES				
Contingent asset				
An outstanding insurance claim for the Furnace 2 incident at Exxaro TSA Sands (Pty) Limited for which it is probable that settlement will be received in the second half of 2009.	135			
Surrender fee on prospect rights, exploration rights and mining rights.	57			
Contingent liabilities¹				
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:	523	165	1	1
– other ²	64	36	3	

¹ The increase in 2008 is mainly attributable to guarantees to the Department of Minerals and Energy in respect of environmental liabilities on immediate closure of mining operations.

² Includes the group's share of contingent liabilities of associates and joint ventures of R57 million (2007: R22 million).

These contingent liabilities have no tax impact.

The timing and occurrence of any possible outflows are uncertain.

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	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
34. COMMITMENTS				
Capital commitments at balance sheet date				
Capital expenditure contracted for plant and equipment	889	450	78	33
Capital expenditure authorised for plant and equipment but not contracted	2 711	1 278	48	24
The above includes the group's share of capital commitments of associates and joint ventures.	456	157		
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.	70	72		

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, 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.

On 19 January 2007 Exxaro announced that, pursuant to the empowerment transaction, 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. The transaction was valued at R2 353 million at 31 December 2007. The conversion of mining rights and cession thereof to Exxaro was obtained during 2008 and the transaction was completed (refer note 27).

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– less than one year	34	70	9	46
– more than one year and less than five years	35	48	7	8
– more than five years	8	8		
Total	77	126	16	54
Operating sublease receivable				
Non-cancellable operating lease rentals are receivable as follows:				
– less than one year		1		
Total		1		

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	
		2008		2007		2008	2007	2008	2007
		Fixed %	Floating %	Fixed %	Floating %	Rm	Rm	Rm	Rm
LOCAL									
Unsecured loans									
	2009		1,780		6,890	1	109	151	
	2009		14,980				167		
	2011		14,140				5		
	2012		12,570		12,360		300	300	300
	2013		13,480		12,460		150	150	150
	2013		13,480				415		415
	2013		13,480				675		675
	2013		13,580				675		675
	2013		13,480				125		125
	2013		13,580				125		125
	2013		13,480				224		224
	2013		13,580				224		224
	2016		14,350		12,300		143	80	
							3 337	681	2 913
Secured loans									
	2011	12,130		12,130		2	3		
	2011	17,490		17,490		2	2		
	2012	11,420		11,420		1	1		
	2013	13,540		13,540		10	11		
	2025	8,330		8,330		24	25		
	2026	10,710		10,710		13	13		
	2031	22,200		22,200		84	81		
	2032	32,930		32,930		115	106		
						251	242		
FOREIGN									
Unsecured loans (US\$)									
	2016	6,640		6,640		561	408		
						561	408		
FOREIGN									
Secured loan (AU\$)									
	2010	7,850		7,850		1	2		
						1	2		
Total non-current interest-bearing borrowings (refer note 21)							4 150	1 333	2 913
									450

¹ The interest is based on US PPI and settled in rand based on the USD/ZAR exchange rate. The PPI NACS on 31 December 2008 is 1,78% (31 December 2007 6,89%).

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

² Finance lease agreement between Exxaro Sands (Pty) Limited and Mhlathuze Water in respect of a plant with a book value of R2 million (2007: R2 million).

³ Finance lease agreement between FerroAlloys (Pty) Limited and African Oxygen Limited (Afrox) in respect of machinery and equipment with a book value of R0 million (2007: R0 million).

⁴ Finance lease agreement between Exxaro Sands (Pty) Limited and Eskom in respect of buildings with a book value of R1 million (2007: R1 million).

⁵ Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Air Products in respect of a plant with a book value of R6 million (2006: R8 million).

⁶ Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Mhlathuze Water in respect of a plant with a book value of R21 million (2007: R23 million).

⁷ Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Eskom in respect of buildings with a book value of R14 million (2007: R14 million).

⁸ Finance lease agreement between Exxaro Sands (Pty) Limited and Kusasa Bulk Terminals (Phase 1) in respect of a plant with a book value of R45 million (2007: R47 million).

⁹ Finance lease agreement between Exxaro Sands (Pty) Limited and Kusasa Bulk Terminals (Phase 2) in respect of a plant with a book value of R49 million (2007: R51 million).

¹⁰ 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\$0 million was drawn on 31 December 2008 (US\$17 million 31 December 2007).

¹¹ Finance lease agreement in respect of computer equipment with a book value of R1 million (2007: R2 million).

ANNEXURE 2

INVESTMENT IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

	Nature of business ¹	Country of incorporation ²	Number of shares held	Percentage holding		Group carrying amount		Company carrying amount	
				2008 %	2007 %	2008 Rm	2007 Rm	2008 Rm	2007 Rm
ASSOCIATED COMPANIES									
Unlisted									
Black Mountain Mining (Pty) Limited	A	RSA	260	26,00		32			
Chifeng Kumba Hongye Zinc Corporation Limited	A & M	CH	58 520 000	38,00	38,00	132	95		
Chifeng NFC Kumba Hongye Zinc Corporation Limited	A & M	CH	42 500 000	25,00	25,00	37	21		
Sishen Iron Ore Company (Pty) Limited	A	RSA	240 000 000	20,00	20,00	1 647	641		
Total associated companies (refer note 14)						1 848	757		
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	1			
Rosh Pinah Health Care (Pty) Limited	C	NAM	31	31,00					
						1			
Unincorporated									
Moranbah Coal Project	A	AUS		50,00	50,00				
Tiwest	A	AUS		50,00	50,00				
INVESTMENT COMPANIES									
Unlisted									
Richards Bay Coal Terminal						351	290		
Other						36	38		2
Total other investments (refer note 16)						387	328		2
TOTAL INVESTMENTS									
						2 236	1 085		1
The investments are valued at reporting date.									
Listed shares are valued at market value and unlisted shares at directors' value.									
Unlisted investments in associates									
– directors' valuation									
Unlisted other investments									
– directors' valuation									

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

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

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	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
INCOME STATEMENTS				
Revenue	4 803	2 935	1 319	1 192
Operating expenses	(2 290)	(1 749)	(1 392)	(1 112)
NET OPERATING PROFIT	2 513	1 186	(73)	80
Net financing (costs)/income	(64)	(68)	(21)	6
PROFIT BEFORE TAX	2 449	1 118	(94)	86
Income tax expense	(806)	(356)		1
PROFIT FOR THE YEAR	1 643	762	(94)	87
Profit for the year attributable to owners of the parent	1 643	762	(94)	87
STATEMENTS OF FINANCIAL POSITION				
Non-current assets	1 967	1 333	1 981	1 643
Current assets	1 847	898	1 156	1 120
TOTAL ASSETS	3 814	2 231	3 137	2 763
Equity and liabilities				
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	1 614	757	2 533	2 324
Non-current liabilities				
Interest-bearing borrowings	555	241	128	81
Non-current provisions	143	63	207	152
Deferred tax and other	412	315	16	16
Current liabilities				
Interest-bearing borrowings	670	537	15	1
Other	420	318	238	189
TOTAL EQUITY AND LIABILITIES	3 814	2 231	3 137	2 763
STATEMENTS OF CASH FLOWS				
Net cash flows from operating activities	836	498	81	258
Net cash flows from investing activities	(359)	(482)	(248)	(204)
Net cash flows from financing activities	96	(44)	7	(89)
Foreign currency translations	4	(15)	38	(31)
Net increase/(decrease) in cash and cash equivalents	577	(43)	(122)	(66)

ANNEXURE 3

INVESTMENTS IN SUBSIDIARIES¹

	Country of incorporation ²	Nature of business ³	Issued capital-unlisted ordinary shares	Interest of company			
				Investment in shares		Indebtedness	
				2008 R	2007 R	2008 Rm	2007 Rm
DIRECT INVESTMENTS							
AlloyStream (Pty) Limited	RSA	M	1	1	1		
AlloyStream Holdings (Pty) Limited	RSA	H	1	746 163	746 163	11	10
Clipeus Investment Holdings (Pty) Limited	RSA	H	1	1	1		
Colonna Properties (Pty) Limited	RSA	B	200	2 518 966	2 518 966	2	
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	413	222
Exxaro Chairman's Fund	RSA	T					
Exxaro Coal (Pty) Limited	RSA	A	1	1 000	1 000	760	1 783
Exxaro Employee Empowerment Participation Scheme Trust	RSA	T					
Exxaro Environmental Rehabilitation Fund	RSA	T					
Exxaro FerroAlloys (Pty) Limited	RSA	M	1	1	1	(10)	(7)
Exxaro Foundation	RSA	T					
Exxaro Holdings (Pty) Limited ⁴	BVI & RSA	H	566 827	459 517 297	459 517 297	11	5
Exxaro Holdings Sands (Pty) Limited	RSA	H	40 000	1 869 951 859			
Exxaro Insurance Company Limited	RSA	I	50	5 000 000			
Exxaro People Development Initiative	RSA	E					
Exxaro Properties (Groenkloof) (Pty) Limited	RSA	B	1	1	1		
Exxaro Properties (Kloofzicht) (Pty) Limited ⁵	RSA	B	1		1		
Exxaro Properties (Princess Grant) (Pty) Limited ⁵	RSA	B	1		1		
Exxaro TSA Sands (Pty) Limited	RSA	M	510	510	510	5 693	2 205
Exxaro Sands (Pty) Limited	RSA	A	200	6 003 355	6 003 355	818	710
Ferroland Grondtrust (Pty) Limited	RSA	D	2	2	2	4	
Ferrosure (South Africa) Insurance Company Limited ⁶	RSA	I			10		
Glen Douglas Dolomite (Pty) Limited ⁷	RSA	A	10 000		10 000		4
Kumba Base Metals Namibia (Pty) Limited	NAM	C	1	1	1	(2)	
Kumba Resources Management Share Trust	RSA	T				(51)	(67)
Merrill Lynch Insurance PCC Limited	ILE	I			2		
Mineral Exploration Company of Southern Africa (Pty) Limited ⁵	RSA	B	200		200		
Rocsi Holdings (Pty) Limited ⁸	BVI & RSA	H	647 044 943	653 722 945	653 722 945	90	(40)
Skyprops 112 (Pty) Limited	RSA	H	100	44 389 208		20	
Ticor (Bermuda) Holdings Limited ⁹	BER	H	74 836		143 502 000		
Ticor (Bermuda) Minerals Limited ⁹	BER	H					
INDIRECT INVESTMENTS							
Coastal Coal (Pty) Limited	RSA	A	5 000			(51)	(63)
Exxaro Australia Pty Limited	AUS	A	11			(1)	(1)
Exxaro Australia Sands Pty Limited	AUS	A	2 038 299 354			3	1
Exxaro Base Metals (Namibia) (Pty) Limited	NAM	H	100			69	
Exxaro Base Metals China Limited	HK	C	1 354				
Exxaro Base Metals International BV	NE	A	119 209				
Exxaro Coal Botswana Holding (Pty) Limited	Bot	P	2				
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	
				2008 R	2007 R	2008 Rm	2007 Rm
			R				
Exxaro Maden Arama ve Madencilik Ltd. Sti.	TUR	P	32 512				
Exxaro Madencilik Sanayi Ve Ticaret Anonim Sirketi (76%)	TUR	P	6 436 530				
Exxaro Mineral Sands BV	NE	A	134 973				
Exxaro Holdings (Australia) Pty Limited	AUS	H	5				
Exxaro International BV	NE	H	662 037			1	
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 Sands Holdings BV	NE	H	169 999				
Exxaro Coal Mpumalanga (Pty) Limited ¹⁰	RSA	A	100 000			(490)	21
Ferrowest (Pty) Limited (95%)	RSA	B	136 500 000				
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 (50,04%)	NAM	A	2 280			(21)	5
Senbar Holdings Pty Limited	AUS	C	10				
Synthetic Rutile Holdings Pty Limited	AUS	C	10				
The Vryheid (Natal) Railway Coal and Iron Company Limited	RSA	A	3 675				
Ticor (Overseas) Holdings Pty Limited	AUS	H	10				
Ticor Chemical Company Pty Limited	AUS	M	10				
Ticor Chemicals Ghana Pty Limited ⁵	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	A	48 216 010				
TOTAL INVESTMENTS IN SUBSIDIARIES (refer note 15)				3 289 564 811	1 513 735 958	7 269	4 788

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 – Isle of Man, IRL – Ireland, MAU – Mauritius, NE – Netherlands, BER – Bermuda, Bot – Botswana, TUR – Turkey

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

⁴ Exxaro Holdings (BVI) SA was converted into a South African company as Exxaro Holdings (Pty) Limited

⁵ Deregistered during 2008

⁶ Shares sold during 2008

⁷ Reclassified during 2008 as non-current asset classified as held-for-sale

⁸ Rocsi Holdings (BVI) Limited was converted into a South African company as Rocsi Holdings (Pty) Limited

⁹ Liquidated during 2008

¹⁰ Previously Eyesizwe Coal (Pty) Limited